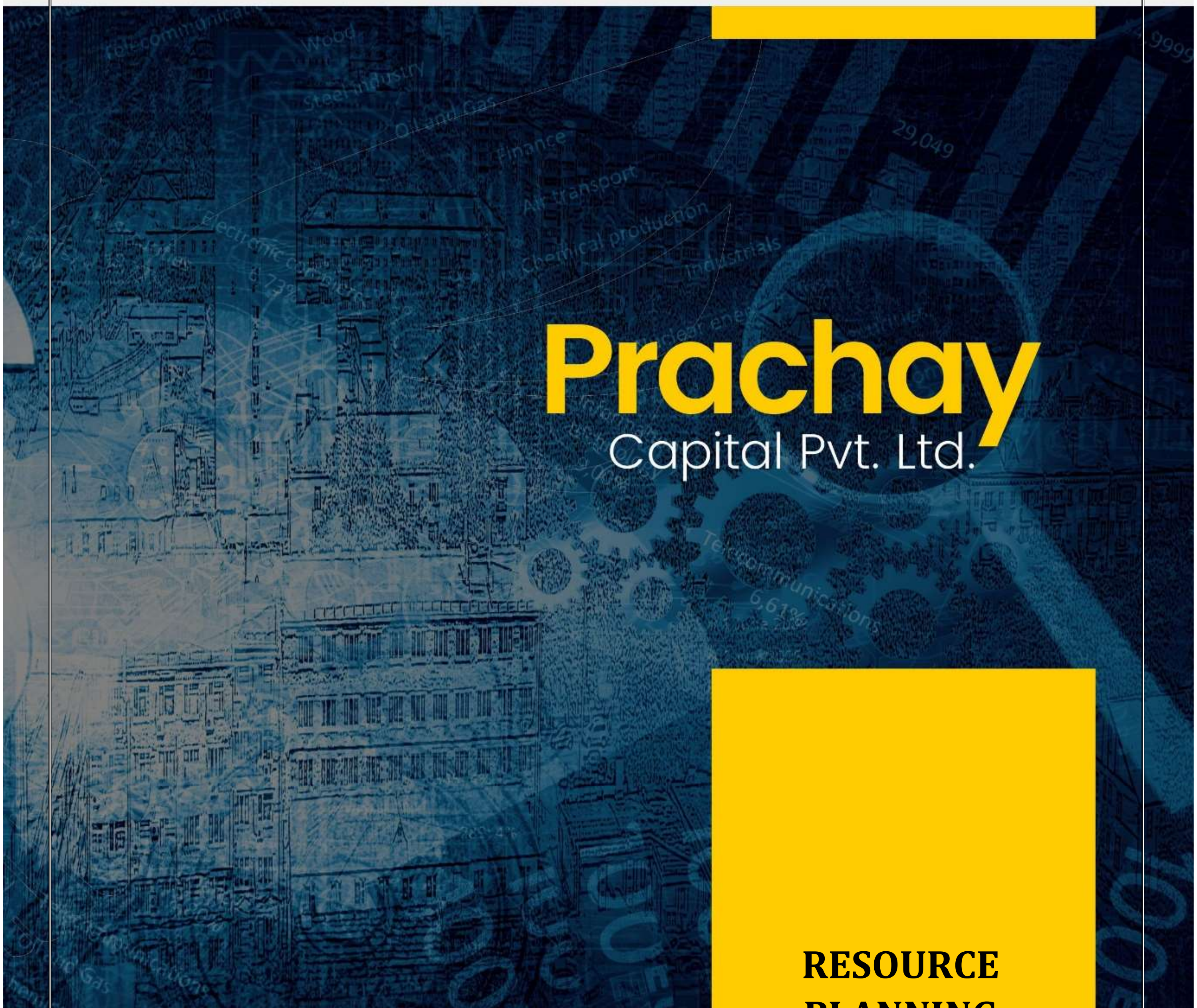
PRACHAY CAPITAL



RESOURCE PLANNING POLICY

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1. SCOPE

1.1 Background and Policy Objective

Prachay Capital Private Limited is a Non- Banking Finance Company into lending business and to meet the Company's business plan and requirements, the Company intends to use various resources raising options including Bank Term Loan/ Over Drafts, Private Placement of Non- Convertible Debentures (NCDs), Commercial Papers from various sources.

In accordance with the **Guidelines on Private Placement of NCDs (maturity more than 1 year) by NBFCs** prescribed by the Reserve Bank of India (RBI) **under the Non-Banking Financial Company - Non-Deposit taking Non-Systemically Important Company (Reserve Bank) Directions, 2016**, the Company, as an NBFC, is required to put in place a Board approved Policy for Resource Planning which, inter-alia, should cover the planning horizon and the periodicity of private placement.

The objective of this policy is to establish broad guidelines for the Company for resource mobilization. The policy covers the following aspects relating to the resource/ liability planning:

i) Projected asset liability mismatch for the Company
ii) Liability products proposed to be used for such asset liability mismatches
iii) Define limits for issuance/ borrowing for each of the liability products
iv) Monitoring of liquidity metrics for the Company

1.2 Effective Date

This Policy shall be effective from the date of approval of this policy.

1.3 Review of Policy

The Policy shall be reviewed as and when required by the applicable rules and regulations.

1.4 Policy Approval

The Policy and any significant changes therein shall be approved by the Board of Directors.

2. POLICY STANDARDS

Resource planning for the Company encompasses the strategic objective of the Asset Liability Management (ALM) and operational objective of the Fund Management.
Thus, resource planning for the Company will involve ensuring availability of funds in the form of various liability products, short term investments and choosing the appropriate liability products for fund management and ALM. While this policy describes the guidelines relating resource planning, details on the Asset Liability Management are contained in the ALM Policy. Relevant sections of the ALM Policy must be referred to for additional details on the same.

2.1 Determine the funding gap for a period

The Company's Treasury function will be responsible for managing the funds position for the Company and will determine the funding gap to plan the debt issuance. The funding gap will be determined for the year to plan out the funding mix and the borrowing calendar. This will also help in planning out the investor/ lender reach out program for diversification and expanding relationships.

2.2 Funding options

Typical sources of funds for the Company would include Commercial Papers ('CP'), Bonds, Non-Convertible Debentures ('NCD') and term loans from banks. In addition, for daily fund management and liquidity buffer, the Company may also arrange for CC/OD/WCDL lines from banks. Short term liquidity sources will also include any short-term investments in mutual funds, fixed deposits etc.

The Company will raise funds through appropriate debt instruments to meet the varied funding requirements of the Company, as described below:

2.2.1 Commercial Papers:

CPs are used typically for short term funding. Funds are currently being raised from varied investor categories like Mutual Funds, Bank Treasury, Corporates, Insurance companies etc. Continued efforts will be made to diversify the investor base and enhance the limits with existing investors to reduce our funding cost and have a large investor base. Even though the Commercial Papers are transferable, given the short tenor of the instrument, these are normally held till maturity by the purchaser. As the time taken for issuance of Commercial paper is short, the frequency of the issuance of the Commercial Paper would largely depend on the immediate need of the liquidity.
For issuance of Commercial Papers, the Directions issued by RBI in this regard would be followed.

2.2.2 Bank Loans:

The Company's fund requirements are currently predominantly met through Bank loans that are secured against the business receivables of the Company. The Company's dependence on Long term funds will be high to ensure adequate asset liability management. However, in order to maintain adequate liquidity backup, efforts should also be made on increasing short term OD/CC/WCDL lines as required.

2.2.3 Debentures:

Debentures are used for both Short Term and Long Term funding. The Company may issue Privately placed Debentures. Non-Convertible Debentures (NCD's) are privately placed with Mutual Funds (AMCs), Pension funds, Provident Funds, Banks and Corporates. The Company will continue to explore opportunities to broad base capital market investors for our privately placed NCDs. Since the NCDs are negotiable and transferable in nature, it may not be possible to govern the concentration risk in such instruments. It is therefore proposed that the number of privately placed NCD issuances in a quarter will not exceed five. The number of issuance will be reviewed by the Asset Liability Management Committee (ALCO) in each of its meeting and be empowered to increase the issuance in case of need.

For **Private Placement of NCDs (maturity more than 1 year), t**he issue shall be governed by the following:

i) The minimum subscription per investor shall be Rs. 20,000/- (Rupees Twenty Thousand Only);
ii) The issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than Rs. 1 crore and those with a minimum subscription of Rs. 1 crore and above per investor;
iii) There shall be a limit of 200 subscribers for every financial year, for issuance of NCDs with a maximum subscription of less than Rs. 1 crore, and such subscription shall be fully secured;
iv) There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of Rs. 1 crore and above; the option to create security in favour of subscribers shall be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in these Directions.
v) The Company shall issue debentures only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities/ parent Company/ associates.
vi) The Company shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).

For NCDs of maturity upto one year, Guidelines on Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010, dated June 23, 2010, by Internal Debt Management Department, RBI shall be applicable. Similarly, for Public Issuance of NCDs, applicable guidelines will be followed.

2.2.4 Unsecured Subordinate Debt:

This will be used to augment the Tier II capital of the Company. The subordinate debts are required to be discounted for tenor less than five years. While the Cost of sub debt is cheaper than equity, equity capital also acts as a buffer for business risk. Treasury department would try and balance the mix between Tier I and Tier II debt. The issuance of sub debt would be done based on the market conditions and prevalent capital adequacy.

2.2.5 Others:

The Company will continue to explore other liability sources like Preference shares etc. for meeting its funding requirement depending on the prevalent regulations and market conditions.

2.3 Asset Liability Management

Once lending commitments are made by the Company, treasury will tie up the funds through various funding sources available to it. While treasury will use all available resources in order to meet the funds requirement of the Company, it will also be guided by the balance sheet structure to determine the optimal mix between long term and short-term funding sources to manage structural mismatches and an optimal mix between floating and fixed assets and liabilities to address any interest rate risks in the balance sheet.

All of the above will be done under the ALM function to maintain an optimal balance sheet structure and cash flow patterns. In this regard, the Company will be further guided by the ALM Policy. The ALCO shall monitor compliance with the funding mix in its quarterly meeting and ratify deviations if any.

2.4 Liquidity Planning

Liquidity risk arises where the Company is unable to meet its any obligation as and when it arises. To manage the liquidity risk at a cash flow level, it is important that besides structural asset liability management, proper planning to ensure short term liquidity is done. The Treasury function will ensure that adequate liquidity sources are available in the form of bank limits, short term investments etc. to meet any obligations whether under normal business conditions or under stressed market conditions.

2.5 Capital Planning

An important aspect of resource planning is also to ensure adequate capital is available for business growth. The Treasury function will monitor the capital adequacy for the Company and will report the Capital Adequacy Ratio (CRAR) to ALCO on a quarterly basis. In addition, based on the business disbursement plan as per the Annual Operating/ Business Plan, capital requirement for the year will be determined. Any fresh capital needs in the form of Tier II capital will form part of the fund planning and will be included in the funding mix.

3. ROLES AND RESPONSIBILITIES

3.1 Treasury

The Treasury function should collate information as under:

i) Product wise business disbursement plan as per the AOP
ii) Business collection figures
iii) Liability repayments
iv) Other business operation payments

Further, Treasury should determine and monitor the following:

i) Funding gap for the year
ii) Funding mix based on the nature of the business assets
iii) Liquidity resource planning
iv) Monthly cash flow position

3.2 Business Units

The Business Units shall provide inputs to Treasury on business disbursement as per Business Plan, updates on monthly disbursement figures and repayment profile of the loan portfolio.

3.3 ALCO

ALCO shall monitor compliance with this policy. It shall review on a quarterly basis the funding mix – between various products, long term vs short term, fixed vs floating and advise as appropriate. ALCO shall consist of Board of Directors of the Company as its members.