

DAGGER GARMENTS PRIVATE LIMITED

CREDIT POLICY

Version 1

Version	Adoption/Revision	Authority	Date
1	Adopted	Board of Directors	April 10, 2024

ABOUT THE COMPANY

Daggar Garments Private Limited (“Company”) is registered as a non-deposit taking/accepting, systematically important NBFC with the RBI, vide certificate of registration number B.05.05897 dated 15th December, 2003, and is recognised as a base-layer NBFC with effect from March 2024.

1. SCOPE AND OBJECTIVE OF CREDIT POLICY

- 1.1. The Credit Policy broadly enumerates the scope, objectives, procedure for loan approvals and disbursements, Customer segments, purpose of loan, interest rate determination, maturity, including prematurity of the sanctioned loan, various types of charges to be borne by an individual Customer, risk control matrix and tolerance level.
- 1.2. The Credit Policy is the framework that defines the principles for the Company’s lending business/decisions. The Credit Policy of the Company is intended to:
 - a. earn, at least the net interest margin prevailing in the market, by minimising credit risk;
 - b. grant the loan only after due verification of the Customer’s profile;
 - c. monitor on a regular basis, to assess and identify risks, if any, that arose post-lending;
 - d. maintain the Company’s liquidity position such that it matches the requirements of the Company’s business;
 - e. comply with all applicable rules and regulations, at all times; and
 - f. duly implement and keep the Credit Policy, including the appendices and any amendments thereto, up to date, in accordance with any regulatory, corporate or other legal requirements.
- 1.3. The Objectives of the Credit Policy are:
 - a. to create a standardized policy and detailed set of procedures/guidelines for the lending activities to be undertaken by the Company;
 - b. to undertake due diligence for mitigating the level of credit risk and improving the credit quality of the exposures given by the Company;
 - c. to define the overall risk appetite of the Company;
 - d. to establish an underwriting framework that shall include, without limitation, maximum credit limits, risk limits, etc., of the loans processed by the Company;
 - e. to ensure undertaking a thorough loan appraisal process and proper monitoring/supervision of all outstanding loans, (including supervision of outstanding loans as well as recovery of

overdue loans, both); and

- f. to determine early warning signals and appropriately provide prudential norms with respect to provisioning of said Loan Facility.
- 1.4. The Credit Policy provides an overall description of all the stages of the lending process.
- 1.5. The Company, while pursuing its business, shall operate according to the highest ethical and compliance standards and constantly seek to follow the best practices in the industry, and shall not contravene any laws and regulations.
- 1.6. Furthermore, the Credit Policy shall be read in consonance with the loan agreement to be entered into between the Company and the Borrowers.

2. BUSINESS STRATEGY AND BUSINESS OPERATIONS

- 2.1. The Company's business operations need to be financially sustainable, i.e., all expenses shall have to be met from the Company's income (i.e., from the interest earned on loans extended), in addition to income from investments and fees collected for services extended to the Customers by the Company.
- 2.2. The Company may extend loans to individuals, Hindu Undivided Family(s), partnership firms, corporates or any other eligible borrower ("**Borrower**").
- 2.3. The Loans proposed to be disbursed by the Company may either be, in the nature of a long- term loan, a short-term loan, a Demand Loan/Call Loan and Secured Loan or Unsecured Loan, or any other lending facility of the Company ("**Loan Facility**").
- 2.4. The lending process is also dependent on the risk profile of the Customer. The Company endeavours to categorise its Borrowers based on their risk profile, as: (i) Strong ; (ii) Stable ; and (iii) weak; and (iv) default account customers.
- 2.5. The option for annulment and repayment of the disbursed amounts is upon the mutual consent of the parties to the loan agreement, and the Company has the option to call for early repayment when default exists/risk is presumed, in accordance with the terms of the loan agreement.
- 2.6. Demand Loans offer better flexibility to both the Customer and the Company in handling the credit requirements and also provide an option to the Company to call back the loan, on demand.
- 2.7. The Company intends to extend Demand Loan/Call Loans as detailed in this Credit Policy. The Demand Loan/Call Loans can be extended under trade advances, loan against shares or securities or any other tangible assets, etc., or as an Unsecured Loan Facility, as determined by the directions of the Board. ("**Board of Directors**").

3. RESOURCES

- 3.1. The Company's funding needs are presently sourced out of the accumulated net worth of the Company, internal borrowings (loan from directors and others) and external borrowings (in the form of debt and loans).
- 3.2. As part of the Credit Policy, to raise cheaper sources of funds as well as to draw parity with the Company's assets' maturity profile, alternative short-term sources of funding would be added to the resources as and when required by the Company.

4. BUSINESS SEGMENT

- 4.1. **Corporate Lending:** The Company can extend loans to any Body Corporate(s), firm(s), or non-individual entities, including its Group Companies.
- 4.2. **Retail Lending:** The Company can extend Secured Loans/Unsecured Loans to individuals, which may be for their personal/business purposes. The personal loans so extended by the Company may be utilised for the purchase of property, consumer durables, education, travel and, etc.
- 4.3. **Other Segments/Loan Products:** The Company can further extend loans to any of its Directors, Senior Officers or their relatives, employees or employees of the Group Company, subject to compliance with the regulatory requirements, including Scale Based Directions and any other regulations as applicable.

5. PURPOSE

- 5.1. The Company will provide the Loan Facility to its Group Companies for:
 - a. supporting their cash flow needs, on a temporary basis; and/or
 - b. working capital loans for the expansion of their business.
- 5.2. The Company can further extend the Loan Facility to corporations and individuals for their business needs, within the risk appetite and regulatory framework, as detailed in the ICAAP Policy.
- 5.3. The Company can also grant personal loans within the risk appetite and regulatory framework, as detailed in the ICAAP Policy.
- 5.4. In the long term, it is envisaged that the lending business will reach out to both existing Customers as well as open market Customers and fulfil their financing needs.

6. CUSTOMER SELECTION

- 6.1. In case of individuals, the Loan Facility provided by the Company includes, but is not limited to:
 - a. salaried employees of public sector institutions/companies/undertakings;
 - b. salaried employees of private sector companies;
 - c. self-employed individuals; and
 - d. students.
- 6.2. Criteria for Customer selection shall also include: (i) age of the Borrowers, since different age groups of individual Borrowers may have different needs and behaviours; (ii) income level of the Borrowers, especially to determine their borrowing capacity in light of the type of loan requested for; and (iii) credit risk/profile of the Borrower based on their CIBIL range/score. However, the Board of Directors on the basis of various other parameters may also grant the personal loan to such other individuals on a case to case basis.
- 6.3. The Company shall not discriminate against physically or visually challenged individuals in providing Loan Facilities. The Company shall assist such customers, and the employee training/orientation shall include awareness of their rights. Grievances of persons with disabilities shall be addressed through the Company's existing redressal mechanism.
- 6.4. The Company does not discriminate in the sanctioning of loans based on gender, caste or religion of the Customers. However, it is the Company's discretion to develop schemes to uplift specific sections of the society, by giving them Loan Facilities at beneficial terms.

7. DEMAND/CALL LOAN

- 7.1. The Company's policy for sanctioning of the Demand/Call Loans shall be approved by the Board and shall stipulate the following:
 - a. Cutoff date within which the repayment of the Demand/Call Loan shall be demanded or called up, which shall not exceed the tenure of the Loan Facility.
 - b. The Board of Directors shall record specific reasons in writing if the cut-off date for demanding or calling up the Demand/Call Loan is stipulated beyond a period of 1 (one) year from the date of sanction.
 - c. The rate of interest which shall be payable on the Demand/Call Loan.
 - d. The interest payable on the Demand/Call Loan, as stipulated, shall be payable either on a monthly or a quarterly basis.
 - e. The Board of Directors shall record specific reasons in writing if, at the time of sanctioning a Demand/Call Loan, no interest is stipulated, or a moratorium is granted for any period.

- f. A cut-off date, for review of performance of the Demand/Call Loan, not exceeding 6 (six) months commencing from the date of sanction.
- g. The Demand/Call Loan shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of the sanction.
- h. All the Demand/Call Loans having a stipulated period/term beyond 6 (six) months shall be subjected to review of performance at the end of 5 (five) years.

8. SECURED LENDING

The Company may extend credit facilities against adequate collateral, ensuring that the value of security provides sufficient coverage for the exposure undertaken. All secured lending shall be subject to proper due diligence of the borrower, verification of the title and enforceability of the security, and adherence to applicable regulatory guidelines. The collateral shall be valued by independent and approved valuers. The Company shall put in place appropriate monitoring mechanisms to safeguard the security, mitigate credit risk, and ensure timely recovery in the event of default.

9. UNSECURED LENDING

- 9.1. All loans extended by the Company against the borrower's creditworthiness, rather than by any type of collateral, shall be treated as the Unsecured Loans for the purposes of credit appraisal, prudential limits and exposure limits in this Credit Policy.
- 9.2. For Loan Facilities that are in the nature of an overdraft, withdrawals/drawdown requests received by the Company from the relevant Borrowers shall be approved with separate Sanction Letters containing the terms and conditions of the renewed/newly disbursed drawdowns.
- 9.3. The credit limit for the unsecured consumer credit exposure shall be as follows:

Category	Consumer Credit Exposure
Unsecured single party	25% (twenty-five per cent)
Unsecured single group of parties	40% (forty per cent)

The above limits have been approved by the Board, and the RMC shall strictly adhere to and monitor the credit exposure limit on an ongoing basis.

- 9.4. Since the majority of the retail loans issued by the Company are Unsecured Loans, the underwriting shall be strengthened such that the Loan Facility shall only be granted after the ability and intention of the individual to pay is assessed to the extent as much as possible. Unconventional sources, such as alternative data modelling to arrive at the creditworthiness of the individual, may also be used by the Company.
- 9.5. Unsecured Loans shall not be granted to those individuals who do not have a verifiable regular

source of income, other than students. In case of students, the personal loan/ unsecured loan shall require the guarantee of another person who shall pay the outstanding amounts in case of a default.

10. SANCTIONING AUTHORITY

- 10.1. The Board of Directors shall be the sanctioning authority for approving the disbursement of loans by the Company. The Board of Directors may approve the proposal from any sector on a case-by-case basis, covering the various elements of the loan appraisal process, including, without limitation, the proposed size of the loan, the interest rate, term, repayment terms, and security required, and any other conditions that will be decided by the Board of Directors.
- 10.2. Any Loan Facility or any other feature of this Credit Policy can be directly placed before the Board for seeking its approval.

11. DETERMINATION OF INTEREST RATES

- 11.1. The base interest rate comprises of the cost of funds, operational costs and the minimum rate of return desired on the amount disbursed by the Company. The spread will be determined based on the risk assessment of the borrower. To determine the risk categorisation of the borrower, the Company has put in place a structured Credit Assessment Logic. It encompasses parameters covering various aspects such as turnover, peer to peer comparison, revenue from operations, debt-equity ratio, working capital, external credit rating (if any), cash flow analysis, net worth etc. of the borrowing entity/individual. The spread will take into account, factors like the creditworthiness of the Customer, which then takes the form of a risk premium.
- 11.2. Other relevant factors for determining the interest rate have been enumerated below:
 - a. it shall be accrued and charged periodically;
 - b. interest can be charged in advance, and accordingly effective interest rate shall be determined, as per the agreed terms and conditions;
 - c. fees/ charges may be levied upfront or at other specific intervals, as per the agreed terms and conditions;
 - d. the Customer shall make an advance payment of the fees or commissions that may have to be paid before the commencement of a Loan Facility to the Company, as applicable;
 - e. in all cases, the effective interest rate shall be clearly communicated to the Customers, and all fees, commissions, interest rates, and their calculations shall be transparent and explained in a manner that can be understood by the Customers, in advance, in compliance with the Fair Practice Code of the Company and under the Scale Based Directions;
 - f. the interest rate policy framed by the Company will be reviewed periodically to take into account, market forces, inflation and risk factors; and

- g. the interest rate structure may vary among Borrowers depending upon the risk factors and the need for achieving operational and financial sustainability.
- 11.3. The Sanctioning Authority will go through the rate recommended based on the criterion stated above and give approval in all such cases.
- 11.4. The Sanctioning Authority shall record specific reasons in writing at the time of sanctioning the Loan Facility, in case no interest is stipulated or a moratorium for principal or interest is granted for any period.
- 11.5. The rate of interest shall mainly depend on the following 3 (three) over-arching factors:
- a. **Company factors:**
- i. **The cost of funds:** Currently, Loan Facilities are granted from both, the Company's accumulated equity and its borrowings.
- ii. **Operational costs:** This includes the cost of using manpower for the applicants' verification process and document processing/verification, and if any face-to-face interaction is required.
- iii. **Technology costs:** The costs to set up and maintain technology and upgrade with time shall also be factored in.
- b. **Customer factors** based on the risk categorisation (low, medium, high) of the Customer:
- i. **Credit rating:** All Customers with existing tradelines shall be partly evaluated on the basis of their credit score. A cut-off score shall be defined with risk categorisation and associated interest rates.
- ii. **Customer history:** If a Customer already has a loan account with the Company, the performance of the individual on the existing repayments shall be evaluated. This shall also form a subset of their credit score.
- iii. **Applied Amount and Tenor of the Loan Facility:** The interest rate shall also factor in the amount of the Loan Facility and the number of months that the Loan Facility shall be repaid in.
- c. **Other Important factors:** The rate of interest shall be an annualised rate so that the Borrower is aware of the exact rates that would be charged to the account.
- 11.6. Repayment
- a. The Loan Facility may be repayable/renewed as per the terms agreed upon by the parties to the loan agreement. However, the cut-off date for repayment may be extended by the Sanctioning Authority for any particular case. Where such a cut-off date for repayment is extended beyond a period of 1 (one) year from the due date, the Sanctioning Authority shall

- record specific reasons in writing for such extension.
- b. The Demand Loan Facility would be due for renewal at the expiry of the tenor or at any time as per the application of the Borrower as specified in the sanction letter. The renewal of the Loan Facility would be at the sole discretion of the Company.
 - c. The renewal of the Demand Loan Facility as aforesaid shall be on the terms and conditions on the given date.
 - d. At least 7 (seven) days prior to the end of the tenor, the Loan Facility would be reviewed to decide on whether demand/call should be made on the due date or further renewal of the Demand/Call Loan, either in full or part, should be considered for 2 successive periods, not exceeding 12 (twelve) months each and the same shall be documented.
 - e. In case the Demand/Call Loan is renewed, then it should be considered as a new Demand/Call Loan, although the same may continue under the same customer/loan account number. The Company shall arrange/procure necessary renewal papers in relation thereto.
 - f. The renewal shall be made for at the most 2 (two) successive tenures. Once renewal is made for the Loan Facility, such outstanding amount shall be repaid before the grant of any further Loan Facility.
 - g. In case the Loan Facility has not been repaid or closed even after following due procedure and provided with sufficient warnings post 2 (two) years from the original date of grant of the Loan Facility, the Company shall be entitled to invoke the pledge/collateral.
 - h. The maximum amount for each of the Demand/Call Loan and the aggregate amount of the Demand/Call Loan would be determined by the Sanctioning Authority.
- 11.7. **Security:** For Secured Loans, the Borrower shall, in consideration of the Loan Facility given, create such security in favour of the Company as stipulated by it, including a demand promissory note, wherever applicable.
- 11.8. **Collaterals:** In case it is necessary to strengthen the creditworthiness of the Borrower, a co-Borrower/guarantor may be considered prior to disbursement of the Loan Facility.

12. TENOR

- 12.1. The Demand/Call loan will be sanctioned for a period up to 1 (one) year from the date of sanction of the loan in case of a Demand Loan facility or as per the terms agreed between the Company and the Borrower. This shall be subject to renewal for at the most 2 (two) successive tenures.
- 12.2. The Sanctioning Authority shall record specific reasons in case the Tenor of the Loan Facility for any client is beyond the period of 12 (twelve) months from the date of sanction.
- 12.3. In case no call/demand is made before the expiry of the stipulated period/cut-off date determined, then the Loan Facility shall be deemed to be called/demanded on such expiry date/cut-off date

and the outstanding dues shall be repaid accordingly (unless the contrary is not put forth in the agreement agreed by the Borrower and the Company).

- 12.4. Suitable clauses empowering such demands/calls to be made for repayment will be incorporated in the Loan Agreements.
- 12.5. The working capital Loan Facilities shall be granted for a Tenor of not more than 2 (two) year subject to renewal for at the most 2 (two) successive tenures.
- 12.6. The retail Loan Facility shall be granted for a Tenor of not more than 5 (five) years.
- 12.7. Besides the above, in order to utilise the deployable funds, the Company shall make a short- term deposit/loan, including inter-corporate deposits for a period not exceeding 1 (one) year. The maximum period of credit facilities shall not exceed 5 (five) years from the date of disbursement of the Loan Facility. Any Loan Facility for a period of more than 5 (five) years shall be granted, subject to prior written approval of the Board.
- 12.8. At least 7 (seven) days prior to the end of the Tenor of the Loan Facility, the Demand/Call Loan shall be reviewed to decide on whether it should be fully/partially rolled over or demanded/called at the end of the Tenor.
- 12.9. Roll-over shall be offered only if:
 - a. the interest payment has satisfactory performance;
 - b. collateral, if any, is found to be sufficient for repayment of the dues;
 - c. credit risk pertaining to the Borrower is low; and
 - d. regular performance review has provided satisfactory results.
- 12.10. In case of renewal, the existing Demand/Call Loan shall be considered as a new Demand/Call loan, although it may continue under the same customer/loan account number and have the same terms and conditions as the previous Demand/Call loan.
- 12.11. The roll-over of the Demand/Call Loan shall require execution of a fresh Loan Agreement and other transaction documents, and no addendum/amendment to the Loan Agreement shall be undertaken.
- 12.12. In the case of a Loan Facility (secured/unsecured) with Bullet Repayment terms, the following shall be ensured:
 - a. The rationale of the Company for sanctioning the loan is properly documented;
 - b. The maximum period shall not exceed the Tenor;
 - c. The Sanctioning Authority shall provide a cut-off date within which the repayment of the Loan

Facility shall be demanded, which shall not be later than the Tenor of the Loan Facility; and

- d. The loan amount sanctioned as well as outstanding amount, at any time of time, shall be within the exposure limit approved by the Board.

12.13. Any deviation from the above-stated procedure/terms will need to be specifically approved by the Board.

13. LOAN UNDERWRITING

13.1. The process to be followed by the Company from the time of receipt of the Customers' requests of availing the Loan Facility till the final approval will be as under:

- a. **Loan Approval Process:** The process commences with the receipt of the Customer's request and its processing, including approval of the credit facility. The process terminates with the communication of the approval of the facility to the Customer, through a term sheet/sanction letter.
- b. **Loan Application:** The Customer shall submit a form at an offline or online touch- point to requesting the Company to inform the Customer regarding the applicable interest rate in the requisite Loan Facility. In case a credit facility is availed over online or telephone, the loan applicable shall only be processed upon receipt of a written consent from the Customer in that regard.
- c. **KYC Document Verification:** The Company, to ensure KYC compliance, shall follow the required process as well as collect the requisite documents from the Customer as stipulated by the RBI in the KYC Master Direction, for providing the Loan Facility. The documents submitted by the Customers shall be analysed duly using technological and human manpower.
- d. **Credit Appraisal:** This step involves determining whether or not to provide the Loan Facility. The Company shall require additional documents, such as an income statement, Permanent Account Number issued by the Income Tax Department, Form 16 or other documents necessary from the Customer to make the decision. The Company shall endeavour to undertake analysis of the projected business, cash flow assessment, peer comparison and other related checks and balances of the Customers, prior to approving the Loan Facility, in line with the standard market practices.
- e. **Regulatory Check:**
 - i. In case of Loan Facility is to be provided in the real estate sector, the Company shall ensure that the requisite government approvals are obtained by the Borrower, before sanctioning of the Loan Facility.
 - ii. The Company's exposure to capital market (either directly and indirectly) and commercial real estate shall be a sensitive exposure for the Company and for such sensitive exposures, Board's approval shall be taken as and when required.

- iii. Necessary tax regulatory requirements prior to/upon sanctioning of the Loan Facility should be complied by the Company.
 - iv. Necessary KYC compliance as stipulated in KYC Master Direction, Anti-Money Laundering provisions under Prevention of Money Laundering Act, 2002, and any other directions, circulars, notifications issued by the RBI or any other Governmental Authority from time to time, should be complied with, by the Company.
 - v. It shall be ensured that the risk categorization of each Borrower is duly recorded in the system, which shall be subject to re-KYC and revisions, based on the changes (if any) in the credit scores of the Borrowers.
 - vi. The Board may appoint a person/department designated for the purpose of compliance with the policies and procedures laid down on sanctions, KYC and anti-money laundering for the Company.
 - vii. Notwithstanding anything in this Credit Policy, any form of sanctions of loans to Group Companies shall require the Board approval.
- 13.2. **Processing Fees:** The Company will charge a processing fee at applicable rates on a case- to-case basis. Any revision in these charges would be implemented on a prospective basis with due communication to the Customers.
- 13.3. **Additional Charges:** Other than processing fees stated above, the Company may charge the below mentioned additional charges for each Loan Facility:
- a. Prepayment charges/ Loan Foreclosure, as applicable;
 - b. Penal Charges upon default in payment of interest;
 - c. Post dated cheques/electronic clearing service swap charges;
 - d. Loan cancellation charges;
 - e. Equated monthly instalment bounce charges; and
 - f. legal charges.
- 13.4. Each Borrower shall have a UCIC (Unique Customer Identification Code) assigned by the Company, which is unique to the customer, to help the Company in identifying the Borrowers and their loan portfolio.

14. LEGAL ENTITY IDENTIFIER (“LEI”)

- 14.1. The Borrower (*being non-individual borrowers only for the purposes of this section*) availing aggregate exposures in excess of INR 5,00,00,000 (Indian Rupees Five Crore only) from the Company shall be required to obtain LEI codes, in accordance with the Scale Based Directions.

Note: “Exposure” for this purpose shall include all fund-based and non-fund-based (credit as well as investment) exposure of banks/FIs/NBFCs provided to the borrower. Aggregate sanctioned limit or outstanding balance, whichever is higher, shall be reckoned for the purpose. Lenders may ascertain the position of aggregate exposure based on information available either with them, or CRILC database or a declaration obtained from the Borrower.

- 14.2. The Borrower can obtain LEI as per the procedure detailed and from the relevant authorities, specified in the Scale Based Directions. After obtaining the LEI code, the Company shall also ensure that the Borrowers renew the codes as per the Global Legal Entity Identified Foundation (“GLEIF”) guidelines.
- 14.3. The Company shall ensure that the Borrowers who fail to obtain LEI codes from an authorised Local Operating Units accredited with GLEIF shall not be sanctioned with any new exposure, nor shall they be granted renewal/enhancement of any existing exposure. However, Departments/Agencies of Central and State Governments (*not Public Sector Undertakings registered under the Act or established as a Corporation under the relevant statute*) shall be exempted from compliance with this requirement.
- 14.4. The Company shall encourage the Borrowers to obtain an LEI for their parent entity as well as all subsidiaries and associates of the Borrowers.

15. CREDIT EXPOSURE

- 15.1. The Company shall not have overall exposure limits exceeding the limits stated below:

Exposure Type	Overall Exposure Limit
Single Borrower Limit	25% (twenty-five per cent) of the Company’s Tier 1 Capital.
The Overall Exposure Limit can be increased if the additional exposure is on account of an infrastructure loan by:	
Single Borrower Limit	5% (five per cent) of the Company’s Tier 1 Capital.
Single group of parties	10% (ten per cent) of the Company’s Tier 1 Capital.

The limits so fixed shall be strictly adhered to and monitored on an ongoing basis. However, these exposure limits shall not be applicable to investment of applicable NBFC shares in: (i) its subsidiaries; and (ii) Group Companies.

16. ADDITIONAL AND TOP UP LOAN

- 16.1. Additional loan or top up on existing Loan Facility shall be granted to the existing Borrowers only. These loans are generally sanctioned to meet the short-term funds requirement of the Borrower. The Sanctioning Authority shall record the specific reasons in writing regarding the purpose and requirement of the additional loan or top up loan.
- 16.2. Any such additional or top-up loan shall be treated as a fresh issuance/sanction of Loan Facility and accordingly, all processes to be followed for a new Loan Facility shall be complied with.
- 16.3. The Company shall not continue to extend the revolving credit facilities under the same Sanction Letter beyond the Tenor stipulated thereunder.
- 16.4. The Company, before the sanctioning of the Loan Facility again to the existing Borrower, shall reassess the existing Borrower as per the process specified under Paragraph 7 (Customer Selection), Paragraph 15 (Loan Underwriting) and any other relevant guidelines under this Credit Policy for maintaining credibility and transparency at the time of disbursement of Loan Facilities by the Company.
- 16.5. In case of the Bullet Repayment Facility, the Board of Directors shall provide a cutoff date within which the repayment of the loan shall be demanded, which shall not exceed the Tenor of the Loan Facility provided.

17. ASSET CLASSIFICATION

- 17.1. The Company shall, after taking into account, the degree of credit weaknesses and extent of dependence on collateral security for realisation, classify its loans and advances and any other forms of credit into the following classes, namely: (i) standard assets; (ii) sub- standard assets; (iii) doubtful assets; and (iv) loss assets.
- 17.2. The Company shall, at all times, comply with the asset classification and provisioning norms specified by the RBI, in the Scale Based Directions and the IRAC Norms, as applicable.
- 17.3. The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

“Standard Assets”	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 or carries more than normal risk attached to the business.
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<p>“Sub-standard Assets”</p>	<p>means: (i) an asset which has been classified as NPA for a period not exceeding 12 (twelve) months; (ii) an asset, where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of 1 (one) year of satisfactory performance under the renegotiated or rescheduled or restructured terms.</p> <p><i>Provided that the classification of infrastructure loan as a sub- standard asset shall be in accordance with the provisions of RBI Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 01, 2025 (DOR.STR.REC.9/21.04.048/2025-26).</i></p>
<p>“Doubtful Assets”</p>	<p>shall mean: (i) a term loan, or (ii) a lease asset, or (iii) a hire purchase asset, or (iv) any other asset, which remains a sub-standard asset for a period exceeding 12 (twelve) months.</p>
<p>“Loss Asset”</p>	<p>shall mean: (i) an asset which has been identified as a loss asset by the Company, or its internal or external auditor or by the RBI during the inspection of the Company, to the extent it is not written off by the Company; and (ii) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security, or due to any fraudulent act or omission on the part of the borrower.</p>
<p>“Non-Performing Asset” (“NPA”)</p>	<p>shall mean:</p> <ul style="list-style-type: none"> (i) an asset, in respect of which, interest has remained overdue for a period of more than 90 (ninety) days; (ii) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 90 (ninety) days or on which the interest amount remained overdue for a period of more than 90 (ninety) days; (iii) a Demand/Call Loan, which remained overdue for a period of more than 90 (ninety) days from the date of demand or call or on which the interest amount remained overdue for a period of more than 90 (ninety) days; (iv) a bill which remains overdue for a period of more than 90 (ninety) days; (v) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 90 (ninety) days; (vi) any dues on account of the sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 90 (ninety) days;

	<p>(vii) the lease rental and hire purchase instalment, which has become overdue for a period of more than 90 (ninety) days; and</p> <p>(viii) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities becomes a non-performing asset.</p> <p><i>Provided that in the case of lease and hire purchase transactions, the Company shall classify each such account on the basis of its record of recovery.</i></p>
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- 17.4. An amount is to be treated as overdue if it is not paid on the due date fixed by the Company.
(i) The exact due dates for repayment of a loan, (ii) the frequency of repayment, (iii) breakup between principal and interest, (iv) examples of SMA/NPA classification dates, etc. shall be clearly specified in the Loan Agreement and the Borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/Loan Agreement, till full repayment of the Loan Facility.
- 17.5. In case of Loan Facilities with a moratorium on payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the Loan Agreement. In case of an existing Loan Facility, compliance with these instructions shall necessarily be ensured as and when such Loan Facility become due for renewal/review.
- 17.6. The Company would recognise incipient stress in loan accounts, immediately on default, by classifying such assets as SMA as per the following categories, which classification of the Borrower accounts are applicable to all loans, including retail loans, irrespective of the size of exposure of the lending institution:

Classification Status	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between
Standard	NA
SMA 0	Up to 30 (thirty) days
SMA 1	More than 30 (thirty) days and up to 60 (sixty) days
SMA 2	More than 60 (sixty) days and up to 90 (ninety) days
NPA	90 (ninety) or more days

Except for the revolving credit facilities like cash credit, SMA classification shall be as provided below.

17.7. In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows:

Classification Status	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA 1	31 (thirty-one) to 60 (sixty) days
SMA 2	61 (sixty-one) to 90 (ninety) days

17.8. It is to be noted that Loan accounts classified as NPAs may be upgraded as ‘standard’ asset only if the entire arrears of interest and principal are paid by the Borrower and the outstanding dues are repaid.

17.9. In case of Borrowers having more than 1 (one) credit facility, the loan accounts shall be upgraded from NPA to the standard asset category only upon repayment of the entire arrears of interest and principal pertaining to all the credit facilities. With respect to the upgradation of accounts classified as NPA due to restructuring, non-achievement of the date of commencement of commercial operations, etc., the instructions as specified for such cases shall continue to apply.

17.10. The Demand/Call Loans that are classified as NPA shall be accounted for on a receipt/realisation basis. Further, it shall ensure that the liquidity risk management framework of the Company captures NPAs as illiquid.

17.11. With a view to increasing awareness among the Borrowers, the Company shall place consumer education literature on its website, explaining with examples, the concepts of:

- (i) date of overdue,
- (ii) SMA and NPA classification, and
- (iii) Upgradation, with specific reference to the day-end process. The Company shall also display such consumer education literature in their branches by means of posters and/or other appropriate media.

17.12. It shall also be ensured that the Company’s front-line officers educate Customers about these concepts, with respect to the Loan Facility to be availed by them, at the time of sanction/disbursal/renewal of the Loan Facility.

17.13. The Company shall make provisions for standard assets at 0.40% (zero decimal point four zero per cent) of the outstanding amounts, which shall not be reckoned for arriving at net NPAs, in accordance with the Scale Based Directions.

18. FAIR PRACTICE CODE

18.1. All communication with the Borrowers must be in a vernacular language or any other language understood by the Borrower. The loan application forms shared with the Borrowers must state the required set of documents and highlight key terms of the loan facility to help the Borrowers make an informed decision. Acknowledgement for all loan applications must be provided with indicative processing timelines.

18.2. The sanction letters issued by the Company must include: (i) the loan amount, (ii) annualised

- interest rate, (iii) method of calculation, and (iv) penal charges (*specifically to be in bold*). The Borrowers must receive the Loan Agreement and all referenced documents at the time of sanctioning the Loan Facility.
- 18.3. The Company complies with the KFS (Key Fact Statement) requirements as stipulated under the Scale Based Directions.
 - 18.4. Penal charges are not levied in the form of ‘penal interest’ and no interest is charged on such penal charges, i.e., there is no capitalisation of such penal charges. The penal charges are approved by the Board and are reasonable, non-discriminatory, and commensurate with the nature of non-compliance.
 - 18.5. In the case of individual Borrowers availing the Loan Facility for purposes other than business, such penal charges will not exceed those applicable to non-individual Borrowers for similar defaults. The quantum and rationale of penal charges are clearly disclosed in the Loan Agreement, KFS, and shall be prominently displayed on the Company’s website.
 - 18.6. The Company shall notify the Borrowers in advance, in a language understood by them, of any changes in the terms and conditions of the Loan Facility, including without limitation:
(i) disbursement schedule, (ii) interest rates, (iii) service charges, (iv) rate of penal charges, and (v) prepayment charges. Any changes in the interest rates shall be effected only prospectively.
 - 18.7. For Secured lending, upon full repayment of the dues or realisation of the outstanding loan amount, all securities/collateral held shall be released by the Company, subject to any legitimate right or lien it may have against the Borrower. In such cases, the Borrower must be informed in writing, with full details of the remaining claims and the conditions under which the Company is entitled to retain the securities.
 - 18.8. The Company shall ensure adopts a responsible lending conduct, including the timely release of original movable or immovable property documents and the removal of charges registered with any registry within 30 (thirty) days of full repayment or settlement of the Loan Facility. The Borrowers shall have the option to collect the original documents from the branch where the Loan Facility was serviced or any other office, as per their preference, and such details shall be clearly communicated in the sanction letter. In case of a delay in the release of such securities which is attributable to the Company, a compensation of INR 5,000 (Indian Rupees Five Thousand only) per day shall be paid to the Borrower. Additionally, in the event of loss or damage to the documents/securities held by the Company, it shall bear the cost of obtaining duplicates and the delay period penalty shall apply after a total of 60 (sixty) days.
 - 18.9. The Company shall not interfere in the affairs of the Borrower except as permitted under the terms of the Loan Agreement or if any material information not previously disclosed by the Borrower comes to light.
 - 18.10. The Company shall respond to any Borrower’s request for transfer of the loan account within 21 (twenty-one) days from receipt of such request. In all loan recovery efforts, the Company shall:
(i) avoid undue harassment, (ii) ensure staff are appropriately trained, and
(iii) maintain a respectful and professional approach to the recovery efforts/process, at all times.

- 18.11. The Company shall comply with the Fair Practice Code as prescribed under Chapter VII of the Scale Based Regulation Directions, at all times during the term of the Loan Facility. This includes: (i) ensuring fair and transparent dealings with the Borrower, (ii) providing clear communication of terms in a language understood by the Borrower, and (iii) adhering to responsible lending practices.
- 18.12. The Company shall also maintain an effective grievance redressal mechanism and ensure that any changes to the terms of the Loan Facility are duly communicated in advance to the Borrower, in writing.

19. RECOVERY OF LOANS

The Company shall adopt a structured and transparent recovery process to ensure timely realization of dues and minimization of credit losses. Recovery efforts shall be guided by principles of fairness, non-coercion, and compliance with applicable laws and regulatory guidelines. The Company shall employ a combination of reminders, follow-ups, restructuring options (where feasible), and legal remedies to recover outstanding amounts. Recovery proceedings with borrowers shall emphasize early resolution, while persistent defaults shall be escalated through legal action, enforcement of security, or engagement of authorized recovery agents, as per approved processes. The recovery framework shall be continuously monitored to protect the Company's financial health while maintaining customer trust and regulatory compliance.

20. FRAUD MITIGATION

The Company, to identify, mitigate and prevent fraudulent transactions that may arise concerning the Loan Facility, shall follow the procedure and guidelines stated in the Fraud Risk Management Policy of the Company and RBI Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies) dated July 15, 2024 (*DOS.CO.FMG.SEC.No.7/23.04.001/2024-25*) and as amended from time to time.

21. REPORTING

- 21.1. The Company shall ensure compliance with applicable prudential norms and submit all required periodic returns and annual financial statements in a timely and accurate manner.
- 21.2. The Company shall also adhere to reporting obligations to CIC, CERSAI, CRILC, IU, and ROC, as prescribed under applicable regulatory guidelines.

22. REVIEW AND AMENDMENT

The Credit Policy shall be reviewed at least annually or as and when required necessary by the Governmental Authority, including, without limitation, the RBI and the Board of the Company.

GLOSSARY

“Act”	shall refer to the Companies Act, 2013, as amended and reinstated from time to time.
“APR”	shall refer to the annual percentage rate.
“Basel III Regulations”	shall refer to the Master Circular- Basel III Capital Regulations, dated May 12, 2023, as may be amended from time to time, issued by the RBI, as amended and reinstated from time to time.
“Board”	shall refer to the board of directors of the Company.
“Body Corporates”	shall have the meaning ascribed to the term in the Act.
“Bullet Repayment Facility”	shall mean a single payment of the principal amount and the accrued interest thereon, payable on the maturity date of the Loan Facility.
“Call/Demand Loan”	shall mean the Loan Facility which are repayable on demand by the Company.
“CERSAI”	refers to the Central Registry of Securitisation Asset Reconstruction and Security Interest of India.
“CIBIL”	shall be a reference to the Credit Information Bureau (India) Limited.
“CIC”	shall refer to Credit Information Companies that have been granted a certificate of registration under section 5 of the Credit Information Companies (Regulations) Act, 2005.
“CLA”	shall refer to an arrangement, formalised through an <i>ex-ante</i> agreement, between a RE which is originating the loans (“ Originating RE ”) and another RE which is co-lending (“ Partner RE ”), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing.
“Company”	shall be a reference to Dagger Garments Private Limited.
“Co-Lending Guidelines”	shall refer to the RBI (Non-Fund Based Credit Facilities) Directions, 2025 dated August 06, 2025. as amended and reinstated from time to time.
“Credit Policy”	shall be a reference to this policy document that lays down the process for lending of the Loan Facility by the Company.
“CRILC”	refers to the Central Repository of Information on Large Credits.
“Customer”	shall mean individuals, Hindu Undivided Family(s), partnership firms, corporates or any other eligible borrower.
“CRAR”	shall refer to capital to risk-weighted assets ratio.
“Directors”	shall have the meaning ascribed to the term in the Act.
“ECAI”	shall mean the External Credit Assessment Institutions.
“Eligible Collateral”	shall mean the collateral of jewellery, ornaments or coins made of gold or silver.
“Fair Practice Code”	shall have the meaning ascribed to the term in the Scale Based Directions.
“Governmental Authority”	shall mean any: (a) government (central, state or otherwise) or sovereign state; (b) governmental agency, semi-governmental or judicial or quasi-judicial or regulatory or administrative entity, department or authority, or any political subdivision thereof; or (c) international organization,

	agency or authority including, without limitation, any stock exchange or any self-regulatory organization, established under any applicable law.
“Group Company”	shall mean holding company, any subsidiary company or associate company, and any other entities under the Control of the Company. Control has the meaning given to it in the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011) (as amended from time to time).
“ICAAP Policy”	shall be a reference to the internal capital adequacy assessment process policy of the Company.
“IPO”	shall be a reference to the initial public offering.
“IRAC Norms”	shall be a reference to the Income Recognition, Asset Classification and Provisioning pertaining to advances, dated November 12, 2021, as amended from time to time, issued by the RBI.
“Investment Policy”	shall be a reference to the investment policy of the Company.
“IU”	shall mean Information Utility, as defined in the Insolvency and Bankruptcy Code of India, 2016, as amended and reinstated from time to time.
“KFS”	shall have the meaning ascribed to the term in the Scale Based Directions.
“KYC Master Direction”	shall refer to the RBI Master Direction- Know Your Customer (KYC) Direction, 2016, dated February 25, 2016, and as updated from time to time.
“LEI”	shall have the meaning ascribed to the term in the Scale Based Directions.
“Loan Agreement”	refers to an agreement entered into, between the Company and the Borrower, describing the terms of the Loan Facility sanctioned.
“LTV”	shall have the meaning ascribed to the term in the Scale Based Directions.
“Middle Layer NBFC”	shall have the meaning ascribed to the term in the Scale Based Directions.
“MLDs”	shall refer to market linked non-convertible debentures.
“NBFC”	shall refer to a non-banking financial company.
“NCDs”	shall refer to non-convertible debentures.
“Net Owned Funds”	shall have the meaning ascribed to the term in the Scale Based Directions.
“Net-Worth”	shall have the meaning ascribed to the term in the Act.
“PCE”	shall refer to the Partial Credit Enhancement, as referred under the PCE Directions.
“PCE Directions”	shall refer to the RBI (Non-Fund Based Credit Facilities) Directions, 2025 dated August 06, 2025, as amended from time to time.
“RBI”	shall be a reference to the Reserve Bank of India.
“RE”	shall refer to: <ul style="list-style-type: none"> i. Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks);

	<ul style="list-style-type: none"> ii. All-India Financial Institutions; iii. NBFCs, and iv. Primary (Urban) Co-operative Banks (UCBs)/ State Co- operative Banks (StCBs)/ Central Co-operative Banks (CCBs) (<i>in case of PCE facility</i>)
“ROC”	shall have the meaning ascribed to the term in the Act.
“RMC”	refers to the risk management committee of the Company.
“Scale Based Directions”	shall refer to the RBI Master Direction (Non-Banking Financial Company-Scale Based Regulation) Directions, 2023, dated October 19, 2023, and as updated from time to time.
“SEBI”	refers to the Securities Exchange Board of India.
“Secured Loan”	<p>shall mean when the amounts due to the Company (present value of principal and interest receivable as per restructured Loan Facility terms) are covered by the value of security, duly charged in its favour in respect of those dues, the Company’s dues.</p> <p>While assessing the realisable value of security, primary as well as collateral securities shall be reckoned, provided such securities are tangible securities and are not in intangible form like guarantee etc., of the promoter/others. However, for this purpose the bank guarantees, State Government Guarantees and Central Government Guarantees shall be treated on par with tangible security.</p>
“Senior Officers”	refers to Key Managerial Personnel, as defined under the Act,
“SMA”	shall have the meaning ascribed to the term in the Scale Based Directions.
“SPV”	shall refer to special-purpose vehicles.
“Tenor”	shall mean duration/term of the Loan Facility sanctioned by the Company to the Borrower.
“UCIC”	shall mean Unique Client Identification Code, as defined in the KYC Master Direction.
“Unsecured Loan”	shall mean the Loan Facility over which no security charge has been provided to secure the amounts due to the Company (present value of principal and interest receivable as per restructured Loan Facility terms).