

**INFINITY FINCORP SOLUTIONS PVT LTD
(IFSPL)**

Risk Management Policy

Date of approval/modification: 10th November 2025

Approved by: Board of Directors

Owner of the Policy: Risk

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Policy Review Cycle: Annually

INFINITY FINCORP SOLUTIONS PVT LTD (hereinafter “(IFSPL)” is registered as Non-Bank Financial Company -Middle Layer with Reserve Bank of India (RBI). The main target client segment of IFSPL are Agriculture, Loan against property, Loans to Micro, Small and Medium Enterprises (MSME), Traders, Suppliers and Mid corporates.

In pursuing its business, IFSPL will operate according to the highest ethical and compliance standards and constantly seek to follow best practices in the industry. Under no circumstances will contravention of laws and relevant regulations be tolerated. This Policy shall be effective from the date of approval of the Policy.

Review & Amendment of the Policy

This Policy may be amended from time to time based on the inputs from various stakeholders to ensure robust Risk management process. Changes required due to business exigencies or due to regulatory / audit requirements, can be approved by the Chief Executive Officer which shall be further taken up during annual review by Risk Management committee / Board as applicable from time to time.

Implementation & Monitoring of Policy

The Risk Management Committee (RMC) will monitor and supervise implementation of the Policy.

Introduction

The Risk Management Policy is the first step towards defining the risk management governance framework. It is the umbrella policy which will govern the various sub-components of the Risk Governance Framework.

The scope of the Risk Management Policy includes a Risk Governance Structure for Company, which will enable it to assess, manage and mitigate risks arising out of its business.

The Risk Management policy will assist in fulfilling the following major objectives:

- Adhere to regulatory guidelines/policies as specified by the Reserve Bank of India from time to time.
- Develop and implement the mechanism of evaluating & quantifying risk with respective tolerance against business objectives and strategies, both at an organisational and individual business unit levels.

Company recognizes that risk management is essential to sound business practices and believes that effective risk management leads to informed decision-making within the organization 's risk appetite. Hence, the monitoring and management of risks faced by the organisation is part of its internal improvement process which enables it to mitigate risks and maximise its opportunities.

For this purpose, IFSPL has laid out Risk Management Policy and the policy aims to provide broad direction to all activities within the organisation, associated with risk management. The process for developing this policy involved:

- **Critical Analysis of Internal Documentation** such as existing policies, process manuals, internal audit reports and credit policy documents

- **Interactions with stakeholders** including the Board of Directors, senior management, functional leads and the core business, Credit, and operations teams.
- **Industry Interactions** with other similar private sector banks and NBFCs

This policy document is intended to provide broad guidelines by articulating risk management principles, defining risk and establishing a common risk language.

Key Objective of Risk Management Policy

Key objectives of this policy are to:

- Endorse a structured approach to identify current and future potential risks to the organization.
- Establish and maintain a system of internal controls to promote effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.
- Facilitate the making of informed decisions including the assessment and prioritization of identified risks consistent with risk tolerance and mitigation strategies to minimize the adverse impact.
- Facilitate the monitoring and reporting on status of all key risks to appropriate management/committees & Board of Directors.
- Provide reasonable assurance with respect to organization's ability to achieve its strategic and business objectives.

The overall Risk Management Framework has been developed based on the following risk governance principles:

- Risk Appetite
- Risk Governance
- Risk Policy & Process
- Risk Reporting

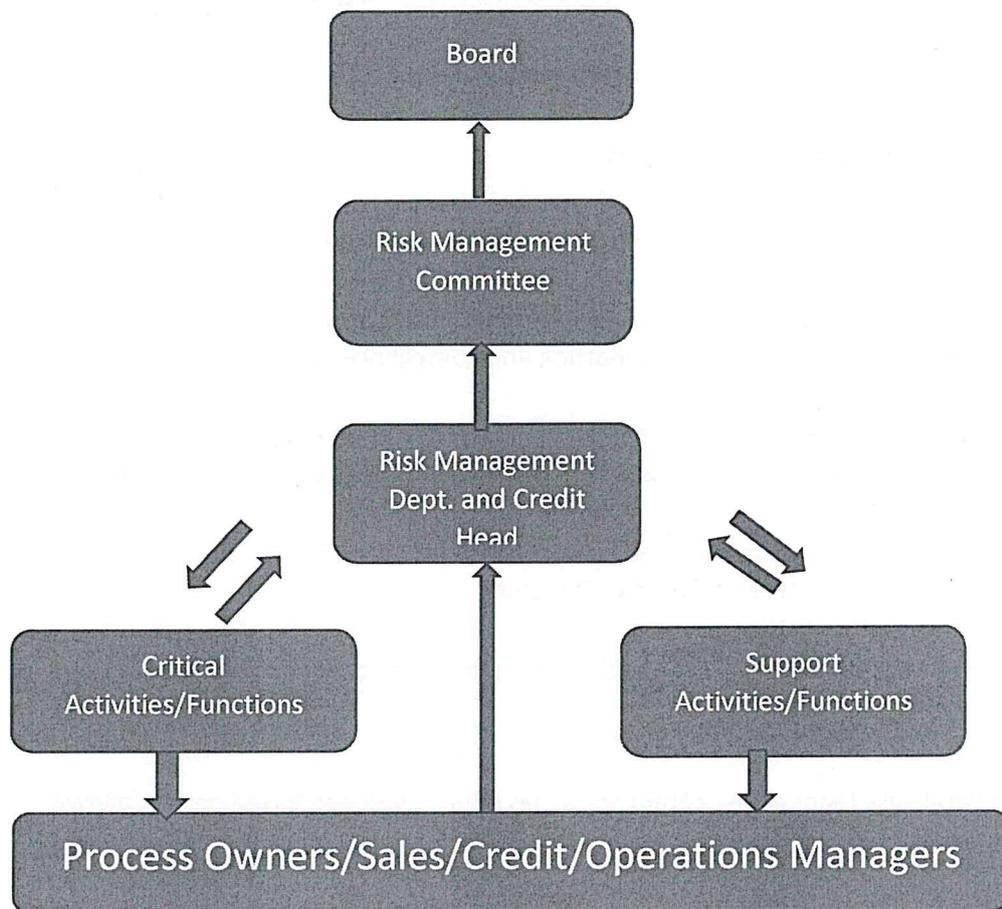
While the Policy provides the overall guidelines about the Risk Management at the organisation level, each of the functional areas should be governed by detailed policies which should include but not limited to:

- Credit Risk management
- Market Risk Management and Asset Liability Management (ALM)

The policy aims to highlight the spirit of these principles and their practical implications for the IFSP activities. The policy highlights the practical means of observing those principles and strives to demonstrate the associated actions and their effectiveness.

Risk Organization

IFSPL will gradually develop a robust organizational structure for managing and reporting on risks as a pre-requisite for an effective risk management process. The following framework to evolve over a period after crossing Rs 1000 Crore AUM.



Risk Management Committee of Board

Risk Management Committee is in place to assist the Board in its responsibility for ensuring that appropriate risk management and internal control system is in place and for regularly reviewing the effectiveness of same. The company has framed the risk assessment and minimization procedure. Risk Committee is responsible for monitoring the adherence to the risk policy and guidelines and reviewing the overall risk management system in light of changes in external and internal environment within which the Company operates.

Roles and Responsibilities of Board of Directors

The Company's Board of Directors has the responsibility for overseeing all risks associated with the activities of business, establish a strong internal control environment and risk framework that fulfills the expectations of stakeholders of business.

The Board of Directors will review this policy statement as and when required depending on the circumstances faced by the organization.

Policy Guidelines & Principles

These guidelines recognize that the activities undertaken by organization with respect to the achievement of its strategies and business objectives are ultimately tied to decisions about the nature and level of risk it is prepared to take and the most effective means to manage and mitigate those risks.

The risk management framework which shall govern the related management policies and procedures shall be premised upon common understanding and application of following principles:

- The informed acceptance of risk is an essential element of good business strategy.
- Risk management is an effective means to enhance and protect the value of business over time.
- A common definition and understanding of risks is necessary, in order to better manage those risks and make more consistent and informed business decisions.
- The management of risk is an anticipatory, proactive process, to be embedded in corporate culture and a key part of strategic planning & operational management.
- All risks are to be identified, assessed, measured, managed, monitored and reported on in accordance with management policies and procedures.
- All business activities are to adhere to risk management practices which reflect effective internal controls that are appropriate for business.

Risk Management Process

Risk management process of the company aims at providing reasonable assurance that the policies and procedures that are in place are adequate considering the scope of business and its activities, and are reviewed on an ongoing basis.

As a financial intermediary, Company is exposed to various types of risks including the following Key risk

- **Credit Risk**
- **Market & Liquidity Risk**
- **Operational Risk**
- **Legal & Compliance Risk**

The objective of the Risk Management Policy is to ensure that various risks are understood, monitored and managed properly. Any deviation in this policy shall be approved by CEO.

CREDIT RISK

All credit risk relating to any product/ exposure will be governed by the respective Credit Policy.

Objective of Credit Policy

- To prescribe a broad framework of guidelines for credit function.
- To put in place, guidelines for types of credit facilities, lending norms including assessment of credit requirement, security, margin, pricing, delivery system etc.
- To achieve credit growth with asset quality, optimum yield and enduring business relationship.
- To ensure balanced growth of credit
 - (i) Across various sectors,
 - (ii) Asset liability profile,
 - (iii) type of facility and
 - (iv) Within the ambit of prudential norms.
- To provide flexibility in decision-making and credit operations but within prudential and other norms so that (i) good business opportunity is not lost, (ii) business relationship is sustained (iii) new business is built up on a regular basis; (iv) customer experiences satisfaction.

Productwise Credit Policies to be approved by the CEO after testing Pilot run and at the time of Launch.

Risk Identification

Identification of risk is the first step in the Credit Risk assessment system. The credit risk inherent in credit proposal is a function of certain risk factors, such as function of certain factors, some of which are specified below:-

1. Financial risk

This would include assessment of the entity's overall financial strength based on performance and financial indicators, as derived from its financial statements- historical and projected.

2. Business Risk:

Business risk analysis assesses the business fundamentals of the unit, the competitive market position in the industry and its operational efficiency. Key factors would include its geographic reach, distribution and selling arrangements, capacity utilization, nature of the technology employed. The business risk associated with the unit would be reflected in its financial risk ratios and their comparison with the industry average, which are covered under financial risk parameters.

3. Industry Risk:

This relates to the industry of which the unit is a constituent. The unit/ firm will be subject to the risk factors to which the industry is exposed. In assessing the industry risk, the key parameters would be competition, entry barriers, cyclical, industry outlook, regulatory risk/ government policies and other contemporary issues.

4. Management risk:

It involves evaluation of the management of the enterprise, their risk philosophy, competence and past track record. The key parameters are the integrity (corporate governance), managerial competence and commitment, credibility (ability to meet the sales/income and profit projections), payment track record, management system, capability of the management to bailout the entity in case of distress, and the structure and length of relationship with IFSP. While some subjectivity may creep in while evaluating these parameters, it should be minimized.

CREDIT RISK CONTROL AND REPORTING

Restrictions of lending:

a) IFSPPL will not grant any loans/advances to or on behalf of any of its directors or to any firm in which any of its directors is interested as a partner/manager/ employee/guarantor, or to a company or subsidiary or holding company in which any of the directors of IFSPPL is a director/ manager/ employee/ guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor.

b) IFSPPL will not grant any loans and advances, without the prior approval of the Board, to the 'relatives' of IFSPPL's Managing Director or to Directors of other banks and their relatives.

c) IFSPPL will not grant loans and advances to industries producing or consuming Ozone Depleting Substances, in terms of Montreal Protocol to which Government of India is a party.

Restrictions relating to security for lending

IFSPPL will not grant loans and advances against the security of

- a) Its own shares
- b) Partly paid shares of a company
- c) Certificates of Deposits (CDs); an
- d) Money Market Mutual Funds and
- e) Fixed Deposit Receipts(FDRs) issued by Banks

Moreover, IFSPPL will not hold shares in a company in the management of which Managing Director of IFSPPL is interested, excluding cases of subsidiaries and associates/ assisted companies where he is a part of the Board/ Nominee Director in his official capacity.

Rating-wise Exposure Ceilings

As part of RBI guidelines on CR(applicable to banks), the NBFCs have to eventually move over to internal Rating Based approach for Capital Adequacy standards. Accordingly, as a best practice, IFSPPL shall endeavour to restrict its exposure under the lower rated categories of borrowers. In the case of industries/ sectors that are not performing well or in which the outlook in the near future is not likely to improve, the exposure shall be taken only in respect of better rated clients as determined/advised by CEO.

CREDIT DELIVERY

Types of Facilities The types of facilities would comprise of Term Loans, Loan against Property, Demand Loans, , Working Capital Demand Loan, Advances against Bills, Purchase / Discount of Cheques / Bills, Invoice Discounting / financing, Discounting of future cash flows / rent receivables.

Sourcing Models in retails Assets

- i) Direct Sourcing .
- ii) Indirect (DSA/Connector)
- iii) Colending

Provisioning and Asset Classification Policy (Ind AS & RBI SBR – Middle Layer)

1. Overview

Infinity Fincorp Solutions Pvt. Ltd. (IFSPL) shall classify financial assets and compute provisions in accordance with:

- Ind AS 109: Financial Instruments
- RBI Scale Based Regulatory Framework (Middle Layer NBFCs)
- Internal credit risk model framework and Expected Credit Loss (ECL) methodology

Asset classification and provisioning shall be based on the Expected Credit Loss Model, rather than rule-based provisioning applicable under previous Indian GAAP norms.

2. Definition of Non-Performing Asset (NPA)

A financial asset shall be classified as Non-Performing Asset (NPA) / Stage 3 when:

1. Interest and/or instalment remains overdue for more than 90 days, OR
2. The borrower is assessed as credit impaired based on qualitative factors (e.g., legal insolvency, fraud, restructuring due to financial stress, bankruptcy filing), even if not 90+ DPD.

3. Ind AS Staging and Classification of Assets

All credit exposures shall be classified into three impairment categories:

Stage	Criteria	Provisioning Basis
Stage 1 – Performing	No significant increase in credit risk; generally ≤ 30 DPD	12-Month Expected Credit Loss
Stage 2 – Under-Performing	Significant increase in credit risk since origination; generally >30 and ≤ 90 DPD OR SICR indicators triggered	Lifetime Expected Credit Loss
Stage 3 – Credit-Impaired / NPA	>90 DPD OR credit impairment indicators identified	Lifetime Expected Credit Loss with elevated LGD

Note: Transition between stages shall be based on internal risk model triggers, forward-looking indicators, and borrower repayment behaviour.

4. Income Recognition Norms

Income recognition shall comply with Ind AS Effective Interest Rate (EIR) method.

- Interest income on Stage 1 and Stage 2 assets shall continue to accrue on an accrual basis.
- Interest income on Stage 3 (NPA) assets shall not be accrued and will be recognised only on actual receipt (cash basis).

4.1 Reversal of Previously Recognised Income

Upon classification of an account as Stage-3:

- All unrealised interest, fees, and charges already recognised in earlier periods shall be reversed from the Profit & Loss account.
- Interest may continue to be tracked in a memorandum / suspense account but shall not form part of reported income or gross loan assets.

5. Provisioning Methodology (ECL Model)

Provisioning shall be determined under the Expected Credit Loss Framework and based on the following elements:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)
- Forward-looking macroeconomic overlays

The ECL model will be independently validated and approved by the Risk Management Committee at least annually.

General Guidelines for classification of assets.

Broadly speaking, classification of assets into above categories will be done taking into account the degree of well-defined credit weaknesses and the extent of dependence on collateral security for realisation of dues.

IFSPL will establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs.

The availability of security or net worth of borrower/ guarantor should not be taken into account for the purpose of treating an advance as NPA or otherwise, except to the extent permitted by the RBI guidelines.

If entire arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account will no longer be treated as nonperforming and may be classified as 'standard' accounts.

Asset Classification will be to be borrower-wise and not facility-wise i.e all the facility of the borrower will be considered as NPA if one facility is declared as NPA.

Accounts where there is erosion in the value of security/frauds committed by borrowers

In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers such serious credit impairment, the asset will be straightaway classified as doubtful or loss asset as appropriate:

Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the IFSPL or accepted by RBI at the time of last inspection, as the case may be. Such NPAs will be straightaway classified under doubtful category.

If the realisable value of the security, as assessed by the IFSPL is less than 10 per cent of the outstanding in the borrower accounts, the existence of security will be ignored and the asset will be straightaway classified as loss asset.

Agricultural advances

A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops, which are not "long duration" crops, would be treated as "short duration" crops.

Special Mention Accounts(SMA)

Company shall recognize incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the categories specified ie SMA -0, SMA-1, SMA. The borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date.

IFSPL will create awareness on concepts of date of Overdue, SMA and NPA Classification and upgradation , with specific reference to day end process through appropriate medium.

Enforcement of security and recovery actions

In cases where client has failed to meet their debt servicing requirements, IFSPL may need to enforce security and recover its dues. Important aspects to be followed in such an event:

In all action being undertaken for recovery, IFSPL will strictly follow the law of the land and will act as a responsible member of the community. While ensuring that our rights are protected and dues recovered, we will treat our counter-parties with respect and fairness.

OPERATIONAL RISK

Operational Risk is the risk of possible losses, resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risks but excludes strategic and reputation risk. The risk can emanate from:

Lapses in compliance with established norms; regulatory as well as internal guidelines

Misplaced/lost documents, collusion and fraud ,Breakdown or non-availability of core business applications.

Skill gap and sudden attrition of key personnel in the organisation, is also an operational risk, which needs to be countered and addressed by the application of appropriate HR strategies.

Loss of Physical asset due to natural disasters,fire and vandalism.

Mitigation

Process Compliance

IFSP will develop an independent process compliance department which carries out surprise checks on field branches and rates them on pre-defined compliance parameters, identifies gaps in process compliance and rolls out initiatives to correct loopholes. This is done primarily to

Ensure that the designed processes are being followed on the field – including interaction with the customers during various stages of the relationship lifecycle.

Ensure all branch activities are carried out as per norms/procedures as mentioned in the operational manual.

Identify any process lapses/deviations and provide guidance to branches/employees to ensure compliance.

This ensures that risks arising out of process lapses are mitigated.

IFSP encourages its employees to report any actual or suspected instances of fraud, misconduct, Policy violations and non compliance with applicable laws and regulatory requirements.

Document Storage and Retrieval:

IFSP recognizes the need for proper storage of documents as also their retrieval for audit and statutory requirements.

Physical Storage: We have entered into an agreement with an established record management company so all the physical loan documents are bar-coded and stored in a specialized secure facility.

Operational risk will be managed through sound operational processes, robust IT systems, Disaster Recovery & Business Continuity Plans and standardized Policy & Process framework that help minimize errors & fraud occurrence.

The Risk/Credit function will ensure proper mitigation of the fraud related risk. It will lay-down the systems and processes for prevention of frauds and recovery of fraud losses. It will also be required to evaluate various external agencies involved for facilitating the business.

MARKET AND LIQUIDITY RISK

Liquidity Risk arises largely due to maturity mismatch associated with assets and liabilities of the company. Liquidity risk stems from the inability of the company to fund increase in assets, manage unplanned changes in funding sources and meet financial commitments when required.

Due to the high reliance on external sources of funds, IFSP is exposed to various funding and liquidity risks comprising:

Funding Concentration Risk—Concentration of a single source of funds exposes the Company to an inability to raise funds in a planned and timely manner and resort to high cost emergency sources of funds. Further, concentration of funding sources can also result in a skewed maturity profile of liabilities and resultant Asset-Liability mismatch.

Asset-Liability Mismatch—A skewed asset-liability profile can lead to severe liquidity shortfall and result in significantly higher costs of funds; especially so during times of crises.

Interest Rate risk—Interest Rate risk comprises the risk of increase in cost of funds due to an overall increase in the interest rates economy as well as sharp movements in interest rates across maturity profiles of the liabilities.

Compliance Risk

IFSP is present in an industry where the Company has to ensure compliance with regulatory and statutory requirements. Non-Compliance can result in stringent actions and penalties from the Regulator and/or Statutory Authorities and which also poses a risk to IFSP's reputation. These risks can take the form of:

Non-Compliance with RBI Regulations

Non-Compliance with Statutory Regulations

Non-Compliance with covenants laid down by Lenders

Credit Concentration Risk

The Company will endeavor to spread the business and exposures across different customer profiles, products, industries, geographies etc. Broadly, distribution of exposures would be governed by the Credit Policy which would be reviewed periodically.

The Company shall ensure adherence with the credit concentration norms prescribed by the Reserve Bank of India and as defined in the respective Credit Policies.

LEGAL RISK

To contain any kind of legal risk in its documentation, the Company will have standardized documentations for various business purposes which shall be approved by the internal legal team or any external legal counsel.

To manage any major litigation risk which may emanate, external legal counsels may be engaged and periodical review of major litigation risks at the Board or or by senior management as and when applicable.

Modified and reviewed by


Kamleshkumar Shah


Shankar Masale

Approved by Board


Shrikant Ravalkar