CREDIT CONCENTRATION POLICY

Prepared by Legal & Compliance Team

SAMPATI SECURITIES LIMITED

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Credit Concentration Policy

(Applicable to Base Layer NBFCs under RBI's Scale-Based Regulatory Framework)

1. Objective

The objective of this Policy is to establish prudential limits and internal controls for managing credit and investment concentration risk in the Company's portfolio, in line with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 (**"RBI Master Directions"**), and as amended from time to time, applicable to all Non-Banking Financial Companies. The Policy aims to ensure diversification of exposures across borrowers, groups, sectors, and thereby safeguarding the Company's financial soundness.

2. Regulatory Framework

This Policy is framed in accordance with the following provisions:

- Para 2 of Credit/Investment Concentration Norms – Credit Risk Transfer dated January 15, 2024
- Para 32A and 91 of Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023, and as amended from time to time

3. Scope and Applicability

This Policy applies to all credit exposures (fund-based and non-fund-based), investments, guarantees, and other credit substitutes extended by the Company. It covers exposures on:

- Individual borrowers;
- Groups of connected or related parties;
- Specific sectors; and
- Investment portfolios (including debt and equity instruments).

4. Definitions

4.1. Owned Fund (as per Para 5.1.25 of the RBI Master Direction)

"Owned Fund" means the aggregate of:
(i) Paid-up equity capital;
(ii) Preference shares which are compulsorily convertible into equity;
(iii) Free reserves;
(iv) Balance in share premium account; and

(v) Capital reserves representing surplus arising out of sale proceeds of assets, excluding reserves created by revaluation of assets;

as reduced by:

(vi) Accumulated loss balance;

(vii) Book value of intangible assets; and

(viii) Deferred revenue expenditure, if any.

Illustration – Computation of Owned Fund:

Particulars	**Amount (₹ crore)**
Paid-up equity share capital	5.00
Compulsorily convertible preference shares	0.50
Free reserves	2.00
Share premium account	0.50
Capital reserves (non-revaluation)	0.25
Subtotal (A)	8.25
Less: Accumulated losses	(0.50)
Less: Intangible assets	(0.25)
Less: Deferred revenue expenditure	(0.10)
Owned Fund (A – deductions)	**₹ 7.40 crore**

4.2 Tier I Capital (Para 5.1.34 of the RBI Master Direction)

For NBFCs other than Base Layer, Tier I Capital equals:

(i) Owned Fund (as reduced by investments or exposures to group companies exceeding 10 percent of Owned Fund); plus

(ii) Perpetual debt instruments (≤ 15 percent of aggregate Tier I Capital of previous year).

Note: For Base Layer NBFCs, inclusion of perpetual debt instruments is not applicable. Therefore, Tier I Capital = Owned Fund adjusted for group company exposures.

Particulars	**Amount (₹ crore)**
Owned Fund (from above)	7.40
Less: Investments / loans to group companies > 10 % of Owned Fund	(0.20)
Add: Perpetual debt instruments (N/A for NBFC-BL)	–
Tier I Capital	**₹ 7.20 crore**

4.3 Credit / Investment Concentration Norms

Type of Exposure	Regulatory Limit	Maximum Permitted Exposure	Remarks
Single Borrower / Party	25% of Tier I Capital	₹ 1.80 crore	Standard limit
Single Group of Borrowers / Parties	40% of Tier I Capital	₹ 2.88 crore	Standard limit
Additional Exposure for Infrastructure Loans / Investments	+5% and +10% respectively	₹ 2.16 crore (single) / ₹ 3.60 crore (group)	Subject to Board approval and classification as infrastructure exposure

Thus, if the Company's **Tier I Capital is ₹ 7.20 crore**, any exposure exceeding **₹ 1.80 crore** to a single borrower or **₹ 2.88 crore** to a single group will require prior Board approval. Infrastructure exposure exemptions may be availed only after detailed justification and documentation.

Notes:

1. The above limits include both fund-based and non-fund-based exposure.
2. Infrastructure exposures may avail additional limits as above, provided proper Board approval and justification are recorded.
3. Exposure on subsidiaries, associates, or related parties shall be aggregated as per RBI's definition of "connected counterparties.

5. Exposure:

Exposure includes all fund-based and non-fund-based credit limits, investments, and other contingent liabilities on a counterparty or group.

6. Group of Parties:

A group of parties refers to entities under the same management or exercising significant influence over each other, as determined by the Company's credit risk assessment framework.

7. Infrastructure Exposure:

Exposure to infrastructure loans and investments as defined in the RBI circular on "Exposure Norms for Infrastructure Lending" and internal credit classification.

8. Review and Monitoring

- The Policy shall be reviewed annually or earlier if there is a regulatory change affecting concentration norms.
- The Risk function shall submit a Quarterly Exposure Report to the Board Audit & Risk Committee detailing single borrower, group borrower, and sectoral concentrations, along with the percentage of Tier I Capital utilized.
- Any significant deterioration in credit quality or concentration build-up shall trigger early warning procedures under the Credit Risk Management Framework.

9. Governance

- The Board of Directors is responsible for overall compliance with exposure norms. They shall ensure implementation of this policy and monitor exposures and maintain control reports.
- The Policy shall form part of the Company's overall *Credit Risk Management Policy* and *Risk Appetite Framework*.

10. Policy Approval and Effective Date

This Policy has been reviewed and approved by the Board of Directors at its meeting held on 3rd April 2025 and shall come into effect from that date. It supersedes any earlier policy on credit concentration previously adopted by the Company.

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