CLIX HOUSING FINANCE

Risk Management & Credit/Loan Policy

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Effective Date	27-May-2025
Approver	Board of Directors
Policy Owner	Chief Risk Officer
Review Frequency	Annual

Contents

1. Scope & Objective

1.1. Objective

This Credit Policy (hereafter referred to as “Credit Policy” or “the Policy”) is applicable to all lending activities of Clix Housing Finance Private Limited (hereafter referred to as ‘the Company / Clix Housing Finance’). It embodies Clix Housing Finance’s approach to sanctioning, managing and monitoring credit risk. It sets out acceptable credit norms and stresses on achieving a high-quality loan portfolio with optimal returns. This policy sets forth the operating principles and standards to be complied with, including those that require to be gradually built up to enhance procedures and systems, in relation to credit appraisal, processing, operations, disbursement and risk management at Clix Housing Finance.

The Policy will be approved by the Board of Directors and is expected to serve as the guiding document for the company. The Policy would remain in force till the next revision is carried out and disseminated.

Key objectives of the policy are:

- To lay down the guiding principles that aid-in enhancement of credit in consonance with the main business objectives of the Company and in compliance with the statutory and regulatory requirements/ guidelines.
- To adopt a prudent policy for management of credit risk to build and maintain a sound and well-diversified credit portfolio.
- To define principles for delegation of sanction powers to appropriate sanction authority on the basis of risk consideration
- To facilitate effective credit monitoring and mitigation practices across Clix Housing Finance
- To establish the minimum standards for security charge creation and documentation
- To ensure consistent classification of assets, including non-performing assets, ensuring adequate provisioning in line with regulatory norms and management of problem accounts

1.2. Applicability

This Policy represents the minimum standards of credit business across the company and is not a substitute for experience and good judgment. Given that the policy is to be flexible and responsive to changing business needs and market conditions, it will be reviewed from time to time and any revisions will be updated annually or as necessary. In the event that clarification on interpretation is required, consultation must first be sought from the Chief Risk Officer (“CRO”) of Clix Capital.

This Policy would be applicable to all credit facilities sanctioned by Clix Housing Finance and is guided by the leading practices of commercial prudence and the highest standards of ethical norms including the key requirements of RBI / NHB directives on Fair Practices Code for Lenders and other such directives in relation to loans and advances applicable to NBFCs/HFC’s and in case of any conflict the Regulatory directives would take precedence.

1.3. Scope of the credit policy:

i. The Credit Policy would apply to credit exposures to different segments undertaken by Clix Housing Finance Ltd
ii. The Credit Policy would be confined to credit risk management and not relate to market and operations risk management.
iii. The Credit Policy would need to be reviewed at least on an annual basis so that it remains in tune with the changes in the regulatory requirements, macro environment, business conditions and the Companies own organizational needs, business strategy and risk appetite.

1.4. Policy review and Approval Process

Policy would be reviewed and updated at least on an annual basis by the Chief Risk Officer with support from the Head – Policy and CEO. The reviewed and updated policy would be submitted to Risk Management Committee ("RMC") for recommendation and approval of the Board. The minutes of meeting of the committee and the Board would be documented.

1.5. Effective Date

This Policy is effective upon approval.

2. Credit Risk Governance Framework

2.1. Credit Risk Philosophy

Clix Housing is exposed to credit risk while offering the various loan products. The objective of the credit risk management framework at Clix Housing is to ensure that various credit risks are understood, measured and monitored and that the policies and procedures established to address these risks are strictly adhered to. The overall credit risk management philosophy of Clix Housing can be summarized as follows:

- To partner with business in building and maintaining a healthy and high-quality loan asset portfolio
- To strive for best-in-class credit underwriting and due diligence standards through continuous improvements in credit processes and risk management systems
- To innovate and practice new/innovative methods of credit due diligence
- To ensure that credit underwriting standards are rolled out uniformly in all business units and that there is uniformity in risk philosophy across the organization
- To ensure consistent classification of assets, including non-performing assets, ensuring adequate provisioning in line with regulatory norms and management of problem accounts

Credit risks faced by Clix Housing will be managed by the individual roles and responsibilities of Credit Risk Policy department, Sales, Operations and Product department as well as the interplay of functions by them. Internal Audit/Quality Assurance/Hind Sighting team, in due course, perform an independent assessment of the design and operational effectiveness of the entire credit risk management framework at Clix Housing.

2.2. Credit Risk Governance Framework

The credit risk governance framework at Clix Housing is designed with consideration to the following key principles:

- Segregation of duties across the three lines of defense:
- Origination / Sales
- Credit risk unit, that independently manages the risk, provides policy guidance, performs credit analysis, risk reporting and credit monitoring
- Internal audit unit, which independently assesses the design and operational effectiveness of the entire credit risk management framework Credit origination units/Sales would retain the primary accountability for managing the credit risks
- The governance model would promote transparency, accountability, communication and flow of information
- The Board would be responsible for company-wide credit risk management
- All material credit risks are identified and measured, exposures are aggregated and management attends to the risky exposures

2.2.1. Governance framework:

The company has structured its Governance framework for ensuring effective credit risk management. The credit risk policy framed in this document reckons the Governance framework and other structures laid down/ to be laid down by the company for the overall credit risk management. A RBI guideline compliant structure has been suggested for the long term governance structure (Annexure A). In the short term, however the company may follow an interim structure which allows the company to handle the business challenges with minimal disruptions and changes. It is recommended, that the company should adopt the RBI guideline compliant structure in the absence of NHB guidelines on the same, if any.

2.2.2. Board of Directors:

The Board of Directors of Clix Housing Finance Private Limited ("Board") will have the overall responsibility for risk management in the Company, including credit risk management. The Board will approve the Companies Policy covering, inter alia, prudential exposure limits, business segments, credit assessment and approval/ denial system, margin and collateral management, credit documentation, credit pricing, credit administration and monitoring system, non-performing assets management policy and credit risk management system.

2.2.3. Risk Management Committee (RMC):

The Board has delegated authority to the RMC for credit risk related responsibilities. Below is the constitution of RMC:

Members	Board of Director will be the Members of RMC and constitution of the RMC needs to be approved by the Board. Following officials of the Company may be invited in RMC: Chief Executive Officer (CEO) Chief Risk Officer (CRO) Chief Financial Officer (CFO) Chief Operating Officer (COO) Principal Officer National Credit Manager
Quorum	At least one of CEO/ CRO At least one of COO/ CFO/ Principal Officer Chief Risk Officer (CRO) may invite the functional heads on as needed basis
Frequency	RMC will meet every 6 months. However, RMC may be convened on a more frequent basis if deemed appropriate
Minutes	Minutes of all RMC meetings will be recorded

The roles and responsibilities of the RMC are as below:

- Recommending to the Board for its approval / review, credit risk related policies and credit strategy
- Overseeing the credit risk management at Clix Housing and ensure that the credit risks are properly identified and are appropriately managed
- Reviewing the portfolio composition, quality, delinquencies and Non-Performing Assets (NPAs)
- Reviewing the credit risk profile and any major development, internal and external, and their impact on portfolio
- Reviewing the non-compliance, audit / regulatory findings
- Updating the Board at periodic intervals with Clix Housing's credit risk exposure profiles - concentration risk (borrower groups/ industries/ location/ sectors), risk rating of the obligors, along with the corrective measures taken/ recommended
- Approving exceptions to the Clix Housing's Credit, policy and recommending the same to the Board for approval

- Recommending any proposals as mandated by RBI and / NHB for approval by the Board

- **Appointment of CRO**

  Chief Risk Officer is appointed with specified roles and responsibilities and following points have been adhered to in this regard:

  a) The CRO is a senior official in the hierarchy of Clix and possesses adequate professional qualification/ experience in the area of risk management.
  b) The CRO has been appointed for a specified period with the approval of the Board.
  c) The CRO would report to RMC and does not have any reporting relationship with the business verticals. Further, neither would he have any business nor would there be any 'dual hatting' i.e. the CRO has not been given any other responsibility.
  d) The CRO shall be involved in the process of identification, measurement and mitigation of risks. All credit products shall be vetted by the CRO from the angle of inherent and control risks. The CRO's role in deciding credit proposals, if any, shall be limited to being an advisor.

3. Type of Risk and Mitigation Approaches

3.1 Borrower Risks: Borrower risks arise mainly from two aspect of borrower's payment behavior

(i) Ability to pay – Deterioration in borrower's ability to pay may result in default in payment. The ability to pay of a borrower is determined by

a. Income characteristics – Level of borrower income is the key driver in determining if the borrower can fulfill the obligations. It is important the net income available to repay the loan is assessed, after discounting for existing obligations and the expenditure required to ensure living as per the standards.
b. Stability of earnings – In case of unstable or uncertain income, the ability to pay becomes suspect. Annexure C provides an estimate of risk due to the relevant employment sector.
c. Assets and Liabilities – Any unfulfilled obligations are the indicators of future outflow from the borrower thus deteriorating customers' net income availability to pay the loan. On the other hand, assets held in estimating the means of the borrower, for meeting any contingency.

(ii) Intention to pay – while ability to pay may be assessed to a large extent by the surrogates mentioned above intention to pay can be assessed only through the past payment behavior/ by meeting the customer/ taking reference from neighborhoods/ market or business associates.

3.1.1 Mitigation Approaches - Borrower Risk

To reduce the credit risk exposure caused by the borrower specific characteristics, the company would:

(i) Ensure that documentary proof is collected with regards to the income, liabilities and assets along with all the documents as per Know Your Customer (KYC) & AML Policy of the company such as salary slips, Form 16, Income-tax returns, Bank statements, self-declaration for Income, etc.

(ii) Train its field staff to make them understand the significance of the information required

(iii) Carry out an independent field investigation to assess the financial standing of the applicant

(iv) Collect and verify information from as many sources as possible, before sanctioning the loan

(v) Carry out a check with CIBIL (or other credit bureau), to ensure that the applicant is not a past defaulter

(vi) Have prudent norms for Loan to value and loan to cost ratios, in order to limit exposure

3.2 Security Risk

Security risk is the faced by the lender in terms of erosion of underlying security value. The security risk in case of real estate property can be classified into following categories:

a. Property Completion risk: In case of housing construction and other related loans, there is a risk that the property for which the loan is being undertaken might not be completed at all, or might be delayed in completion. This would in turn in two results in the borrower not able to avail the expected benefits on time. Completion risk could be in the form of:

   1 Delay in construction of property resulting delay in deriving utility from it.

   2 Default from promoters/ developers of the property both in terms of documentation as well as completion of construction.

   3 Legal or regulatory hurdles with respect to property title, design or construction

b. Property price risk: It is the risk that the cost of procuring the property could be higher than the resale value or the expected utility value of that property, in which case the borrower may default. This can happen in the following scenarios

3.2.1 Mitigation Approaches - Security Risk

Security risk cannot be completely mitigated, but can be minimized and assessed by the following

(i) Legal appraisal of the property to ensure that the applicant(s) would have a clear title. Legal appraisal should be carried out through an empaneled independent lawyer(s) to ensure authenticity. In case the BOM or the operations officer has reasons to doubt the veracity, a second opinion may be called for.

(ii) Technical appraisal from an empaneled independent values/architect to determine the market value of the property independently from that disclosed by the applicant. Technical appraisal should also be carried out to ensure that the property complies with the laws governing the urban properties in the area concerned. In order to ensure fair valuation from the valuer, the company should randomly refer the cases for second opinion. In case of high risk exposure, two valuations should be undertaken in order to have a fair idea of marketability.

(iii) Property inspection by the Credit Manager/ Operations Manager or external before disbursement, to ensure the marketability of the property – marketability is determined by the property location, infrastructure and civic amenities available, property values in the locality etc.

(iv) Monitoring the property values in different localities to identify trends

(v) Monitoring property developers in terms of their adherence to schedule and cost estimates, market reputation etc. Based on this monitoring, a negative list of developers would be circulated from time to time, and at the time of approval, extra risk should be taken cognizance of for the projects of such developers.

(vi) Company shall keep a update on the negative areas, locations, properties in which funding is not possible and will also circulate the same as and when required and will also train its staff on the same.

(vii) Central Know Your Customer Registry (“CKYCR”)

In order to comply with the directions of NHB relating to Common KYC Templates for central registry for CKYCR, the Company shall take all necessary steps and measures required to be prepared for online uploading of the KYC particulars and documents on the CKYCR portal/website.

The Company shall thus upload the KYC data with CERSAI in respect of all individual accounts. The data and information as required by the revised KYC templates prepared for individuals and non-individuals/legal entities, as the case may be, captured for sharing with the Central KYC Record Registry shall be in accordance and in the manner mentioned in the “Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (and amendments thereto).

(viii) Central Registry of Securitization Asset Reconstruction and Security Interest of India (“CERSAI”): In order to comply with the directions of Chapter IV of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. (SARFAESI Act), the Company shall also register transactions of securitization, asset reconstruction of financial assets and creation of security interest over property, with CERSAI. CERSAI enable lenders and other stake holders to get real time current information regarding the collateral being mortgage by borrower(s) and prevent fraudulent transactions arising out of same asset being mortgage with multiple lenders.

3.3 Product risk

Product risk arises from the inherent features of the product offered and the transactions made. It is a risk which is more or less built into the product because of the way the product is designed. The basic factors that impact product risk are:

(i) Purpose of the loan – Loan for purchase of land are more risky because of the fact that the land can be brought for speculative purposes in a booming real estate market. Similarly, Loan against property and top up would pose a higher risk than loan for purchase of house. Annexure D provides an estimate of purpose related risk

(ii) Amount of the loan – Higher the amount, higher is the exposure the company is carrying in cases of default.

(iii) Rate of Interest of the loan – high rate of interest could result in the borrower defaulting. Moreover, the nature of interest rate (variable or fixed) may also affect the default behavior. In case of an increasing rate regime, variable rate loans are seen to experience more defaults as cost of servicing them increases.

(iv) Tenure of the loans – loner the loan, more difficult it is to predict the behavior and financial stability of the borrower

(v) Disbursement method of the loan – it depends on the ratio of the amount disbursed to the value creation in the underlying security during the stages of disbursement/ construction. Apart from the primary security, in certain cases, collateral security is used for enhancing the loan limits. In case of such securities, the risk arises from

    (i) Volatility of security – in case the security is highly volatile, for example equity shares, there is a risk that the realizable value may fall below the value assessed at the time of loan sanction.

    (ii) Liquidity of security – marketability of security and the ease with which the company can redeem the collateral is another factor determining the credit risk

3.3.1 Mitigation Approaches - Product Risk

Product risks may not be in control of the company, given the competitive scenario in the industry. Hence the company would educate and train its employees on the risk profiles of its product portfolio.

(i) The company would preferably not deal with market linked securities, and as far as possible take government backed securities/ fixed deposits as collateral

(ii) Company would take as collaterals, only those securities which can be assigned or transferred in company's name and can be redeemed if need be

(iii) Company would maintain prudent norms for borrower's contribution, and loan to value ratio.

(iv) Company would continuously analyze and monitor the product norms vis-à-vis risk management practice. Going forward company would have a Product team under the supervision of Head (Credit /Product)/ Management committee for continuous appraisal and fine tuning of existing products along with developing the new products.

(v) Know Your Customer and Anti-Money Laundering Measures

As per NHB Guidelines issued from time to time and amendments thereto, the Company will ensure that a proper policy framework on KYC & AML measures under the Prevention of Money Laundering Act and Rules are framed and placed with the approval of the Board.

3.4 Systematic Risks

Systematic risks are the risks caused by external environment, i.e. factors beyond the control of the company or the obligation. The factors inducing systemic risks are:

(i) Economic growth – in case there is a downturn in the economy, there are higher chances of impact on the income level of the borrowers, and its stability

(ii) Property value trends – there is a higher tendency to default if the value of underlying security declines, whereas in case of appreciation of property value, there may be a tendency to prepay

(iii) Unemployment rate – Empirical studies in India and abroad have shown that a rise in unemployment rate is directly correlated to default on mortgages as some of the obligators experience a reduction in earning

(iv) Geographic or regional biases – in certain cases, the rise and fall in prices are specific to certain regions or cities as a result such biases may significant impact the loan portfolio.

3.4.1 Mitigation Approaches - Systemic Risk

As these are not under the control of the borrower of the company, company should take steps to preempt the risks. Hence the CRMT should monitor on a periodic basis, the portfolio level risks, as well as the trends in property markets in different regions, employment and growth trends of different sectors etc. In case a significant impact is assessed, the company would take action to protect its interests by asking for additional security, or foreclosing the loan in worst cases.

4. Credit Appraisal Framework

The business segmentation and financial products offerings to the target customers will be governed mainly by the Companies Business Strategy, including Identifying key business/ industry segments for lending based on high growth potential and domain knowledge/expertise of the company. Within the target business/ industry segments, clients having a risk profile acceptable to Clix Capital will be identified for lending.

4.1. Financial products

The company would offer a wide range of products to the target customer segments to address their financial needs. The products range including but not limited to:

a) Loan for purchase/renovation/extension for property including but not limited to residential and non-residential property

b) Takeover of accounts from Banks / Financial Institutions / NBFCs

c) Term loans for meeting working capital requirements/cash flow mismatches.

d) Investments into treasury products for cash management

e) Long-term Loans or Project Finance for new industrial/ infrastructure projects (suggested term over 5 years), Takeout Finance, acquisition financing (as per extant RBI guidelines/ NHB / Board approved policy)

f) Any other product offering/activity as approved by the board/appropriate authority

g) The product mix offering will vary from one business/ industry segment to another. The company would customize the product-mix to maximize customer satisfaction.

4.2. Credit Appraisal Standards

General requirements applicable to all Products are set forth above. Additionally, underwriting, documentation and monitoring requirements specific to each Product would be documented separately in detail in the lending policy and the Operating manual.

Origination

Business units are the first line of defense in the three lines of defense framework adopted by Clix Housing Finance.

Business units are primarily responsible for credit origination within the credit framework defined by the Clix Housing. It will be the responsibility of the Business units to actively manage risks and periodically report on identified risks. The responsibilities of Business units with respect to Credit risk governance are as follows:

- Sourcing customers in accordance with the credit framework of Clix Housing and the suitability of the offered products
- Collecting necessary documents / information from the borrower / guarantor to facilitate credit screening and underwriting
- Arranging and participating in Personal Discussion (PD) visits (where applicable) between the credit personnel and customers to assess the customer background, credit needs and risk profile
- Ensuring that relevant documents are executed by authorized signatories of the borrower or guarantor
- Ensuring all post sanction documentation and post disbursement documentation/conditions are complied with
- Manage customer relationships and highlight any material credit event to the credit risk unit on a timely basis
- Ensuring timely collection of repayments from the customer as per the repayment schedule and initiation of recovery/follow

4.3. Underwriting Requirements

The underwriting teams must adhere to the following general requirements:

- Each funding request must identify and analyze the material basis of the loan, including obligor, collateral, industry, exit strategies, legal, compliance, reputational, and environmental risk as appropriate.
- All known and contingent liabilities and material risks to the investee must be considered.
- Anti-Money Laundering Policy ("AML") – Underwriters must comply with applicable AML Policies and Procedures, including the collection and understanding of documentation about prospective customers, agents and business partners to ensure that they are knowledgeable about their customers, agents and business partners and that they are involved in legitimate business activities and their funds come from legitimate sources.
- Clix Housing may not knowingly enter a relationship with a customer, agent or business partner that has past, current or pending convictions with relevance to the transaction.
- Using management judgment and ensuring that any such considerations are properly documented, Clix Housing may not lend or invest in industries, individuals and projects that pose undue reputational risk even though those may be legal.
- Any potential implications from access to material non-public information must be assessed, and applicable compliance policies per the assessment must be adhered to.
- Comprehensive analysis of obligor capacity and structural soundness must be prepared for all credit requests, except for non-recourse investments.
- Collateral security or property must be adequate and enforceable as opined by Clix Housing Internal legal team/empaneled legal vendor
- Where commercial underwriting is performed by the use of automated credit models, this must be done in compliance with relevant policies and/ operating manuals approved by the RMC/ Board; and
- Maximum tenure for different business segments shall be as per approved programs and the Delegations.
- Ensure complete and accurate system updation

4.4. Moratorium Policy

Clix Housing typically lends to well-established individuals/companies/projects with existing healthy cash flows. It does not typically lend to new projects with long gestation periods. Therefore, it expects its borrowers to be able to service the loans quickly post-disbursal and not provide moratorium period for repayments. However, on a case-by-case basis, repayment moratorium may be provided by approval from relevant authority and with system functionality available to ensure operational execution.

Rationale for providing moratorium should be based mainly on the assessment of cash flow projections. At times, there may be occasions where in spite of healthy cash flows, competitive pressures require Clix Housing to provide a suitable moratorium. At times the provision of a moratorium period may in fact act as a differentiator and provide an edge over the competition.

The following guidelines shall be adopted in the credit decision for moratorium period on the loans provided.

- Moratorium shall be provided for a maximum period of 12 months
- The period of moratorium shall be a combined decision, based on the customer request and the cash flow projections. Cash flow projections would take into account the nature of the facility and the business situation.
- Competing offers available to the customer from other financiers shall also be considered.

The period of moratorium and the terms & conditions thereof will be jointly decided by CEO, CRO or the relevant approving authority based on the written recommendation & justifications.

4.5. Loan to Value Assessment

A key input to the underwriting process for a loan secured against a property is establishing the Loan to Value (LTV).

The Company would ensure that instructions relating to LTV issued by NHB from time to time are adhered to strictly. In line with NHB circular vide NHB(ND)/DRS/REG/MC-01/2017 (and as modified) , Clix Housing Finance shall grant housing loans to individuals:

(a) up to 30 lakhs with LTV ratio exceeding 90%,

(b) above 30 lakhs and up to 75 lakhs with LTV ratio exceeding 80%, and,]

(c) (c) above 75 lakhs with LTV ratio exceeding 75%.

As per existing NHB norms, the Company shall not include stamp duty, registration and other documentation charges in the total cost of the housing property for the purpose of computing LTV ratio except under affordable housing for borrowers of EWS & LIG category where the cost of the house/dwelling unit does not exceed INR 10 lakhs.

Clix Housing will obtain minimum two valuation reports, at least one of them being from an independent valuer, in case the loan amount is ₹50 lakh or above (or such any other lower value as may be decided by the Board of the Company) and below ₹75 lakh. The lower of the two valuations shall be considered by Clix Housing for deciding upon the loan amount.

In case the loan amount is ₹75 lakh or above, Clix Housing shall necessarily obtain minimum two independent valuation reports and the lower of the two shall be considered by the HFC for deciding upon the loan amount.

The requirement of valuation in respect of financing of the initial purchase of a residential dwelling unit from a State Housing Board/Municipal Corporation/ Developmental Authority or other public agencies by Clix Housing shall be decided by the company with the approval of its Board.

In respect of financing of any initial transaction of the purchase of a property, the value of the property for the purposes of arriving at the Loan to Value ratio (LTV) should not exceed the documented transaction value as per the agreement to sale, sale deed etc. Valuation in such cases, if required, may be done as per the policy approved by the Board of the company.

Vide Circular NHB (ND)/DRS/Policy Circular No.86/2017-18, Valuation of properties by the Internal Technical Valuers is permissible subject to the internal technical valuer having qualifications similar to those prescribed under the Companies (Registered Valuers and Valuation) Rules, 2017
Disbursement of loan linked to stages of construction

Due to the higher risk attached associated with lump-sum disbursal of sanctioned housing loans in under-construction projects and self -construction, the disbursement of loans to individuals will be linked to the stages of construction of the housing projects and houses and not either time based or suitability of the customer. Upfront disbursal will not be made in either incomplete, under construction or green field housing projects or houses. It would be our sincere endeavor to ensure that the customers are made fully aware of the risk and liabilities attached to such projects/products.

However, in cases of projects sponsored by Government/Statutory Authorities like State Housing Boards, Local Development Authorities, etc, the loans can be disbursed as per the payment terms prescribed by such authorities even though the payment schedules are not linked to the stages of construction. However, it will also be ensured that such Authorities have no past history of noncompletion of projects.

4.6. Affordability

Mere availability of the collateral should not be sole reason for funding. Underwriting team needs to be ensure that lending is done based on the strength of borrower's cash flows as assessed and/or basis documented income (financials/banking/other surrogates such as past repayment track record etc.) A comprehensive analysis must be performed to understand the business model of the borrower, history of the business, key cash flow drivers, leverage and expenses.

Credit Information Reports (CIR) of the borrower from CIBIL or other agencies with which Clix Housing has membership agreement, irrespective of the loan amount for fresh sanction/enhancement/renewal (as defined in the lending guidelines), shall be generated and examined.

In cases where the applicant is a non-individual, credit personnel shall also conduct ROC search on the website of Ministry of Corporate Affairs (MCA) and CERSAI to assess whether there is any existing charge on the company's assets.

Credit personnel shall check the product – specific variable filters and assess suitability of the customer for the product offered. In case of breach of variable filters, appropriate deviation approval will have to be taken.

4.7. Operations Unit

Operations unit will act as a gatekeeper of credit documentation in the overall credit risk governance framework at Clix Housing. The roles and responsibilities of the operations unit with regard to credit risk governance are as follows:

- Ensuring all documentation is in order prior to disbursement of loan
- Ensuring compliance to delegation of authority (prior to disbursement of loan)
- Ensuring security perfection with adequate documentation as per the sanction terms and highlighting non-compliance
- Monitoring receipt of post disbursement documentation (PDD) and following up with Business units / Underwriters for ensuring timely receipt of PDD. Non-compliance to the PDD policy shall be highlighted to the senior management
- Ensuring safe custody of all original documents, agreements, approval notes, cheques /NACH mandates
- Ensuring retrieval of original documents are as per the agreed SOP
- Credit files must be maintained current at all times, either in paper or electronic form.

4.8. Security, Insurance and charge

Prior to acceptance, security (where applicable) shall be valued by Clix Housing empaneled valuers. With respect to security management the following principles should be complied with:

- Valuation takes into account any preferential creditors, such as tax or government authorities, who may have a prior claim to the proceeds of the security under certain jurisdictions, even where Clix Housing has a legally perfected first claim. If the collateral is established on a pari-passu charge basis with other parties, the pro-rata part of the value of the collateral shall be taken
- Appropriate Insurance of secured assets would need to be ensured and the insurance policy must specify Clix Housing as loss-payee, additionally insured, etc. as acceptable by Clix Housing
- Clix Housing will ensure adequate security documentation to protect its right to recovery and the documentation must be carefully completed and stored in proper custody. All prevailing laws / acts shall be adhered to, Disbursement will be subject to clearance of title. This will be obtained through Title search report (TSR). Title search report will contain details on 13 years ownership, succession, legal heir and all transfer of titles. TSR report will be prepared by empaneled legal agency.

- Title search (opinion could however be sought) will not be conducted for properties sold (1st purchase) by Central/State government/ Development authority. Resale transaction will however entail an appropriate search/opinion.
- Charge creation and security perfection should be completed prior to disbursement or within the stipulated timeline as guided by the sanction terms.
- For securities that require creation of Mortgage deed/Hypothecation deed, Clix Housing empaneled lawyers shall prepare the requisite documents and also register the agreements with the Sub Registrar Office. Stamp duty on the agreements shall be as per state specific regulations Clix Housing will circulate these details in internal notices at regular intervals
- For Registration of Charge with ROC, filling of form CHG-1 or any other prescribed form is required in case of companies. Security documents also needs to be filed with CERSAI for all borrowers. ROC charge creation has to be completed within 30 days of charge creation.
- Post security creation, all original documents should be sent to Central - Operations for Verification.
- Upon receipt of these documents, Operations team will assess the documents thoroughly to ensure there are no discrepancies
- Security documents required to be signed, on behalf of Clix Housing would be executed only by the officials holding valid Power of attorney (PA) to do so or an authorized representative pursuant to Board Resolution.

4.9. Credit Documentation

Objective of credit documentation is to clearly establish the debt obligation of the borrower to Clix Housing. As the primary evidence of the borrower's (obligor's) debt to the Company, the documents would enable Clix Housing to recover its dues (including interest) from the obligors through a Court of Law, in case the obligors dispute their liability to pay the dues.

In most cases of credit facilities, the standardized sets of the documents would be used as applicable, depending upon the type of the credit facilities sanctioned and the type of the Borrower entity. In case of any modifications or amendments required in the standardized documents or specifically drafted documents, the same should be approved by CRO and Head of Legal Department or persons authorized by CRO and Head of Legal Department (Head Legal).

a. Pre-execution Process: It is aimed at ensuring that the documents cover the creation of valid security in favour of Clix Housing over the assets financed. Searches with the Registrar of Companies / Sub Registrar of Assurances or Land Registry should be conducted, before execution of documents to ensure that the required charge can be validly created.
b. Execution of documents: The front end sales team will ensure that all documents are completed with relevant particulars accurately incorporated, and are executed by the borrowers/

guarantors. The sales team will ensure that enabling resolutions, wherever required, have been obtained, and documents executed in accordance therewith.

c. Post-execution Process: The security documents represent primary evidence of the grant / release of the credit facilities, and govern the continuance thereof, in conformity with the terms and conditions prescribed.

d. Safekeeping: Documents would be kept securely during the currency of the loan and the responsibility of the same would rest with the Operations team. They are to ensure adequate and accurate records are maintained with access control to the safe keeping facility.

Documentation will vary according to the product type, but generally must include the following generic documentation types as applicable

- Loan agreement;
- Security agreement and/or mortgage lien agreement
- Identity and authority documents
- Verification of ownership and/or security position, and
- Know Your Customer (“KYC”) documentation

Documentation requirements specific to each Products would be detailed in the internal operating manual.

4.10. Underwriting Requirements and Monitoring By Products

The main financial products offered by Clix Housing Finance Pvt Ltd are Home Loans and Loan Against Property. This section describes the various products, underlying credit philosophy and key requirements:

4.10.1. Home Purchase Loans

Description: Home Loan (HL) is a loan given or disbursed for acquiring a residential property . The loan would be offered as a certain percentage of the property’s market value/guideline value.

Credit Philosophy

- Lending is done based on the strength of borrower’s cash flow
- Means of repayment is income generated from borrower’s operations, his/her salary, household income, or, in the case of default, liquidation of the assets pledged as collateral.
- It is important to have borrowers with the following characteristics: (i) Individual/households that generates reliable and repeatable cash flow, and (ii) Individual/households that have a proven historical financial/repayment track record.
- The following are generally not preferred: Unsecured financing, Financing someone with limited or non-verifiable income stream and where a clear and marketable title cannot be established.

Underwriting Requirements

Underwriters of Clix Housing must analyze the following areas: (i) borrower analysis; (ii) Collateral analysis; and (iii) Builder/Project analysis. Given that every deal is different, (a) all of the requirements mentioned below may not be applicable for each deal, (b) additional analysis may be required for a particular transaction, and (c) the underwriter must exercise prudence to cover all the relevant and material aspects of the deal.

Borrower Analysis

A comprehensive analysis must be performed to understand the cashflow/income of the borrower, history of the business/employment, expenses and leverage.

Collateral Analysis

It's critical that fair market value of the collateral is assessed/known and that the title of the collateral is clear and marketable as well as within the agree collateral basket.

Builder/Project analysis

Especially with regards to purchase of under construction property or self construction loan, its imperative that the builder and the project are covered as part of the pre-approved builder list OR are found to be acceptable by the technical department. Other Terms :

- Tenure: Up to 25 years. To address re-pricing related operational issues, tenure beyond 25 years (upto 30years) could be offered
- Security: Loan would be secured by way of Equitable/Registered mortgage of the property financed by deposit of original title deeds with exclusive charge only, Personal guarantee and Security post-dated cheques (SPDC).
- Type of Property: Loan would be provided against residential properties & plots in urban, semiurban & rural geographies.
- Legal and Technical reports: Disbursement will be subject to clearance of title. This will be obtained through Title search report (TSR). Title search report will contain details on 13 years ownership, succession, legal heir and all transfer of titles. TSR report will be prepared by legal agency.
- Technical valuation report shall contain details on the current market valuation as well as distressed value of the property and the exact area of the property. Technical valuation report will be prepared by the empaneled agency. For loan amounts greater than Rs. 75 Lacs minimum two independent valuation reports necessarily need to be obtained and the lower of the two said valuations needs to be considered for the purposes of the loan.
- Technical guidelines need to adhere to the Board approved valuation policy and conform to Circular No. NHB(ND)/DRS/Policy Circular No.81/2017-18 dated August 31, 2017 or any circular as advised by the regulator.
- Valuation will however not be undertaken by an empaneled vendor for State/Central Govt/Development authority direct allotment (1st purchase) cases.

- Charges: Processing Charges would be collected after sanction but prior to disbursement. Processing charge norms will adhere to the relevant and applicable regulatory guidance.
- Security creation and perfection : Prior to disbursement of loans, security creation process should be complete and perfection should be completed within the approved timeframe. In case of corporate borrowers, charge will have to be registered with ROC. In case of Balance transfer/Takeover loans, original documents have to be obtained within 90 days of disbursement.
  - All necessary security documents received from the Borrowers needs to be filed with CERSAI too. Repayment: Equated monthly instalments or other intervals as per the sanction terms through NACH/PDCs.

Monitoring

Exposures where property is under construction (builder/self) would be monitored at a minimum frequency of 6 months for assessing progress of construction and conformance to the construction payment plan.

4.10.2. Loan Against Property

Description: Loan Against Property (LAP) is a loan given against an existing full constructed property. The loan would be offered as a certain percentage of the property's market value/guideline value.

Credit Philosophy

- Lending is done based on the strength of borrower's cash flow
- Means of repayment is income generated from borrower's operations, his/her salary, household income, or, in the case of default, liquidation of the assets pledged as collateral.
- It is important to have borrowers with the following characteristics: (i) Individual/households that generates reliable and repeatable cash flow, and (ii) Individual/households that have a proven historical financial/repayment track record.
- The following are generally not preferred: Unsecured financing, Financing someone with limited or non-verifiable income stream and where a clear and marketable title cannot be established. Underwriting Requirements

Underwriters of Clix Housing must analyze the following areas: (i) borrower analysis; (ii) Collateral analysis; (iii) Industry Analysis and (iv) End use. Given that every deal is different, (a) all of the requirements mentioned below may not be applicable for each deal, (b) additional analysis may be required for a particular transaction, and (c) the underwriter must exercise prudence to cover all the relevant and material aspects of the deal.

Borrower Analysis

A comprehensive analysis must be performed to understand the cashflow/income of the borrower, history of the business/employment, expenses and leverage.

Collateral Analysis
It's critical that fair market value of the collateral is assessed/known and that the title of the collateral is clear and marketable as well as within the agree collateral basket.

Industry Analysis
A comprehensive analysis must be conducted to understand a brief history, factors that affect growth, government regulations (if any), key players in the industry, size of the industry, key trends over recent years, demand/supply drivers, and any other significant factors that impact the industry. End Use Assessment

Assessment of end-use of funds is an important aspect of credit analysis as it mitigates the following risk of diversion of funds other than for the intended or stated use resulting in the increased credit risk of the borrower as well as risk of the lender unknowingly getting involved in financing of illegal / prohibited activities. End-use of funds would be assessed based on the following:

- Obtaining declaration from the borrower certifying that the funds would be used for the purpose for which they have been obtained
- Understanding the proposed end use in detail during personal discussion with the borrower Other Terms :
- Tenure: Up to 15 years. To address re-pricing related operational issues, tenure beyond 15 years (upto 18years) could be offered
- Security: Loan would be secured by way of Equitable/Registered mortgage of the property financed by deposit of original title deeds with exclusive charge only, Personal guarantee and Security post-dated cheques (SPDC).
- Type of Property: Loan would be provided against fully constructed properties in urban, semi-urban & rural geographies.
- Legal and Technical reports: Disbursement will be subject to clearance of title. This will be obtained through Title search report (TSR). Title search report will contain details on 13 years ownership, succession, legal heir and all transfer of titles. TSR report will be prepared by legal agency.
- Technical valuation report shall contain details on the current market valuation as well as distressed value of the property and the exact area of the property. Technical valuation report will be prepared by the empaneled agency. For loan amounts greater than Rs. 75 Lacs minimum two independent valuation reports necessarily need to be obtained and the lower of the two said valuations needs to be considered for the purposes of the loan. Technical guidelines need to adhere to the Board approved valuation policy and conform to Circular No. NHB(ND)/DRS/Policy Circular No.81/2017-18 dated August 31, 2017 or any circular as advised by the regulator.

- Charges: Processing Charges would be collected after sanction but prior to disbursement. Processing charge norms will adher to the relevant and applicable regulatory guidance.
- Security creation and perfection : Prior to disbursement of loans, security creation process should be complete and perfection should be completed within the approved timeframe. In case of corporate borrowers, charge will have to be registered with ROC. In case of Balance transfer/Takeover loans, original documents have to be obtained within 90 days of disbursement. All necessary security documents received from the Borrowers needs to be filed with CERSAI too.
- Repayment: Equated monthly instalments or other intervals as per the sanction terms through NACH/PDCs.

5. Restrictions on lending

General

Company will not grant any type of credit facility (housing or non-housing) to certain categories of borrowers, Sectors/Industries and Collateral.

In order to reduce the credit risk, RMC may, from time to time circulate negative profiles in terms of occupations employers, locations, builders etc. Company would be selective in sourcing loans from such profile, and do so only after ensuring proper mitigating factors are available.

5.1. Restrictions on loans to certain categories of borrowers

- Company will not grant any 'loans and advances', without the prior approval of the Board, to the 'relatives' of the company's Chairman/ Managing Director or to Directors of other banks/ HFCs and their relatives. The definition of the term 'relative', and the exceptions to 'loans and advances' are described in RBI's Master Circular on Loans and Advances RBI/ 2004-05/79 dated 30.7.2004 and in section 2 of the Companies Act,2013.

  The company would, from time to time, circular a negative list of borrower profile, based on the occupation, or income levels. In such cases the loan should not be sourced, unless mitigants/additional security is provided and prior deviation approval should be taken from the competent authority.
- Company will not sanction loan to borrowers appearing in RBI's/ NHB's "Wilful Defaulters" list as per extant their guidelines. Other companies whose Board comprises the promoter directors or whole-time directors (other than Professional Directors, Independent Director and Nominee Directors of FIs, Central/ State Governments) of the companies appearing in RBI's list of "Wilful Defaulters' will also not be granted any credit facilities by the company. Clix Housing will also not grant any facility

to new ventures floated by Entrepreneurs /promoters / companies featuring in NHB's / RBI's wilful defaulter list for a period of 5 years from the date their name is disseminated in the list.

- Clix housing finance will not take exposure to borrowers operating in the following industries (esp for the Loan against property exposure) o Industries producing or consuming Ozone Depleting Substances, in terms of Montreal

  Protocol to which Government of India is a party o Production of or trade in tobacco o Casinos, gambling and equivalent enterprises.
  - Production of or trade in weapons and munitions (excluding employees in public sector enterprises)
  - Political/Religious organizations
  - Entities trading in wildlife / wildlife products regulated under the Convention on
  - International Trade in Endangered Species (CITES) of Wild Fauna and Flora o Production or trade in or use of un-bonded asbestos fibres except in cases where unbonded fibres are used to manufacture bonded asbestos in an automated facility meeting fibre emission regulatory levels
  - Production or trade in radioactive material nuclear reactors and components but excluding companies generating nuclear power production of or trade would mean import/export or manufacture/trade of weapons and munitions to companies in the defense sector, when there is concrete evidence that these companies make arms available to countries that are under a UN or India weapons embargo, or which oppress their own populations or support unjustified external aggression, and non-governmental armed groups without UN or India support, and for any other purpose which cannot reasonably be considered consistent with normal and legitimate national security and defense.

5.2. Restrictions relating to security for lending

- As per the NHB guidelines, the company is not allowed to advance loans against its own shares
- Loan Against property where collateral is under construction
- Exposure to collateral with Title is deemed imperfect by the empaneled vendor/internal legal
- Collateral is deemed illegal by the technical agency

5.3. Restrictions relating to purpose of lending

(i) Although the above-mentioned RBI circular imposes certain restrictions on banks with respect to purpose of lending. NHB has not put similar restrictions on the housing finance companies. As and when NHB specifies restrictions on the purpose of lending for housing finance companies, they would be binding for the company.

(ii) Apart from the NHB restrictions, company may decide to restrict its exposure to certain kind or properties, or properties with certain kinds of ownership or locations. Such negative lists of property would be specified in the operations manual and would be amended with the approval of MC on an 'as needed' basis.

(iii) For non-housing finance, the company would not lend for any speculative or illegal purposes.

5.4. Restrictions on investment in real estate

No housing finance company, shall invest in land or buildings, except for its own use, an amount exceeding twenty (20) per cent of its capital fund, Provided that such investment over and above ten percent of its owned fund shall be made only in residential units. 'Capital fund' means the aggregate of 'tier-I capital' and 'tier-II capital'.

Provided that the land or buildings acquired in satisfaction of its debts shall be disposed of by the housing finance company within a period of three years or within such a period as may be extended by the National Housing Bank, from the date of such acquisition if the investment in these assets together with such assets already held by the housing finance company exceeds the above ceiling.

5.5. Housing Finance Companies not to be partners in partnership firms

No housing finance company shall contribute to the capital of a partnership firm or become a partner of such firm. In this connection it is further clarified that: (a) Partnership firms mentioned above will also include Limited Liability Partnerships (LLPs). (b) Further, the aforesaid prohibition will also be applicable with respect to Association of Persons; these being similar in nature to partnership firms.

6. Concentration of credit/ investment

As per the NHB Directions for housing finance companies, 2010

1.

Credit/investment concentration Norms

CLIX will not have exposure (credit/investment taken together) exceeding:

(a) Twenty-five percent of its Tier 1 capital to a single party; and
(b) Forty percent of its Tier 1 capital to a single group of parties

Particulars	Single Borrower	Group Borrower
Concentration of credit/ investment	25% of Tier 1 Capital	40% of Tier 1 Capital

CLIX may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment. Exposure norms shall not apply to:

i. Investments of CLIX in shares of
   (a) Its subsidiaries;
   (b) Companies in the same group

ii. The book value of debentures, bonds, outstanding loans and advances (including hirepurchase and lease finance) made to, and deposits with –
   (a) Subsidiaries of the NBFC and
   (b) Companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF.

:

7. Risk Weights

1. Risk Weighted Assets for Undisbursed Amount of Housing Loans/Other Loans: Earlier HFCs calculated the total risk-weighted off-balance sheet credit exposure by converting the transaction amount into a credit equivalent amount and then applying the applicable risk weight (0% for government, 20% for banks, 100% for others). Based on the updated guidelines to address a potential anomaly in the computation of risk-weighted assets for the undisbursed amount of housing loans/other loans at Clix Capital when compared to an equivalent disbursed amount of similar exposures the following update is made:
   a. The risk-weighted assets computed for the undisbursed amount of housing loans/other loans will now be capped at the risk-weighted asset computed on a notional basis for an equivalent amount of disbursed loan. Ensuring that the risk-weighted assets for undisbursed loans do not exceed those for disbursed loans of the same amount.
2. Risk Weight for Commercial Real Estate – Residential Building: The risk weight of fund-based and non-fund-based exposures to 'Commercial Real Estate-Residential Building' at Clix Capital which are classified as standard will be 75 percent. For exposures under this category that are not classified as standard, the risk weight will be 100 percent as per the category 'Other Assets (Others)'.

8. Exposure to Real Estate Sector

While appraising loan proposals for Construction Finance involving real estate, the Company would ensure that the borrowing entity has obtained prior permission from the Government/Local Government/Statutory/Competent Authorities for the project being financed, wherever required. However, under the circumstances that such permission/s/approvals have been applied for by the borrowing entity and awaiting approval, the loan proposal can be processed and approved, subject to the condition that the disbursement would be made only after the borrowing entity has obtained the requisite clearances from the Government authorities, and submitted the documentary evidence thereof to the Company.

7.1. Credit Approvals And Denials

General principles:

- Financial powers to approve or sanction credit facilities will be delegated Board of Directors to the CRO, who in turn would delegate the same to the underwriting team as deemed appropriate
- While exercising their financial powers to approve/ sanction credit facilities, the designated functionary(ies) will undertake due diligence and responsibility to ensure that the relevant provisions of the Credit Policy (including the Regulatory restrictions on lending and Prudential norms for lending) and other guidelines/ instructions issued from time to time by the appropriate authorities are adhered to
- The proposals for approval or sanction of credit facilities would be submitted/reviewed in a prescribed format, along with the financial appraisal, assessment of the credit requirements and reasoned recommendations from the specified authority. The appropriate authorities as will accord their sanction/ approval (with or without stipulating further conditions/ covenants) or denial on the prescribed format.

Credit Denial

Credit proposals which fall under any of the following categories may be refused by the designated authorities:

- Regulatory restrictions relating to security, or the borrower, or purpose of lending, as specified earlier
- Proposals not meeting the credit appraisal norms as prescribed in the minimum standards
- Proposal meeting lending norms however the project/builder is not approved by Clix Housing
- The reasons for denial of the credit facility should be recorded by the authority concerned
  An analysis of the credit approvals and denials should be reviewed periodically. This analysis would help in review of the delegations and also in credit risk management

7.2. Credit Monitoring Standards

Credit monitoring involves follow-up and supervision of Clix Housing Finance exposures with a view to maintaining the asset quality at the desirable level, through proactive and corrective actions, aimed at controlling and mitigating credit risk. The main objectives of credit monitoring are:

- To ensure that there is timely recovery of principal and interest from Borrower
- To ensure compliance with the terms and conditions of the credit sanctioned, monitoring and highlighting of covenant breaches, if any

- To ensure end-use of funds by the borrower is as per the approved purposes and prevent diversion of the funds for unauthorized purposes
- To assess the health of the borrower units at periodic intervals with reference to the key indicators of performance such as activity level, profitability, management standards and to verify how far these are in line with the assumptions made in the credit appraisals concerned
- To identify the early warning signals, if any, and initiate effective steps to mitigate the risk
- Ensuring compliance with all internal and external reporting requirement for credit discipline
- To periodically review the loan portfolio or of its specified segment to assess the overall asset quality / risk and compliance with the prudential norms - regulatory and internal - and take necessary corrective steps

7.3. Monitoring Standards – Account / Borrower Level

Credit monitoring system will be independent of the asset classification system prescribed by NHB (Standard, Sub-standard, Doubtful and Loss Asset). The company would classify its asset into the following segments:

1. CRM (Category post review and monitoring) I Assets: This will be almost similar to the 'Standard Asset' and will represent a sound credit exposure for which principal and interest payments are received in time and the future prospects are not in doubt. Among the rating grades, Superior, Good, Fair, Acceptable (SP-1, GD-2, FR-3, ACCPT-4) would be considered under the normal category as long as they do not show deteriorating trends.
2. CRM II Assets: This will include the accounts within the first four credit grades – Superior, Good, Fair, Acceptable (SP-1, GD-2, FR-3, ACCPT-4) which show deteriorating trend in the borrower's income, fall in prices of underlying security, significance increase in borrower obligations etc, which might result in the asset falling into a lower risk rating.
3. CRM III Assets: This category will signal that the account requires special attention due to specific developments after the sanction due to (a) Internal issues like incomplete documentation, unsatisfactory credit discipline or, (b) External developments like job loss, sudden contingent expenditure like illness, trend of decreasing property price etc. Hence these accounts would be monitored for further deterioration by the BOM/RM on a periodic basis. Moreover all the accounts falling in the risk grades cautious profile and Special Mention (CP-5, SM-6) would be considered under this category.
4. Adversely Labeled Assets: If the company's payments is overdue for one month and normal repayment of the obligation is in doubt and there is high probability of atleast some loss, such accounts will be classified in the category.
    (i) A sample of 'CRM I' and 'CRM II' accounts would be reviewed by the Branch Manager on a quarterly basis, and any adverse trend based on as common parameter would be brought to the notice of this management. The sample size for these categories would be defined by the RMC

(ii) The accounts under 'Adversely Labeled' category involve highest risk and would be monitored very closely by the BOM/RM concerned, who would submit a detailed review of the account at monthly frequency to the Business Head along with regulatory and legal compliance status and recommendations on remedial strategy. The 'CRM III' accounts would also be reviewed by the concerned BM/RM, who will submit review of the account at quarterly intervals to the Head (Credit Operations) along with recommendations. The BM/RMC would arrange for rectification of the deficiencies, if any, in the documentation and securities, in consultation with the Legal Department and Head (credit & operations) in all these categories of accounts.

(iii) In the lower two categories of accounts, fresh extension or transaction (within the sanctioned limits) would be allowed only after reckoning the risk factors involved as also in tune with the remedial strategy decided, in line with the approved structure.

Grade Code	Number	Risk Grade	Frequency of	Definition
SUP	1	Superior	Bi-annually	No delay in past 12 EMIs
GD	2	Good	Bi-annually	Peak delay <= 30 days in past 12 EMIs (not more than twice)
FR	3	Fair	Bi-annually	Peak delay <= 60 days in past 12 EMIs (not more than twice)
PR	4	Poor	Bi-annually	Not satisfying any of the above criteria
CP	5	Cautious Profile	Annually	As tagged during origination or post origination
SM	6	Special Mention	Half Yearly	As per RBI / NHB guideline
SS	7	Sub standard	Quarterly	As per RBI guideline
DF	8	Doubtful	Quarterly	As per RBI guideline
BL	9	Bad and Loss	Quarterly	As per RBI /NHB guideline

Some indicative action for Poor / Caution Profile are provided below:

- Withholding further disbursement (if deal is under tranche disbursement)
- Higher pricing

- Higher collateral and guarantee requirements

Monitoring Standards – Portfolio Level

The rationale of credit portfolio management is to reduce the concentration risk associated with the exposures to borrowers'/ borrower groups/ industry/ sectors as per the company's prudential limits and also to optimize the benefits from risk diversification.

The following key aspects would be monitored on a regular basis:

a) Portfolio origination performance – Number of applications, approval rate, approval under over-rides/deviations etc.
b) Portfolio asset quality – Delinquencies in various buckets: 1+ days, 30+ days, 60+ days, 90+ days, NPAs, Write-offs, Recoveries, Non-starters and early delinquencies (30+ in less than 6 months or 60+ in less than 12 months, etc.)
c) Portfolio concentration limits – Concentration across tenor, collateral type, single borrower, group borrower level, geography, product, etc.
d) Project concentration limits – Concentration across builder, project
e) Construction Stage concentration - Concentration across construction stage, compliance to construction stage timelines
f) Post disbursement document (PDD) pendency and aging
g) The Risk unit at the Head Office will conduct a monthly review meeting to review the portfolio performance of the branches / regions. The review meetings will be coordinated and communicated by the Policy unit with the following broad construct:

Meeting	Portfolio Quality Review
Attendees	CEO CRO Head Credit Head – Product Head - Operations Zonal / Region – Business Head, Head – Policy Branch Manager
Quorum	CEO CRO Head Credit Head – Product
Frequency	Monthly
Minutes	Minutes of the meeting shall be documented by the Policy unit and cascaded as appropriate

9. Credit Delegation Policy

Credit Delegation Authorities (“Delegations”) outline delegated lending approval authorities for an individual or an entity. The Delegations describes the maximum approval authority for Clix Housing Finance Pvt Ltd’s products and programs.

10. General Principles

- The Board may delegate Credit Delegation Authorities to the CRO/National Credit Manager and/or other officials or a committee of officials;
- All lending authorities must be set forth and all approvals must be made in writing and acknowledged by the delegate;
- Documentation of delegations across the company must be maintained centrally;
- Lending authorities made to individuals holding certain positions based on the individual’s experience and judgment;
- The CRO/National Credit Manager must ensure that there is proper segregation of duties between employees authorized to approve transactions and those authorized to fund the transaction; and
- No sole delegations can be given to any employee who has sales responsibilities with the customer
- No officer or any Committee comprising, inter alia, an officer as member, while exercising powers of sanction of any credit facility, shall sanction any credit facility to his/her relative. Such a facility shall ordinarily be sanctioned only by the next higher sanctioning authority.
- The scope of the term relative includes relatives and entities formed with relatives are shareholders/directors/beneficiaries.
- Delegation is applicable to permanent employees of the company;
- Delegates may not further delegate their powers except where specifically authorized so to do
- A delegation holder is not obliged to exercise a delegation. The delegation holder should consider any significant risks to Clix Housing Finance Pvt Ltd in exercising the delegation and may choose to refer the matter to a more senior level for consideration or approval
- Except for the CRO/NCM, no other position/individual can delegate their authority downwards or upwards. Any such delegation needs to be signed off by the CRO/NCM
- Temporary Delegation: CRO/NCM can delegate full/part of their authority subject to approval of the Director/Management Committee. Sub delegations will be considered to be withdrawn and authority transferred back to the original delegation’s holder (CRO/NCM) immediately upon the original delegation holder’s return to work. Sub-delegates cannot pass their temporary authority on to another person. Delegation holders who temporarily sub-delegate remain accountable to the CEO/CRO for financial delegations exercised within their area.
- Incase an authority is not available for signing off the deal on mail/system, a resource from the Credit/Risk structure may seek verbal approval and the same needs to be ratified by the said authority in a timely manner.

11. Review & Approval

All Delegations made by the Board should be reviewed periodically.

12. Governance and Oversight

The CRO/NCM is responsible for ensuring that appropriate controls are in place to both prevent and detect violations from established delegations.

All identified deviations from the Delegations must be reviewed with the CRO/NCM in a timely manner; violations deemed significant by the CRO/NCM must be escalated to the Board or the RMC.

13. Termination of Authorities

Delegations can be terminated by the Board or the CRO/NCM or the delegator for the following reasons:

- Non-compliance and/or violations are detected and reported against a delegate;
- Unsatisfactory portfolio performance;
- A delegate has a conflict of interest that, in the opinion of the holder's supervisor, may prevent the proper exercise of delegated authority;
- A change in assignment or termination of employment of the delegate; or
- Modifications of the Delegations by the RMC or the Board due to adverse market conditions, general economic environment, and other factors.
- Termination of authority will be communicated in writing except as a result of a termination of employment.

14. Early Warning System

(i) Early Warning System helps the company identify the risks or potential weaknesses of an exposure requiring monitoring, supervision, or close attention by management. Left uncorrected, these weaknesses may result in deterioration of the repayment prospects in some future data with a likely prospect of being downgraded to classified assets.

(ii) Early identification, prompt reporting and proactive management of early warning accounts would be the primary credit responsibility of all branch operations manager, and collection personnel and must be undertaken on a continuation basis.

(iii) Despite a prudent credit approval process, loans may still become troubles, and hence, it is essential that early identification and prompt reporting of deteriorating credit signs should be done to ensure swift action to protect the company's interests. The symptoms listed below are not exhaustive and hence if there are other concerns like breach of loan covenants etc. the company may reevaluate the credit risk grading of the borrower.

(iv) Irrespective of the credit risk score obtained by any obligor as per the proposed risk scoring template, the accounts can be graded as EWS based on the following symptoms.

1. Arrears overdue for more than 30 days in 12 months of booking
2. Drop in the value of underlying security value by 50% or more

3. Inconsistency in payments, because of economic reasons
4. Increase in loan to value ratio to more than permissible limits
5. NPA on other trade lines as evidenced through a bureau scrub

(v) The risk grading should be carried out by the branch manager and sent to approving authority/CRMT. The risk grade should be updated at the earliest, and no delay should be there in referring EWS accounts or any problem accounts to the CRMT for their involvement and assistance in recovery.

15. Management of Problem accounts

The repayment record of borrowers would be monitored both with regard to payment of interest and repayment of principal. Whenever a borrower defaults or is likely to default, rigorous follow-up shall be made for the collection of dues / arrears. When default occurs, oral and written communications are to be sent to the borrower to regularise their accounts within a specified period. In case the loan was secured by a guarantee (personal or corporate), steps would be taken to recover dues from the guarantor/co-borrower. Depending on the facts and circumstances of each case, a decision would be taken to support the borrower, for rehabilitation, or to initiate recovery proceedings.

Clix Housing would use any of the following broad methods for management of problem accounts:

- Exit strategy
- Restructuring
- Settlements
- Legal Action & recovery
- Write Off

Exit strategy

The basic strategy underlying the approach to management of problem accounts is to focus on initiation of appropriate preventive corrective action at the right time. All stressed accounts should be closely and continuously monitored.

Clix Housing shall also look at the existing portfolio of advances / investments and mark individual exposures for exit if the exposure does not fit within the policy framework. Further, the exit option may be exercised in respect of accounts which do not throw any early warning signals but the yield / return on capital is not commensurate with the benchmark earnings set for such risk exposure.

Restructuring

This represents those accounts where the borrower is willing to repay his dues but does not have the capacity/funds to do so right away. In such cases, handholding may be provided subject to long term viability of the borrower's business and possibility to retain the loan as earning asset. The handholding may include incremental exposure, wherever determined necessary by Clix Housing.

However, such increase in exposure shall be covered, to the extent feasible, by acceptable collateral / corporate guarantees / escrow or securitization of cash flows.

Restructuring by providing appropriate reliefs and concessions such as reduction in interest rate, reschedulement of principal, waiver of dues etc. under RBI guidelines, would be used as a tool to improve the long-term viability of the borrower. Restructuring shall however be used selectively and without diluting Clix Housing's focus on recovery. All restructuring proposals would be approved by the designated approval authorities as per the Delegation of Authority.

Settlements

If exit from a weak account is not possible and the weak account slips into an NPA, then a compromise settlement could be considered to hasten recovery and avoid litigation. It would be the endeavor to strike a reasonable compromise, preferably, a one-time settlement based on the net present value of expected future recovery, but in case of non-availability of cash flows the recovery of settlement amount may be spread over a period. All settlement / compromise decisions would be approved by the designated approval authorities as per the Delegation of Authority.

Legal action and recovery

Recovery proceedings would be initiated against the borrower / guarantor wherever exit, restructuring and rehabilitation or settlement / compromise is not possible. Wherever possible action for enforcement of security under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest ("SARFAESI") Act, 2002 should be taken. All legal actions / recovery actions shall be approved by the designated approval authorities as per the Delegation of Authority. In cases of willful default, (e.g. diversion and siphoning of funds), fraud and malfeasance on the part of the borrower, legal action may be the first and only option for recovery, as any other option of recovery would not be appropriate. The names of such companies and their directors/ promoters would also be advised to NHB / RBI for being listed in the Defaulters' List published by RBI / NHB.

Write-off

There could be extreme cases, where no security is available or the legal recourse is not expected to result in adequate recovery in a reasonable time frame. In such cases, it may not be advisable carrying the account in the Clix Housing's portfolio and write-off of the full or part amount may be considered. Write-offs shall be approved by the designated approval authorities as per the Delegation of Authority.

(i) Risk unit will roll out detail guidelines and procedures for recovery and collections of advances

16. Asset Classification and Provisioning

Vide NHB Circular NHB(ND)/DRS/REG/MC-01/2017, asset would be classified as per the following:

(a) Standard assets;

(b) Non-Performing Asset (NPA) – which is further classified into:

(i) Sub-standard assets;

(ii) Doubtful assets; and

(iii) Loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the condition required for the upgradation.

"Standard asset" means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;

"non-performing asset" (referred to in these directions as "NPA") means an asset, in respect of which, interest has remained overdue for a period of more than ninety days.

"sub-standard asset" means-

(i) an asset, which has been classified as non-performing asset for a period not exceeding twelve months;

(ii) an asset, where the terms of the agreement regarding interest and/or principal have been re-negotiated or rescheduled after release of any instalment of loan or an inter-corporate deposit which has been rolled over, until the expiry of one year of satisfactory performance under the re-negotiated or rescheduled terms:

Provided that where a delay in completion of a project is caused on account of factors beyond the control of the project implementing agency, terms of the loan agreement regarding interest and/ or principal may be rescheduled once before the completion of the project and such loans may be treated as standard asset, subject to the condition that such reschedulement shall be permitted only once by the Board of Directors of the concerned housing finance company and that interest on such loan is paid regularly and there is no default;

Provided further that where natural calamities impair the repaying capacity of a borrower, terms of the loan agreement regarding interest and/ or principal may be rescheduled and such loans shall not be classified as sub-standard; the classification of such loans would thereafter be governed by the revised terms and conditions;

"Doubtful asset" means a term loan, or a leased asset, or a hire purchase asset, or any other asset, which remains a sub-standard asset for a period exceeding twelve months;

(ii) "loss asset" means –

an asset which has been identified as loss asset by the housing finance company or its internal or external auditor or by the National Housing Bank, to the extent it is not written off by the housing finance company; and

(iii) an asset which is adversely affected by a potential threat of non-recoverability due to any one of the following, namely:-

a. non-availability of security, either primary or collateral, in case of secured loans and advances;
b. erosion in value of security, either primary or collateral, is established;
c. insurance claim, if any, has been denied or settled in part;
d. fraudulent act or omission on the part of the borrower;
e. the debt becoming time barred under Limitation Act, 1963 (36 of 1963);
f. inchoate or defective documentation

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under: -

<table>
<tr><td>(i) Loss Assets</td><td colspan="2">The entire assets shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for.</td></tr>
<tr><td rowspan="6">(ii) Doubtful Assets</td><td colspan="2">(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the housing finance company has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;</td></tr>
<tr><td colspan="2">(a) in addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 25% to 100% of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:-</td></tr>
<tr><td>Period for which the asset has been considered as doubtful</td><td>% of provision</td></tr>
<tr><td>Up to one year</td><td>25</td></tr>
<tr><td>One to three years</td><td>40</td></tr>
<tr><td>More than three years</td><td>100</td></tr>
</table>

(iii) Sub-standard Assets	A general provision of 15% of total outstanding shall be made]
(iv) Standard Assets	
(a) Standard Assets in respect of housing loans at teaser / special rates i.e. housing loans at comparatively lower rates of interest in the first few years after which rates are re-set at higher rates.	2% provision on the total outstanding amount of such loans. The provisioning of these loans to be reset after one year at the applicable rates from the date on which the rates are reset at higher rates if the accounts remain 'standard'.]
(b)(i) Standard Assets in respect of Commercial Real Estates (Residential	0.75% on the total outstanding amount of such loans
(b)(ii) Standard Assets in respect of all other Commercial Real Estates (CRE)	1.00% on the total outstanding amount of such loans]
"(b)(iii) Standard Assets in respect of Individual Housing Loans	0.25% on the total outstanding amount of such loans
(c) Standard Assets in respect of all loans other than (a) & (b) above	A general provision of 0.4% of the total outstanding amount of loans which are standard assets shall be made]

Note :

1. Commercial Real Estate – Residential Housing (CRE–RH) would consist of loans to builders/developers for residential housing projects (except for captive consumption) under CRE segment. Such project should ordinarily not include non-residential commercial real estate. However integrated housing project comprising of some commercial spaces (e.g. shopping complex, school etc.) can also be specified under CRE-RH, provided that the commercial area in the residential housing project does not exceed 10% of the total Floor Space Index (FSI) of the project. In case the FSI of the commercial area in the predominantly residential housing complex exceed the ceiling of the project loans, the entire loan should be classified as CRE and not CRE-RH

2. Other commercial real estate would consist of loan to builders / developers / other for office building, retail space, multi-purpose commercial premises, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction etc. other than those covered by Note 1 above. Loans for third dwelling unit onwards to an individual will also be treated as CRE exposure.

3. Any incremental provision over and above the regulatory guideline will need to be signed off by the CRO

17. Restructuring, Settlement and Recovery Policy

16.1. Re-structuring Guidelines

A restructured account is one where due to economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower concessions that the lender would not otherwise consider. Restructuring would normally involve modification of terms of the advances / securities, which would generally include, among others, alteration of repayment period / repayable amount/ the amount of instalments / rate of interest (due to reasons other than competitive reasons). However, extension in repayment tenor of a floating rate loan on reset of interest rate, so as to keep the EMI unchanged provided it is applied to a class of accounts uniformly will not render the account to be classified as 'Restructured account'. In other words, extension or deferment of EMIs to individual borrowers as against to an entire class, would render the accounts to be classified as 'restructured accounts'.

Borrowers identified by Clix Housing should not be willful defaulters, (i.e. there is no diversion of funds, fraud, malfeasance etc.) may be considered for debt restructuring, provided their managements are cooperative and trustworthy and are agreeable to abide additional covenants that maybe sought.

The main conditions of any restructuring may include some or more of the following (to be decided on merits of each case):

a) Account must be at the time of restructuring be classified under 'standard', 'substandard' and 'doubtful' categories
b) Sacrifice from the borrower and other stake holders commensurate with Clix Housing's sacrifice by way of concessionary package involving interest waivers, debt reschedulement etc. as per RBI guidelines.
c) Strengthening of the security cover, including personal guarantees of the promoters/ Group companies.
d) Any change in the structure that in the opinion of Clix Housing improves the risk profile of the companies exposure
e) Financial viability of the borrower should be established and there should be reasonable certainty of repayment from the borrower
f) No restructuring would be undertaken without a detailed cash flow assessment
g) No additional disbursal would be done at the time of restructuring
h) Restructuring cannot be done retrospectively – interest and other charges that are overdue on the existing loan cannot be added to the loan amount at the time of restructuring. They should either be :
    a. Waived
    b. Collected upfront

Any re-structuring offering should comply with all the applicable regulatory guidelines. Further, in case of restructured accounts, Clix Housing would ensure that personal guarantees/commitments obtained from existing promoters also cover any associated losses incurred by Clix Housing.

The accounts classified as 'standard assets' should be immediately re- classified as 'sub-standard assets' upon restructuring while non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per extant asset classification norms with reference to the pre-restructuring repayment schedule.

Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lender should be upgraded only when all the outstanding loan/facilities in the account perform satisfactorily during the ‘specified period’ (period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package.), i.e. principal and interest on all facilities in the account are serviced as per terms of payment during that period

Any additional finance may be treated as 'standard asset' during the specified period (Annex – 5) under the approved restructuring package. However, in the case of accounts where the prerestructuring facilities were classified as 'sub-standard' and 'doubtful', interest income on the additional finance should be recognized only on cash basis. If the restructured asset does not qualify for upgradation at the end of the above specified period, the additional finance shall be placed in the same asset classification category as the restructured debt.

Due to the criticality and time-bound response required in such cases, restructuring of debt will be approved by CRO. A list of such accounts would be placed to the RMC/Board as part of the Portfolio Report.

16.2. Provision on restructured advances

Clix housing will hold provision against the restructured advances as per the extant provisioning norms :

- Restructured accounts classified as standard advances will attract a higher provision (as prescribed from time to time) in the first two years from the date of restructuring. In cases of moratorium on payment of interest/principal after restructuring, such advances will attract the prescribed higher provision for the period covering moratorium and two years thereafter.
- Restructured accounts classified as non-performing assets, when upgraded to standard category will attract a higher provision (as prescribed from time to time) in the first year from the date of upgradation.
- The above-mentioned higher provision on restructured standard advances ~ would be 5.00 per cent

Maximum tenor due to restructuring cannot exceed the tenor that is provided to new loans.

16.3. Provision for diminution in the fair value of restructured advances

i. Reduction in the rate of interest and / or reschedulement of the repayment of principal amount, as part of the restructuring, will result in diminution in the fair value of the advance. Such diminution in value is an economic loss for the lending enyity and will have impact on the lenders market value of equity. It is, therefore, necessary for lending institutions to measure such diminution in the fair value of the advance and make provisions for it by debit to Profit & Loss Account. Such provision should be held in addition to the provisions as per existing provisioning norms and in an account distinct from that for normal provisions.

ii. For this purpose, the erosion in the fair value of the advance should be computed as the difference between the fair value of the loan before and after restructuring. Fair value of the loan before restructuring will be computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to the lenders BPLR or base rate (whichever is applicable to the borrower) as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. Fair value of the loan after restructuring will be computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to the lender's BPLR or base rate (whichever is applicable to the borrower) as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

iii. The above formula moderates the swing in the diminution of present value of loans with the interest rate cycle and will have to be followed consistently by the lending institution in future. Further, it is reiterated that the provisions required as above arise due to the action of Clix Housing resulting in change in contractual terms of the loan upon restructuring which are in the nature of financial concessions. These provisions are distinct from the provisions which are linked to the asset classification of the account classified as NPA and reflect the impairment due to deterioration in the credit quality of the loan. Thus, the two types of the provisions are not substitute for each other.

iv. It was observed that on a few occasions, there were divergences in the calculation of diminution of fair value of accounts by banks/lenders. Illustratively, divergences could occur if lenders are not appropriately factoring in the term premium on account of elongation of repayment period on restructuring. In such a case the term premium used while calculating the present value of cash flows after restructuring would be higher than the term premium used while calculating the present value of cash flows before restructuring. Further, the amount of principal converted into debt/equity instruments on restructuring would need to be held under AFS and valued as per usual valuation norms. Since these instruments are getting marked to market, the erosion in fair value gets captured on such valuation. Therefore, for the purpose of arriving at the erosion in the fair value, the NPV calculation of the portion of principal not converted into debt/equity has to be carried out separately. However, the total sacrifice involved for the lender would be NPV of the above portion plus valuation loss on account of conversion into debt/equity instruments.

Lender are therefore advised that they should correctly capture the diminution in fair value of restructured accounts as it will have a bearing not only on the provisioning required to be made by them but also on the amount of sacrifice required from the promoters. Further, there should not be any effort on the part of the lender to artificially reduce the net present value of cash flows by resorting to any sort of financial engineering. Lenders are also advised to put in place a proper mechanism of checks and balances to ensure accurate calculation of erosion in the fair value of restructured accounts.

vi. In the event any security is taken in lieu of the diminution in the fair value of the advance, it should be valued at Re.1/- till maturity of the security. This will ensure that the effect of charging off the economic sacrifice to the Profit & Loss account is not negated. vii. The diminution in the fair value may be re-computed on each balance sheet date till satisfactory completion of all repayment obligations and full repayment of the outstanding in the account, so as to capture the changes in the fair value on account of changes in BPLR or base rate (whichever is applicable to the borrower), term premium and the credit category of the borrower. Consequently, Lender may provide for the shortfall in provision or reverse the amount of excess provision held in the distinct account.

viii. If due to lack of expertise / appropriate infrastructure, lender finds it difficult to ensure computation of diminution in the fair value of advances, as an alternative to the methodology prescribed above for computing the amount of diminution in the fair value, lender will have the option of notionally computing the amount of diminution in the fair value and providing therefor, at five per cent of the total exposure, in respect of all restructured accounts where the total dues to the lender are less than rupees one crore.

ix. The total provisions required against an account (normal provisions plus provisions in lieu of diminution in the fair value of the advance) are capped at 100% of the outstanding debt amount.

Compromise/ Settlement:

The amount and period of settlement (one-time/deferral period) would be negotiated with the borrower/ guarantor and who would normally be linked to the realizable value of the securities charged (their Net Present Value should be lower than the NPV of the settlement amount). The valuation of any hard collateral such as property which is exclusively charged to the Bank, should not be more than 3 months old at the time the settlement proposal is put forward to the appropriate authority for consideration. However, for cases where there is no interest loss involved, valuation of the collateral older than three months may be accepted. CRO (or as per delegation) would be responsible for approving settlement/ compromise/ write-off of NPA accounts, within the limits approved by the Board.

Legal action for recovery:

Legal action against the borrowers/ guarantors would be initiated generally as a last resort for recovery of its dues, when all the foregoing options have been exhausted or are not considered feasible. This is the last option because of the undue expense of time and money involved. However, in cases of willful default, (e.g. diversion and siphoning of funds), fraud and malfeasance on the part of the borrower, legal action may be the first and only option for recovery, as any other option of recovery would not be appropriate. The names of such companies and their directors/ promoters would also be advised to RBI for being listed in the Defaulters' List published by RBI. These companies and the Group companies, in which their directors are common, would be ineligible for finance from any bank/ FI as per RBI guidelines. Legal recovery action by foreclosure of the charged securities would be pursued under the Securitization and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002. In case of frauds, appropriate legal action may also be considered against the proprietor/ partners/ directors. All legal action would be initiated only after the approval of the designated authority and in consultation with the Legal Department.

16.4. Repossession Of Security

The debt collection guideline is built around dignity and respect to customers. Clix Housing will not follow policies that are unduly coercive in collection of dues. The policy is built on courtesy, fair treatment and persuasion. Clix Housing believes in following fair practices with regard to collection of dues and repossession of security and thereby fostering customer confidence and long-term relationship.

The repayment schedule for any loan sanctioned by Clix Housing will be fixed taking into account paying capacity and cash flow pattern of the borrower and Clix Housing would expect the customers to adhere to the repayment schedule agreed to.

Clix Housing 's Security Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy recognizes fairness and transparency in repossession, valuation and realization of security. All the practices adopted by Clix Housing for follow up and recovery of dues and repossession of security will be inconsonance with the law.

General Guidelines

All the members of the staff or any person authorized to represent Clix Housing in collection or/ and security repossession would follow the guidelines set out below:

- The customer/obligor would be contacted ordinarily at the place of his/her choice and in the absence of any specified place, at the place of his/her residence and if unavailable at his/her residence, at the place of business/ occupation.
- Identity and authority of persons authorized to represent Clix Housing for follow up and recovery of dues would be made known to the borrowers/obligors at the first instance.
- Clix Housing would respect privacy of its borrowers/obligors.
- Clix Housing is committed to ensure that all written and verbal communication with its borrowers/obligors will be in simple business language and Clix Housing will adopt civil manners for interaction with borrowers/obligors.

- Normally Clix Housing 's representatives will contact the borrower/obligor between 0700 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires Clix Housing to contact at a different time.
- Borrower's/obligor's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- Clix Housing will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record.
- All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
  Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

Giving notice to borrowers/obligors

While written communications, telephonic reminders or visits by Clix Housing 's representatives to the borrower's/obligor's place or residence will be used as loan follow up measures, Clix Housing will not initiate any legal or other recovery measures including repossession of the security without giving due notice in writing. Clix Housing will follow all such procedures as required under law for recovery/repossession of security.

Repossession of Security

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession, valuation of security and realization of security through appropriate means. All these would be carried out in a' fair and transparent manner. Repossession will be done only after issuing the notice as detailed above. Due process of law will be followed while taking repossession of the property. Clix Housing will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

Valuation and Sale of Property

Valuation and sale of property repossessed by Clix Housing will be carried out as per law and in a fair and transparent manner. Clix Housing will have the right to recover from the borrower/obligor the balance due if any, after sale of property. Clix Housing shall have the right of set-off and lien, irrespective of any other lien or charge, present as well as future all account/ deposits of the deposit holder with Clix Housing, whether in single name or joint name(s), to the extent of all outstanding dues to Clix Housing.

For such purposes, Clix Housing may at its sole discretion close the deposits prematurely and apply a penal rate of interest in respect of the same. The lien shall be valid and binding on the borrower/obligor and operative until repayment in full of all moneys due to Clix Housing from the borrower/obligor.

Excess amount if any, obtained on sale of property will be returned to the borrower/obligor after meeting all the related expenses provided Clix Housing is not having any other claims against the customer/ obligor.

Opportunity for the borrower/obligor to take back the security

As indicated earlier in the policy document, Clix Housing will resort to repossession of security only for the purpose of realization of its dues as the last resort and not with intention of depriving the borrower/obligor of the property. Accordingly Clix Housing will be willing to consider handing over possession of property to the borrower/ obligor any time after repossession and before concluding sale transaction of the property, provided the dues are cleared in full within the time frame specified by Clix Housing. If satisfied with the genuineness of borrower's/obligor's inability to pay the loan installments as per the schedule which resulted in the repossession of security, Clix Housing may at its discretion consider handing over the property after receiving the installments in arrears. However, this would be subject to Clix Housing being convinced of the arrangements made by the borrower/obligor to ensure timely repayment of remaining installments in future.

18. Non-Performing Assets (NPAs) Management

Objectives and general principles:

The primary objective of the NPA management policy will be to maintain lowest levels of NPA. This can be achieved by taking "Preventive' measures' in a planned and proactive manner, to prevent tile 'Standard assets' from slipping into the category of "Sub-standard Asset' or even 'potential Substandard asset'. The preventive measures are based on the "Early Warning System'

A critical component of the NPA management policy relates to 'Corrective' measures to be taken in future when some of its loan assets are impaired / classified as NPAs. The main objective of the corrective measures will be to minimize NPAs level as a percentage of the total loan assets and contain it within the target set by Clix Housing, from year to year. The corrective measures include loan up-gradation by debt restructuring/ re-habilitation, exit option, settlement/ compromise, legal recovery action, and write-offs of the NPAs.

Overall NPA management policy is based on the following principles:

a. Early recognition, identification and reporting of the borrower accounts in addition to the RBI's asset classification into four categories.
b. Documenting the primary causes (as distinguished from symptoms) of each of the problem loans
c. Taking preventive/ corrective steps to effectively mitigate the risk involved in the impaired accounts, with the concurrence/ approval of the designated sanctioning authorities.

d. Recovery of the dues from the borrowers/ guarantors/ charged assets, or exercising exit option appropriately to minimize the loss
e. Provisioning for the expected loss from default by the borrowers.
f. Writing off - partially or fully - the "Loss Assets' against the provisions already made
g. All NPA accounts would be revalued atleast once a year (on recurring basis)
   The procedure for investigation will be as follows:
   - For NPA accounts with Principal O/s greater than INR 100 Lakhs, within 3 months of account being classified as NPA, CRO to depute an appropriate resource to conduct the review and submit a report to CEO/CRO.
   - Delinquency trend (90+dpd) at a portfolio level would be reviewed on monthly basis to identify any common trends in credit judgment / policies. Appropriate corrective actions including staff actions shall be taken based on these common trends.
   - Account level staff accountability analysis for all Quick mortality loans (NPA within a period of 12 months from date of first disbursement) would be done by an independent risk unit / any other resource as deputed by CRO. Report on same shall be circulated to CRO / CEO.
   - Lessons learnt from the account, including any errors of credit judgment / laxity in effective supervision over operations in the borrower account, would be highlighted

Staff accountability investigation would also be initiated and completed within a period of 3 months in case of accounts that have been classified as "Fraud". Any instances of fraud / mala fide intent in respect of credit losses will attract the Executives' Disciplinary Procedure and the fraud will be reported to Compliance and HR. The completion of the staff accountability exercise for frauds and the action taken would be placed before the Board or the audit committee when it will be constituted as per latest NHB Directives on Corporate Governance Directives and intimated to the NHB / RBI. The Board may designate Fraud Controller for managing the fraud’s.

19. Managing Risks and Code of Conduct in Outsourcing of Financial Services

Introduction

1.1 'Outsourcing' is defined as the HFC’s / NBFC’s use of a third party (either an affiliated entity within a corporate group or an entity that is external to the corporate group) to perform activities on a continuing basis that would normally be undertaken by the HFC / NBFC itself, now or in the future. ‘Continuing basis' includes agreements for a limited period.

1.2 HFC / NBFCs have been outsourcing various activities and are hence exposed to various risks. Typically outsourced financial services include applications processing (loan origination, credit card), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others.

1.3 Some key risks in outsourcing are Strategic Risk, Reputation Risk, Compliance Risk, Operational Risk, Legal Risk, Exit Strategy Risk, Counterparty Risk, Country Risk, Contractual Risk, Access Risk, Concentration and Systemic Risk.
The failure of a service provider in providing a specified service, a breach in security/ confidentiality, or noncompliance with legal and regulatory requirements by the service provider can lead to financial losses or loss of reputation for the HFC / NBFC and could also lead to systemic risks.

1.4 It is therefore imperative for the HFC / NBFC outsourcing its activities to ensure sound and responsive risk management practices for effective oversight, due diligence and management of risks arising from such outsourced activities.

The NHB directions in this regard are applicable to material outsourcing arrangements as explained in 1.2 above, which may be entered into by an HFC / NBFC with a service provider located in India or elsewhere. The service provider may either be a member of the group/ conglomerate to which the HFC / NBFC belongs, or an unrelated party.
Risk Management Practice

- Outsourcing Policy – For all services being outsourced, it shall be ensured that a comprehensive Outsourcing Policy, approved by the Board, is in place. The Policy shall incorporate, inter alia, criteria for such selection of such activities as well as service providers, delegation of authority, depending upon risks and materiality and systems to monitor and review the operations of these outsourced activities.
- The Company shall have in place a management structure to evaluate, monitor and control its outsourcing activities and the Service Providers. It shall ensure that outsourcing agreements with the service provider contain provisions to address their monitoring and control of outsourced activities.
- The Company, on an annual or semi-annual basis, review the financial and operational condition of the service provider to assess its liability to continue meeting its outsourcing obligations. Such due diligence reviews shall highlight any deterioration or breach in performance standards, confidentiality, security, etc.

It shall be ensured that the DSA/DMAs are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products being offered, etc. A proper and approved Code of Conduct shall be put in place for such entities.

The Outsourcing Policy will not be applicable to technology-related issues and activities not related to financial services, such as usage of courier, catering of staff, housekeeping and janitorial services, security of the premises, movement and archiving of records, etc.

20. Credit Risk Audit

(ii) Internal audit department of the company or a third party agency would be responsible for carrying out a credit risk audit to ensure that credit risk assessment, and monitoring is in line with the company policies and procedures.

(iii) Credit risk audit will examine compliance with applicable credit risk procedures at the time of origination as well as disbursement and periodic review, including the portfolio monitoring processes laid down by the company for all proposals over the limit specified by the RMC. The broad objectives of such audit would include:

1. Improvement in the quality of credit portfolio
2. Reviewing the sanction procedures and compliance status of large loans
3. Feedback and suggestions on regulatory compliance
4. Pick up early warning signals and suggest remedial measures.

Recommend corrective actions to improve credit quality, credit administration, and credit skills of staff.

(iv) The credit risk audit would include:

1. Portfolio Review: To examine the quality of credit portfolio and suggest measures for improvement, including reduction of concentration of credit in certain sectors to the level of prudent norms prescribed by the company.
2. Loan Review: Review of overall loan sanction process and status of post – sanction processes/ procedures for:
   a. All fresh proposals
   b. All existing accounts above a pre-decided cut-off level. MC would be responsible for defining the cut-off levels.
   c. 5% of remaining proposals, on random basis.

(v) Audit coverage: would include the following:

1 Feedback on general regulatory compliance
2 Examine adequacy of policies, procedures and practices
3 Review credit risk assessment methodology
4 Examine reporting system and adequacy thereof.
5 Recommend corrective action for credit administration
6 Suggest areas/ options for enhancing credit skills of staff and
7 Map out likely scenario/ happenings in the near future

(vi) Audit Action points: Would include the following:

1 Verify compliance with company policies
2 Verify regulatory compliance with regard to sanction

3 Examine adequacy of documents
4 Conduct the credit risk assessment
5 Examine the conduct of account and follow up at functional and monitoring levels
6 Guide and oversee action taken by line functionaries in respect of serious irregularities
7 Detect early warning signals and suggest remedial measures
8 On site credit audit of processes/procedures

(vii) Audit Frequency: Credit risk audit would be carried out along with the regular internal audit schedule

21. Management Information System

(i) CRMT would report the status of company's credit risk to the MC periodically. The reports would be presented to the MC on at least quarterly basis.

(ii) Apart from these, CRMT would be responsible for recommending grade revision for individual customers, based on their servicing performance or any other external/internal reasons. These reports would be presented by the Head of CRMT in the MC meetings. The IT system would keep an audit trail, of any such downgrade/upgrade, along with a record of the user making the changes, and the reasons for changes. These records can then, at a later stage, be used to create quantitative model, which would help the company to map behavioral patterns with the risk posed by individuals.

22. Enterprise IT & Information Security Risk Management

In this digital era, as organizations use automated information technology (IT) systems to process their information, risk management plays a critical role in protecting an organization's information assets, from IT-related risks.

An effective risk management process is an important component of a successful IT security program. The principal goal of an organization's risk management process should be to protect the organization in its entirety and its ability to perform their mission, and not restricted to its IT assets. Therefore, the risk management process should not be treated primarily as a technical function carried out by the IT experts who operate and manage the IT system, but as an essential management function of the organization.

Some of the key risk areas are given below:

- Infrastructure management poses considerable risk to business
- Cyber Security is a major threat to any organization which conducts business over internet
- Security Threats and Vulnerabilities
- Data management and protection risk
- IT Architecture risk
- Technology vendor and third-party risk
- Ability to upskill or reskill existing individuals in fast changing technology landscape

- Regulatory and compliance risk

To address these key risk areas, IT Policies and Procedures have been framed which covers IT related risks including the Cyber Security related risks. The IT Resource Committee is entrusted with the responsibility of providing a framework for the IT policy, drafting, implementing the same. The IT / IS audit is also undertaken every year to ensure that the company remains protected from any threats that may have cropped during the course of the year and also to ensure that all the policies and procedures, as laid out, are followed properly.

To establish a comprehensive framework for managing IT-related risks within our organization. The below outlines the principles, responsibilities, and processes necessary to safeguard our IT assets and ensure business continuity

22.1 IT Risk Governance and Oversight

- The Risk Management Committee of the Board (RMCB) in consultation with the ITSC/ISC/CISO shall periodically review and update the same at least on a yearly basis.

- The ISC/CISO shall ensure its governance and provide regularly updates to RMCB
- The Chief Technology Officer (CTO) shall be responsible for implementing and enforcing IT controls and processes

22.2 IT Risk Assessment and Mitigation

- Regular risk assessments shall be conducted to identify and assess IT-related risks.
- Risks shall be categorized, prioritized, and mitigation strategies developed.
- Controls shall be implemented to reduce identified risks to acceptable levels.

22.3 Information Security and Cybersecurity

- An Information Security Policy and Cybersecurity Policy shall be established and maintained.
- Regular vulnerability assessments and penetration testing shall be conducted.
- Incident response and recovery plans shall be in place to address cybersecurity incidents.

22.4 Business Continuity and Disaster Recovery

- A Business Continuity Plan (BCP) and Disaster Recovery (DR) Policy shall be developed.
- Regular testing and updating of BCP and DR plans shall be conducted.
- Critical IT systems and data shall be backed up and recoverable.

22.5 Third-Party Risk Management

- Third-party arrangements (vendors, service providers) shall be assessed for risk.
- Contracts with third parties shall include provisions for risk management and security.

22.6 IT Compliance and Reporting

- Compliance with relevant laws, regulations, and industry standards shall be ensured.

- Regular reporting on IT risk management shall be provided to senior management and the Board.

22.6.1 Bureau Reporting Process

As per requirement of regulatory compliance, RCG team reports credit status of all CLIX customers monthly and fortnightly to the credit bureaus - Equifax, CIBIL, Experian and CRIF

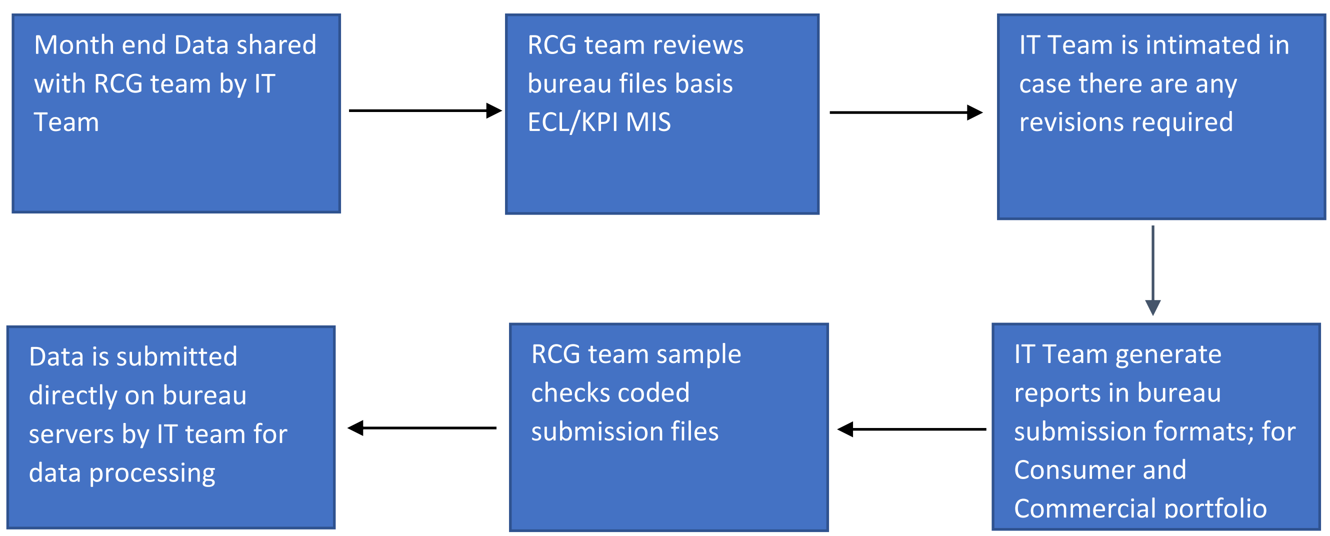
Frequency of reporting: Monthly and fortnightly i.e. credit information as on 15th and month-end or as defined by the Regulator

Data Inclusion in bureau reports: All Live accounts, with positive NEA / Future principal are included in bureau reports from all LMS. Closed accounts are also included in the bureau reporting.

Reporting process: Bureau data reports with credit information of all relevant customers are prepared and reported to 4 bureaus month on month and fortnightly.

Steps involved in reporting:

Following broad steps are involved in monthly reporting of Clix portfolio to bureaus:



Data Submission Formats

Data is submitted in a specific text templates / coded format, prepared as per bureau guideline. There are separate guidelines for consumer and commercial reporting:


Commercial Report Template.tap


Consumer Report Template.txt

Bureau reporting process Subsequent to data submission

- Rectification of Rejected Data: The Company should assess the quality of data submissions and make an effort towards improving data quality and minimizing data rejections. The reasons for data rejection need to be parameterized and circulated among the concerned people.
- Re-submission of bureau data: In case of considerable data rejection by bureau (owing to format / coding errors) reports are resubmitted post revisions basis DQRs (Data Quality Reports) received from bureaus
- Customer Dispute Resolution: CLIX receives dispute intimation primarily through following routes:
  - Bureaus – CIBIL (Online, Offline), Experian, CRIF, Equifax
  - CLIX Customer Service (CS Team)
  - CLIX product team / sales / credit representative
  - RCG team manages resolution of customer disputes relating to bureau data submission
  - Correction of customer information reported to bureaus is affected through specific correction templates/ Dispute Resolution system (DRS), post investigation of dispute by relevant team i.e. customer service or product teams

22.6.2 Submission of Financial Information to Information Utilities

As per regulatory compliance, HFCs will adhere to the relevant provisions of Insolvency and Bankruptcy Code (IBC), 2016 and Insolvency and Bankruptcy Board of India (IBBI) Information Utilities (IUs) Regulations, 2017 to ensure compliance to the provisions of the Code and Regulations.

RCG team reports credit status of all CLIX customers monthly to the Information Utilities (IUs). Data is reported in separate reports for following CLIX entities:

Frequency of reporting: Monthly as defined by the Regulator

Data Inclusion & process: All Live accounts, with positive NEA / Future principal/ Total overdue/ Days past due are included from all LMS. Closed accounts are also included in the report. The data reports with credit information of all relevant customers are prepared and reported to NeSL (Information Utilities) on monthly basis.

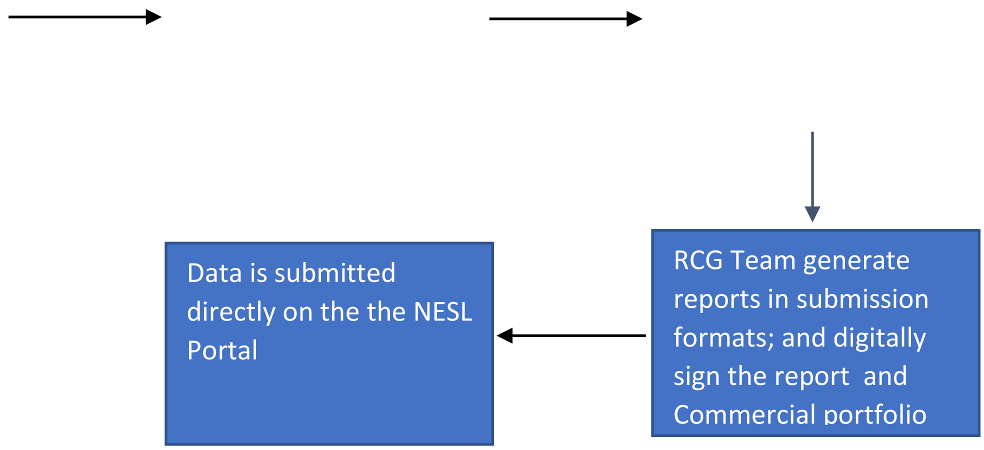
Steps involved in reporting:

Following broad steps are involved in monthly reporting of Clix portfolio:

Month end Data shared with RCG team by IT Team

RCG team reviews data files basis output MIS

IT Team is intimated in case there are any revisions required



Data Submission Formats

Data is submitted in a specific text templates / coded format, prepared as per guideline.

22.7 Roles and Responsibilities

- Board of Directors/ Risk Management Committee: Responsible for oversight and approval of the IT risk management framework.
- CRO/CISO/Enterprise Risk Management Team : Responsible for reviewing and updating the policy; its governance and reporting
- CTO or Equivalent: Responsible for implementing and enforcing the policy.
- IT Steering Committee: Responsible for overseeing IT risk management activities.

The Risk Management Committee of the Board (RMCB) in consultation with the ITSC shall periodically review and update the same at least on a yearly basis.

23. Prudential exposure limits

General

The Revised Basel framework has defined risk concentration as any single exposure or group of exposures with the potential to produce losses large enough (relative to the organization's capital, total assets, or overall risk levels) to threaten the organization ability to maintain its core operations. In order to reduce the risk of the company's exposure to unexpected failure of a single borrower, or significant downturn in a particular industry or geographical area, the board of directors would set up prudential exposure norms based on the recommendations of the credit risk management department. A Risk adjusted limits method would ensure that the lending to high quality borrowers in a segment is not turned down by the company because of prudential or other internal limits nearing the threshold.

Restricted Sharing With External Parties

The Board of directors would, through the RMC, set up the portfolio concentration limits on different segments based on the assessment of the following parameters

1. Size of the portfolio
2. Company's strategy vis-à-vis the competition
3. Risk appetite of the company
4. Existing level of portfolio diversification

The company would set up limits for the following parameters in order to ensure that the concentration risk is effectively monitored and controlled

1. Exposure to single borrower or group of borrowers
2. Industry Exposure
3. Product wise exposure
4. Region wise exposure

Industry best practice is to view limits more as thresholds rather than hard limits that must be executed at any cost. A system that prompts an active dialogue between the appropriate stakeholders to achieve an appropriate action plan for the institution in light of its strategy and objectives will, in the long run, be more effective.