IITL GROUP

INDUSTRIAL INVESTMENT TRUST LIMITED

(IITL)

Industrial Investment Trust Limited
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Recommended By	CEO – NBFC Operations
Approved By	Board of Directors (BOD)

INDEX

1. Introduction

The Credit Policy of Industrial Investment Trust Limited (IITL) lays down a structured and comprehensive framework for the management of the Company's Credit Portfolio, with a strong emphasis on preserving asset quality, ensuring responsible credit deployment, and managing associated credit risks. As a Non-Banking Financial Company (NBFC) categorized under the Base Layer of the Reserve Bank of India's Scale-Based Regulatory (SBR) Framework, IITL acknowledges the dynamic and risk-sensitive nature of lending and aims to mitigate such risks through disciplined credit appraisal standards, robust internal controls, and sound credit management practices.

This Policy reflects the Company's commitment to aligning its credit practices with the highest standards of regulatory compliance, ethical lending, financial discipline, and risk-adjusted profitability. It serves as the document for all credit-related activities and shall be treated as the Credit Policy for IITL.

Key declarations under this Policy include:

This document shall be the Credit Policy of IITL and shall act as the Umbrella Policy under which all credit products, segmental guidelines, and internal credit instructions shall operate. Any scheme, circular, or internal guideline issued for specific borrower segments or credit products shall be aligned with and governed by this Policy.

In the event of any conflict, ambiguity, or divergence among product-wise or vertical-wise credit guidelines, the provisions of this Credit Policy shall prevail.

Any scheme or direction issued by the RBI, other statutory bodies, requiring immediate implementation, may be adopted by the Company with approval from the Managing Director, Chairman and shall be subsequently placed before the Board of Directors for ratification.

The Chairman & Managing Director (MD) Jointly and severally authorized to approve operational or administrative relaxations on a case-to-case basis with appropriate justification, provided they fall within the ambit of Board-approved policies. Relaxations beyond the Managing directors & Chairman's delegation may be approved by the Board or a committee thereof, subject to compliance with applicable RBI or statutory regulations.

All earlier versions of the Credit Policy, Loan Policy, or Product-specific credit guidelines shall stand superseded by this document. Henceforth, any reference to "Loan Policy" or "Credit Policy" shall be deemed to mean this Credit Policy.

This Policy is framed in accordance with the following regulatory framework, applicable as on the date of its approval by the Board: 6th August, 2025.

Scale Based Regulation (SBR): Revised Regulatory Framework for NBFCs, updated as on July 17, 2025.

Other relevant RBI Circulars, Notifications, and Prudential Norms applicable to NBFCs in force as on date.

The Credit Policy shall be reviewed periodically, or earlier as required, to ensure alignment with regulatory developments, market conditions, risk outlook, and internal business strategy. Through this policy, IITL aspires to ensure disciplined credit growth, enhanced Credit Portfolio quality, and long-term sustainability in its lending operations.

2. Objectives of the Credit Policy

The objective of this Credit Policy is to provide a structured framework for managing the credit operations of *Industrial Investment Trust Limited (IITL)* in a prudent, compliant, and business-aligned manner. As a Base Layer Non-Banking Financial Company (NBFC), IITL is committed to responsible credit delivery, risk-adjusted asset growth, and high standards of governance.

The specific objectives of this Policy are:

1. **Regulatory Compliance and Governance**
    - To ensure full compliance with the RBI's Scale-Based Regulation (SBR) Framework applicable to Base Layer NBFCs, including KYC/AML guidelines, Fair Practices Code, and asset classification norms.
    - To establish a strong governance and oversight mechanism for credit risk management and portfolio quality control.
2. **Effective Credit Risk Management**
    - To implement robust systems for identification, assessment, measurement, monitoring, and control of credit risk across all borrower segments.
    - To define prudential risk limits aligned with IITL's business strategy, regulatory capital, and risk appetite.
3. **Balanced and Diversified Credit Portfolio Growth**
    - To achieve a well-diversified credit portfolio across sectors, borrower profiles, geographies, and tenors.
    - To maintain exposure within defined sectoral or product limits and avoid concentration risk, while enabling strategic expansion.
4. **Strengthening Asset Quality**
    - To proactively monitor credit exposures and ensure early detection of stress signals.
    - To adopt preventive and corrective measures to minimize slippages and maintain the quality of credit portfolio
5. **Risk-Based Pricing and Profit Optimization**
    - To enable risk-based pricing mechanisms that reflect borrower risk profile, product characteristics, and cost of funds.
    - To maximize returns and minimize credit losses, thereby strengthening the Company's long-term profitability and financial sustainability.
6. **Strategic Credit Product Development**
    - To support business expansion through the design and delivery of need-based credit solutions tailored to specific borrower segments.

   - To remain responsive to emerging sectors, economic opportunities, and niche markets within the boundaries of prudent lending.

7. **Efficient Credit Approval and Exception Handling**
   - To ensure a transparent, timely, and efficient credit approval process with scope for justified exceptions in deserving cases, subject to proper approvals and documentation.
8. **Customer-Centric and Ethical Lending Practices**
   - To foster fairness, transparency, and customer-centricity in lending operations, while ensuring compliance with ethical standards and responsible credit conduct.
9. **Ongoing Policy Review and Adaptability**
   - To review and revise the Credit Policy periodically based on market trends, portfolio experience, and regulatory updates.
   - To ensure continued relevance and alignment with IITL's long-term vision, capital structure, and business model.

3. Governance and Approval

3.1 Role of the Board

The Board of Directors is responsible for approving and periodically reviewing the Credit Policy to ensure alignment with the overall objectives of IITL and compliance with all applicable regulatory guidelines. The Board provides strategic oversight and ensures that credit operations are conducted in a prudent, transparent, and risk-aware manner.

3.2 Credit Sanction and Delegation of powers

The Board shall delegate the authority to sanction loans and credit facilities, approve interest concessions, waive penal charges/ penal interest and permit reversal of any income up to such limits as the Board may deem fit.

Such powers may be delegated to the Chairman & Managing Director as the Board may deem appropriate.

All sanctions and waivers made under delegated authority shall be reported to the Investment & Credit Committee (if applicable) and placed before the Board in the subsequent Board Meeting for perusal and noting.

Proposals above the delegated limits shall require prior review and recommendation by the Investment & Credit Committee and approval of the Board of Directors.

Exceptions, if any, shall be documented with clear justification and placed before the appropriate authority for ratification.

- All sanctions must adhere to the terms of this Credit Policy and applicable internal delegation of powers as may be modified from time to time with Board approval.
- Exceptions, if any, shall be documented with clear justification and placed before the appropriate authority for ratification.

3.3 Reporting and Monitoring

- Periodic reports on the credit portfolio—including loan disbursements, delinquencies, risk grading, and portfolio quality—shall be presented to the Board of Directors and relevant committees.
- Any material deviations from the approved policy or sanctioning norms, along with proposed corrective or preventive actions, shall be brought to the attention of the Board.
- The Investment & Credit Committee shall monitor high-value exposures, stressed assets, and credit concentration risks on a regular basis.

4. Scope of the Policy

The policy outlines IITL's approach to extending credit across borrower profiles and product categories, ensuring that all fund-based exposures are consistent with regulatory guidelines for Base Layer NBFCs and the Company's strategic lending objectives.

4.1 Coverage of Credit Facilities

This Policy applies to all forms of secured fund-based credit dispensation, including but not limited to:

A. By Product Type

- Loan against property (LAP)
- Project Finance
- Equipment Finance
- Structured Loans
- Loan against securities
- Bridge Loans
- Lease rental discounting
- Working Capital Loans
- Bill Discounting

B. By Tenure

- Short term loans i.e. Loan with a maturity of up to 12 months
- Long term loans i.e. Loan with a maturity of more than 12 months

Note: *The scope of this policy is strictly limited to fund-based credit exposures only.*

4.2 Borrower Universe Covered

This policy shall govern exposure to the following types of borrowers:

- Individuals, Proprietorship Firms, Hindu Undivided Families (HUFs), One Person Companies (OPCs)

- Partnerships and Limited Liability Partnerships (LLPs)
- Private and Public Limited Companies (Listed and Unlisted)
- Co-operative Societies, Trusts, Societies, Associations of Persons (AOPs)

4.3 Credit Deployment Strategy

IITL's credit deployment strategy shall be guided by the core principles of viability, security, risk-adjusted returns, and long-term sustainability of the portfolio.

- Credit facilities shall be extended only after a comprehensive appraisal of the borrower's cash flow viability, repayment capacity, collateral quality, and the broader sectoral outlook.
- Lending shall be selective and based on a measured approach, ensuring that credit decisions are taken after careful assessment of risk, borrower quality, and their alignment with IITL's long-term asset quality and business objectives.
- The Company shall prioritize growth in profitable, well-secured, and well-governed borrower segments, while maintaining discipline in credit underwriting and portfolio diversification.

5. Loan Appraisal and Assessment Framework

5.1 Introduction

Credit appraisal is the cornerstone of prudent lending practices. It entails a systematic evaluation of the borrower's financial, business, management, and legal standing to assess their creditworthiness and repayment capacity. This chapter lays down the comprehensive framework for credit appraisal to be followed by the Company before sanctioning any credit facility.

5.2 Objectives

The primary objectives of the credit appraisal process are:

- To evaluate the financial viability, repayment capability, and overall risk of the borrower.
- To ensure that credit proposals are well-informed, documented, and in line with internal risk appetite and RBI regulations.
- To promote consistency, transparency, and accountability in credit decisions.

5.3 Scope and Applicability

This Loan Appraisal and Assessment Framework applies to:

1) All lending products covered under this Credit Policy
2) All categories of borrowers, such as individuals, proprietorships, partnerships, LLPs, private and public limited companies, trusts, and societies.
3) All loan proposals, whether fresh, renewal, enhancement, or restructuring, irrespective of the loan amount or borrower profile.

5.4 Components of Credit Appraisal

The credit appraisal process shall include but not be limited to the following components:

5.4.1 Know Your Customer (KYC) and Preliminary Due Diligence

As part of the credit appraisal process, the Company shall ensure that all borrowers and related parties undergo due diligence in accordance with the RBI Direction on KYC, and as per the Company's internal KYC–AML Policy approved by the Board.

The following steps shall be undertaken, in line with the applicable regulatory framework and internal policy:

• **KYC Verification:**
Collection and verification of identity, address, business existence, and beneficial ownership documents, in accordance with the RBI KYC Directions and internal KYC norms.

• **Passport Requirement for High-Value Proposals**

For all credit proposals where the total exposure exceeds **₹5.00 crore**, it shall be mandatory to obtain a copy of the valid passport of all Promoters, Promoter-Directors, and Personal Guarantors.

In cases where the individual does not possess a passport, an undertaking shall be obtained stating that the passport will be submitted when issued. This requirement must be fulfilled at the time of sanction, renewal, or annual review, whichever is earlier.

• **Credit Bureau Assessment:**

Retrieval of credit reports from authorized credit information companies (e.g., CIBIL, CRIF High Mark) to review repayment history, existing obligations, credit score, and financial discipline.

• **Negative List Screening:**

Screening of the borrower and connected entities against:

– RBI's list of Wilful Defaulters

– Defaulters and Fraud Monitoring Lists

– CERSAI for property encumbrance or fraudulent loan history

• **Compliance with Customer Acceptance Policy:**

All borrowers must qualify the internal Customer Acceptance norms and risk categorization framework. No relationship shall be established or loan disbursed unless the borrower is classified under the approved risk category (Low/Medium/High) and is not flagged under prohibited categories.

• Documentation and Recordkeeping:
All KYC, CDD, and verification documents must be collected prior to disbursement and stored in a secure, retrievable format. The credit file must include a KYC compliance checklist signed by the credit manager.

IITL shall retain all credit-related documents – including credit appraisal notes, sanction letters, valuation reports, legal due diligence reports, monitoring and review reports, and Early Warning Signal (EWS) records – for a minimum period of 5 years after loan closure. Records may be maintained in physical or electronic form, provided they are secure, retrievable, and available for audit or regulatory inspection.

5.4.2 Collection of Information and Documentation

The following documents and information shall be obtained, wherever applicable, for all loan proposals during the appraisal stage:

- Income Tax Returns & Financial statements for the last three financial years, including balance sheet, profit and loss account, cash flow statement.
- Provisional / projected financials for the tenure of the loan.
- GST returns, and bank statements (minimum 6 months).
- Project-related data (cost, funding, execution plan) in case of project finance.
- Details of existing liabilities, including sanction letters, EMI schedules, and repayment history.

Additional documents or information may be sought based on the borrower profile, exposure level, or specific product requirements.

5.4.3 Business and Management Analysis

- Nature and stability of the business, industry trends, customer profile, competition.
- Revenue sources and profit margins.
- Assessment of the promoter's background, experience, qualifications, integrity, and financial standing.
- Organizational structure, shareholding pattern, group companies and inter-company transactions.

5.4.4 Financial Analysis

The credit appraisal shall include a structured financial analysis of the borrower to assess its viability, stability, and repayment capacity. The applicability and depth of analysis may vary based on the nature of the business, size of the loan, risk profile, and availability of reliable financial data.

• Profitability Ratios
Where applicable, the borrower's profitability shall be evaluated through key indicators such as:
– Gross Profit Margin
– EBITDA Margin
– Net Profit Margin

These ratios help to assess operational efficiency and long-term sustainability of the business.

• Liquidity Ratios
For borrowers with inventory-based or short-term business cycles, liquidity assessment shall include:
– Current Ratio
– Quick Ratio
These ratios reflect the ability to meet short-term obligations and manage working capital requirements.

• Leverage Ratios
To evaluate financial risk, the following ratios may be computed:
– Debt-to-Equity Ratio
– Total Outside Liabilities to Net Worth (TOL/TNW)
These ratios help to determine overdependence on external funding and capital adequacy.

• Coverage Ratios
For repayment evaluation, especially where interest and principal are serviced from operational cash flows:
– Interest Coverage Ratio (ICR)
– Debt Service Coverage Ratio (DSCR)
These ratios help to measure the sufficiency of earnings to meet fixed financial obligations.

• Cash Flow Assessment
Past and projected cash flows shall be analysed to determine whether internal accruals or operational receipts are sufficient to service the loan. In real estate and project finance cases, projected collections from receivables shall be matched with proposed EMI schedules.

• Trend and Peer Analysis
Year-on-year performance trends may be reviewed for consistency. Variance analysis and industry benchmarking shall be applied where meaningful and comparable data is available.

• Sensitivity Analysis
In sectors with high volatility or where revenue is project-linked or milestone-dependent, a stress test or sensitivity analysis may be conducted to understand the impact of delays or revenue shortfall on repayment capacity.

• Flexibility in Application
The Credit Team shall apply professional judgment in selecting and interpreting relevant ratios based on the borrower's business model. Where certain ratios are not applicable (e.g., for salaried individuals, service professionals, early-stage ventures, or special situations), alternate assessments such as FOIR, bank statement analysis, or promoter net worth may be used with documented rationale.

• Documentation
All financial ratios used, assumptions applied, and conclusions drawn must be documented in the Credit Appraisal Note along with remarks on financial health and risk indicators.

5.4.5 Repayment Capacity Assessment

The borrower's ability to meet repayment obligations shall be assessed through appropriate methods, depending on the borrower category and the nature of the cash flows. The following approaches may be adopted:

• **Fixed Obligation to Income Ratio (FOIR):**
For salaried individuals and fixed-income applicants, FOIR (Fixed Obligation to Income Ratio) shall be calculated to ensure that total fixed obligations, including the proposed EMI, do not exceed 65% of the applicant's net monthly income.

• **Debt Service Coverage Ratio (DSCR):**
For business borrowers, both historical and projected DSCR shall be computed to assess the adequacy of cash accruals to cover debt servicing obligations. For project loans or structured repayment schedules, projected DSCR shall be aligned with expected cash inflows and milestone-based collections.

• **Receivables-Based Evaluation:**
In cases where repayment is expected from project-based or contractual receivables (e.g., real estate developers), a receivables collection schedule shall be reviewed against the proposed repayment structure. Gaps, if any, must be mitigated through buffers, promoter contribution, or structured repayment plans.

• **Alternate Repayment Sources and Cash Buffers:**
Where applicable, repayment capacity may also be supported by alternate sources such as rental income, liquid investments, or group support. The presence of cash flow buffers, escrow mechanisms, and DSRA (Debt Service Reserve Account) shall be considered positively while assessing creditworthiness.

• **Judgment-Based Flexibility:**
The Credit Team shall apply discretion in selecting relevant tools and interpreting results, especially for non-standard borrowers or self-employed professionals. All assumptions and justifications must be documented clearly in the Credit Appraisal Note.

5.4.5 Security and Collateral Evaluation

A comprehensive evaluation of the primary and collateral securities offered shall be undertaken as part of the credit appraisal process. The following aspects shall be covered:

- **Security Details:**
  The nature of primary and collateral securities shall be clearly identified and documented, including the type (immovable/movable), ownership (individual/company/group entity), location, asset class, and marketability. The security must be legally enforceable and free from material encumbrances.

- **Valuation and Security Coverage Ratio (SCR):**
  An independent valuation of the proposed security shall be obtained from empaneled and approved valuers. For loan proposals involving a loan amount above ₹1 crore, valuations from

two separate empaneled valuers shall be obtained, and the lower of the two values shall be considered for credit assessment.

The Security Coverage Ratio (SCR) shall generally meet a minimum benchmark of 1.25 times of loan amount,

In exceptional cases, where the SCR is marginally lower than the prescribed benchmark, the proposal may still be considered for approval, provided it is supported by strong projected cash flows, additional risk mitigants (such as personal guarantees or secondary security), and is duly approved by the appropriate sanctioning authority.

- **Legal Due Diligence:**
  A legal due diligence shall be conducted by an empaneled advocate to examine the title, ownership, and enforceability of the security offered. The purpose of the review is to ensure that the property is free from encumbrances, legally mortgageable, and capable of creating an enforceable charge in favour of the Company.
  The legal report shall explicitly confirm the mortgage ability of the property and clearly set out the list of documents required to create a valid and enforceable mortgage as per applicable laws. The advocate shall also confirm whether the available documents are adequate for such creation, or if any additional documents, consents, or approvals are required.
  Any qualifications, deficiencies, or legal risks identified in the report shall be appropriately addressed before disbursement, or mitigated through documented approvals at the appropriate authority level.

- **Charge Creation and Verification:**

All loans, the Company shall ensure that a valid and enforceable charge is created over the security offered, in accordance with applicable legal and regulatory requirements. The form of charge—such as equitable mortgage, registered mortgage, hypothecation, pledge, or assignment—shall be determined based on the nature of the asset and legal advice.

Where applicable, charges shall be registered with:

The Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) under the SARFAESI Act; and
The Registrar of Companies (ROC) under the Companies Act, in the case of corporate or LLP borrowers.
The creation and registration of charge may be completed within 30 days from the date of first disbursement.
Confirmation of charge registration (e.g., acknowledgment from CERSAI or ROC) shall be retained in the credit file.
In the event of a delay in completing charge creation beyond the permitted timeline of 30 days, the reason for the delay shall be recorded, and appropriate internal approval may be obtained at the designated authority level, based on the merits of the case.

5.4.7 Legal and Regulatory Compliance

- Legal vetting of all documentation and enforceability of agreements and undertakings.

- Verification of statutory filings (ROC, RERA, etc.) and registrations (GST, MSME, etc.).
- Cross-check with RBI norms, including exposure caps, prohibited sectors, and prudential limits.

5.5 Post-Approval Conditions and Monitoring

1. **Disbursement Pre-conditions:**

Loan disbursement shall be subject to the fulfilment of conditions precedent as specified in the sanction terms, which may include:

- Execution of loan agreement and security documents,
- Verification of primary and collateral security,
- Registration of charge wherever applicable,
- Submission of insurance, valuation, and legal due diligence reports.

In cases where certain documentation is pending but non-critical to initial disbursement, the same may be permitted under a well-documented "conditions subsequent" (CS) structure with clear timelines and control measures, subject to approval by the appropriate authority.

2. **Monitoring Requirements:**
   Based on the borrower's risk profile and loan structure, the following monitoring practices shall be adopted proportionately:
   - Monitoring of escrow mechanism or repayment account where applicable,
   - Periodic review of financial statements (quarterly or annually),
   - Site visits or progress reviews in case of project finance,
   - Early Warning Signal (EWS) tracking for red flags (e.g., EMI delays, rating downgrade),
   - Monitoring of compliance with key covenants like DSRA maintenance, NWC levels, etc.
3. **Differentiated Monitoring Approach:**
   Monitoring intensity shall vary by:
   - **Risk rating** of the borrower (high-risk cases to be monitored more frequently),
   - **Loan size** (larger exposures to undergo detailed scrutiny),
4. **Annual Review:**
   All active loan accounts with an outstanding exposure of Rs.2 crore and above shall undergo a formal Annual Credit Review. The objective of this review is to ensure ongoing assessment of credit risk, early detection of financial stress, and alignment with the Company's risk management and regulatory compliance framework.

   - **Re-assessment of the borrower's financial position**:
     The borrower's financial performance shall be reviewed based on the latest audited or provisional financials, including income statement, balance sheet, and cash flow position. Key metrics such as profitability, leverage, liquidity, and DSCR shall be recalculated to assess continued viability.

   - **Update of internal risk rating:**

The internal risk rating of each borrower shall be periodically reviewed and updated based on a comprehensive reassessment of key parameters including:

- Revised business outlook and sectoral trends
- Repayment conduct and overdue patterns
- Financial performance and leverage changes
- Regulatory and compliance behaviour

The updated risk rating will help decide how closely the account should be monitored and whether any early action is needed.

- **Monitoring of covenant compliance:**
  Where covenants are stipulated as part of the sanction terms (e.g., DSCR threshold, additional contribution of capital, minimum net worth, no additional borrowing, etc.), periodic monitoring shall be undertaken through financial statements, borrower declarations, and/or site verification.

The objective of this review is to ensure early detection of stress, validation of ongoing creditworthiness, and timely risk mitigation. Any material deterioration in credit quality, security coverage, or risk profile shall trigger escalation and may warrant revision of loan terms or additional risk controls.

6. Credit and Investment Exposure Norms

In accordance with the RBI's Scale-Based Regulation (SBR) Framework applicable to NBFCs, the Company shall adhere to prescribed norms relating to credit concentration, sectoral exposures, and investment limits. These norms aim to ensure adequate diversification of the credit and investment portfolio, prevent overexposure to sensitive sectors, and maintain systemic stability.

To operationalize this, the Company has formulated a Board-approved **'Policy on Credit and Investment Exposure Limits'**, which sets forth internal prudential ceilings and monitoring thresholds in line with regulatory expectations, including but not limited to:

- Single and group borrower exposure limits,
- Sensitive Sector Exposure (SSE) caps (e.g., real estate, capital markets),
- Sub-limits for IPO financing or promoter funding,
- Investment exposure norms in listed/unlisted instruments.

All credit and investment proposals must be evaluated for compliance with these internal exposure ceilings. The approving authority shall ensure such compliance is recorded in the appraisal note and verified through internal checks.

7. Asset Classification and Provisioning Policy for IITL

This section is developed in strict adherence to the Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. The policy outlines the asset classification and provisioning norms applicable to IITL, a Base Layer NBFC, ensuring compliance with regulatory guidelines and maintaining operational robustness.

- Asset Classification

1. Applicability:
   The asset classification norms outlined here are applicable for all forms of credits extended by IITL.
2. Classification Categories:
   IITL shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans, advances, and other credit exposures into the following categories

I. Standard Assets
II. Non-Performing Assets (NPA's)
  i. Sub-Standard Asset
  ii. Doubtful Asset
  iii. Loss Asset

I. Standard Asset shall mean:

a. the asset in respect of which, no default in repayment of principal or payment of interest is perceived and
b. which does not disclose any problem or carry more than normal risk attached to the business.

II. Non-performing Asset (NPA): An asset becomes non-performing when it ceases to generate income for NBFC.

A non-performing asset (NPA) is a loan or an advance where;

1) Interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan,
2) The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
3) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted

i. Sub-Standard Asset:
   a. an asset which has been classified as non-performing asset for a period not exceeding12 months

b. 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 one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

ii. Doubtful Asset shall mean
- a term loan, or
- a lease asset, or
- a hire purchase asset, or
- any other asset,

which remains a sub-standard asset for a period exceeding 12 months.

iii. Loss Asset shall mean

a. An asset which has been identified as a loss asset by IITL or its internal or external auditor or by the Reserve Bank during the inspection of IITL, to the extent it is not written off by IITL; and

b. 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.

Overdue Amount and Special Mention Account (SMA) Classification

1. Overdue Amount: An amount is to be treated as overdue if it is not paid on the due date fixed by IITL. The following requirements shall be adhered to:

- The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, and examples of SMA/NPA classification dates shall be clearly specified in the loan agreement.
- Borrowers shall be apprised of these details at the time of loan sanction and during any subsequent changes to the sanction terms/loan agreement until full repayment of the loan.
- In cases of loan facilities with moratorium on the payment of principal and/or interest, the exact date of commencement of repayment shall also be specified in the loan agreements.
- For existing loans, compliance with these instructions shall be ensured as and when such loans become due for renewal or review.

2. Special Mention Account (SMA) Classification: IITL shall recognize incipient stress in loan accounts immediately upon default by classifying such assets as Special Mention Accounts (SMA) under the following categories:

SMA Sub-Categories	Basis for Classification
SMA-0	Principal or interest payment or any other amount wholly or partly overdue for up to 30 days.
SMA-1	Principal or interest payment or any other amount wholly or partly overdue for more than 30 days and up to 60 days.
SMA-2	Principal or interest payment or any other amount wholly or partly overdue for more than 60 days and up to NPA norms.

This ensures that IITL proactively identifies early signs of financial stress in loan accounts and takes corrective measures as part of its credit risk management strategy.

3. Applicability of SMA Classification: The above instructions on SMA classification of borrower accounts are applicable to all loans, including retail loans, regardless of the size of exposure of IITL as a lending institution. This ensures that all types of loans are consistently monitored for early warning signals of stress.

4. Day-End Process and Date of Classification:

- Borrower accounts shall be flagged as overdue by IITL as part of their day-end processes for the due date, irrespective of the time when such processes are run.
- Similarly, SMA and NPA classifications shall also be determined as part of the day-end process for the relevant date.
- The SMA/NPA classification date shall be the calendar date for which the day-end process is completed, reflecting the asset classification status of an account as of the day-end of that date.

5. Upgradation of NPAs to Standard Assets:

- Loan accounts classified as NPAs may only be upgraded to the 'standard asset' category if the entire arrears of interest and principal are fully paid by the borrower.
- In cases where a borrower has multiple credit facilities, all loan accounts must have their arrears of interest and principal fully repaid for upgradation to the standard asset category.
- For accounts classified as NPAs due to restructuring, non-achievement of Date of Commencement of Commercial Operations (DCCO), or other similar reasons, upgradation shall follow the specific instructions applicable to such cases as per the regulatory directions.

6. Consumer Education on SMA/NPA Concepts: To enhance borrower awareness, IITL shall ensure that front-line team educate borrowers about these concepts at the time of loan sanction, disbursal, or renewal. These measures aim to create a transparent system, where borrowers are well-informed about loan classification procedures and the implications of repayment delays. This fosters better compliance and reduces misunderstandings regarding the classification and upgradation of loan accounts.

Provisioning Requirements

The provisioning requirements detailed below shall apply to IITL. These norms are in accordance with the Direction on Non-Banking Financial Company (NBFC) - Scale-Based Regulations and cover provisioning against sub-standard assets, doubtful assets, and loss assets.

Asset Classification	Provisioning Requirement
Loss Assets	The entire asset 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.

Doubtful Assets	(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the NBFC has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis.
	(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of the secured portion (i.e. estimated realisable value of the outstanding) shall be made on the following basis:
	- Up to one year: 20%
	- One to three years: 30%
	- More than three years: 50%
Sub-standard Assets	A general provision of 10% of total outstanding shall be made.

Provisioning for Standard Assets

IITL, as a Non-Banking Financial Company in the Base Layer (NBFC-BL), shall make a provision for standard assets at 0.25 percent of the outstanding amount. This provision shall:

- Not be deducted from gross advances while calculating net Non-Performing Assets (NPAs).
- Be disclosed separately in the balance sheet under the heading 'Contingent Provisions against Standard Assets'.

This provisioning ensures compliance with regulatory requirements while maintaining transparency in financial reporting.

8. Fair Practice Code

IITL shall at all times comply with the Reserve Bank of India's Fair Practices Code (FPC) applicable to NBFCs. The key principles of the FPC—such as transparency in loan terms, non-discriminatory practices, responsible lending, and grievance redressal—form an integral part of this Credit Policy and shall govern all lending operations of the Company.

The detailed operational framework is contained in IITL's standalone Fair Practices Code Policy, as approved by the Board, and shall be read in conjunction with this Credit Policy. Any amendments or updates to the FPC, whether through RBI directions or Board-approved modifications, shall automatically stand incorporated into this Credit Policy, and compliance with the same shall be mandatory.

9. Loans to Directors, Senior Officers, and Relatives of Directors

IITL follows a Board-approved Policy on Loans to Directors, Senior Officers, and Relatives of Directors, which governs the sanctioning of such loans and advances. This separate policy outlines the thresholds for reporting such loans to the Board and the disclosure requirements in the Annual Financial Statements as per regulatory guidelines.

Key aspects of this policy include:

- Governance and approval process for loans to directors, senior officers, their relatives, or entities in which they have a significant interest.
- Threshold limits for Board reporting of sanctioned loans.

For all matters related to loans to the above-mentioned individuals or entities, IITL adheres strictly to the provisions of this standalone policy. Any updates or changes to this policy are subject to Board approval.

10. Loan Monitoring and Review

Loan monitoring and review are critical components of the credit policy at IITL, serving to safeguard asset quality, ensure compliance with regulatory norms, and proactively mitigate risks across the loan portfolio. This framework provides a structured approach to track borrower performance, assess portfolio risks, and take timely corrective actions, ensuring the long-term stability and profitability of IITL's lending operations.

Objectives of Loan Monitoring and Review

1. **Ensure Adherence to Loan Terms and Conditions:** Loan monitoring ensures that borrowers comply with the agreed-upon terms and conditions throughout the loan lifecycle. This includes adherence to repayment schedules, covenants, end-use stipulations, and other contractual obligations. It minimizes the risk of deviations that could undermine the lender's position or increase exposure to default.
2. **Track Borrower Performance and Financial Health:** Regular monitoring of the borrower's financial and operational performance is vital to assess their ability to meet repayment commitments. By reviewing financial statements, bank transactions, and other key metrics, lenders can maintain a clear understanding of the borrower's evolving business conditions and financial health.
3. **Identify Early Signs of Stress or Potential Default:** Loan monitoring helps detect early warning signals such as delayed payments, declining revenues, or adverse market conditions. Recognizing these signs early enables the lender to take proactive measures to address potential defaults or restructure loans in alignment with regulatory provisions, mitigating further risks.
4. **Maintain Regulatory Compliance and Mitigate Credit Risks:** Comprehensive loan monitoring aligns with regulatory requirements, such as timely asset classification, provisioning, and reporting obligations. By maintaining vigilance over loan accounts, lenders can comply with prudential norms set by the Reserve Bank of India (RBI) and mitigate risks associated with non-performing assets (NPAs).
5. **Facilitate Proactive Interventions to Prevent Asset Deterioration**: Proactive loan monitoring creates opportunities to engage borrowers early in cases of stress, enabling collaborative resolutions such as restructuring or support measures. This approach helps

preserve asset quality, reduce credit losses, and maintain the overall stability of the lender's loan portfolio.

Key Components of Loan Monitoring & Review

1. Adherence to Loan Covenants

- Continuous monitoring of compliance with loan agreements, including repayment schedules, financial covenants, and end-use stipulations.
- Ensuring any deviations are immediately flagged for corrective action.

2. . Borrower Performance Evaluation

- Annual assessment of the borrower's financial health and operational performance.
- Review of:

  a) Financial statements (audited or provisional).
  b) Bank statements and GST filings.
  c) Key financial ratios such as DSCR, Debt-to-Equity Ratio, and EBITDA margins.

- Tracking any changes in the borrower's business conditions or operational challenges.

3. Early Warning Mechanisms

- Identifying early signs of stress, such as:

  a) Delays in repayment.
  b) Declining revenues.
  c) Frequent restructuring requests.

- Using early warning signals to classify loans for heightened monitoring or intervention.

4. Credit Portfolio Risk Assessment

The Portfolio Risk Assessment framework aims to ensure the IITL maintains a well-diversified loan portfolio while proactively identifying and mitigating potential risks. This assessment helps safeguard the financial stability of the institution by analysing sectoral and borrower-specific concentrations and preparing for adverse scenarios.

5. Sectoral and Borrower-Specific Concentration

- Sectoral Concentration:
  a. Loans are classified into sectors such as real estate, manufacturing, retail, and services.
  b. Exposure to each sector is calculated as a percentage of the total loan portfolio.
  c. Concentration limits are defined to ensure no single sector poses a disproportionate risk.
  d. Periodic reviews are conducted to ensure compliance with these limits and to identify emerging risks.

- Borrower-Specific Concentration:

  a) High-value exposures to individual borrowers or borrower groups are identified and monitored.
  b) The proportion of total exposure to a single borrower or group is analysed against the NBFC's internal limits and regulatory guidelines.
  c) Borrower repayment behaviour and financial health are reviewed regularly to detect early warning signals of financial stress.

6. Regulatory Compliance

- Ensuring IITL's adherence to RBI norms for:

  a) Timely classification of Special Mention Accounts (SMA) and Non-Performing Assets (NPA).
  b) Provisioning for standard and non-standard assets.
  c) Accurate and timely reporting to regulators.

- Periodic audits to verify compliance with internal and external guidelines.

7. Documentation and Reporting

- Maintaining comprehensive records of monitoring and review activities, including detailed notes on borrower discussions, compliance checks, and risk assessments.
- Generating periodic reports for senior management, enabling data-driven decision-making.

11. Obtainment of Legal Entity Identifier (LEI) Code

In line with the directives of the Reserve Bank of India (RBI) and best practices in entity-level credit risk identification, IITL mandates the submission and periodic renewal of the Legal Entity Identifier (LEI) Code by all eligible non-individual borrower entities having aggregate exposure of ₹5 crore and above.

11.1 Applicability

As per RBI guidelines, it is mandatory for all non-individual borrowers having aggregate exposure of ₹5 crore and above from banks and financial institutions, including IITL, to obtain and maintain a valid Legal Entity Identifier (LEI).

Definition of Exposure:

"Exposure" shall include Fund-based limits, and Investment exposures, if any. For the purpose of computing exposure, the higher of sanctioned limits or outstanding amounts shall be considered.

Non-Compliance Consequences:
In accordance with RBI instructions:

1) No sanction, renewal, or enhancement of credit facilities shall be permitted for borrowers who fail to obtain and furnish a valid LEI.
2) Existing credit facilities may be subject to monitoring restrictions until LEI compliance is ensured.

11.2 Operational Guidelines

1. **No fresh or additional credit facilities** shall be sanctioned to non-individual borrowers falling under the above slabs unless a valid LEI is submitted within the respective deadlines.
2. **Existing borrower accounts** falling within the LEI requirement slab shall not be renewed, enhanced, or granted ad hoc or fresh facilities if the LEI is not obtained by the stipulated deadline.
3. **Sanction Notes and Credit Memos** must:
    - Capture the LEI Code and its validity date.
    - Include a sanction condition mandating LEI compliance and renewal, if applicable.
4. The **Credit manager** must:
    - Ensure LEI details are incorporated in executive summary and credit assessment documents.
    - Validate the LEI from the **official LEI India directory (www.ccilindia-lei.co.in)** prior to approval.

12. Credit Information – CIR Policy and Usage Guidelines

12.1 Purpose:

This section lays down the policy and procedural framework for the use of Credit Information Reports (CIRs) from Credit Information Companies (CICs) to supplement credit assessment, mitigate risk, identify delinquency, and comply with regulatory expectations.

12.2 Use of Credit Information Companies (CICs)

IITL utilizes the following RBI-licensed CICs for obtaining Credit Information Reports (CIRs) and submits borrower data regularly:

- TransUnion CIBIL Limited
- Experian Credit Information Company of India Pvt. Ltd.
- Equifax Credit Information Services Pvt. Ltd.
- CRIF High Mark Credit Information Services Pvt. Ltd.

12.3 Minimum Score Benchmarks

CIC	Minimum Acceptable Score
TransUnion CIBIL	700
Experian	700

Equifax	700
CRIF High Mark	650

12.4 Low Credit Score Deviation and Approval

In instances where the Credit Information Report (CIR) score of the borrower, co-borrower, or guarantor is observed to be below the stipulated benchmark threshold as prescribed under this Policy, such proposals shall not qualify for sanction under the standard delegated lending powers.

However, considering the overall credit profile and merits of the case, including but not limited to adequate collateral security, strong repayment capacity, clean banking conduct, and satisfactory financials, the proposal may be submitted to the Chairman and Managing Director for approval on a case-to-case basis.

The recommending official shall ensure that:

- Detailed credit analysis is placed on record, highlighting all risk mitigants,
- Justifications for deviation from score norms are clearly documented,
- Approval of Chairman and Managing Director is specifically obtained before sanction or disbursement.

This exception shall be exercised only in exceptional and justified circumstances and shall be subject to periodic review by the Risk Management Committee or Board as applicable.

12.5 Loans to Proprietorship Concerns and Other Non-Individual Entities

In the case of loan proposals extended to non-individual borrowers such as Proprietorships, Partnerships, One Person Companies (OPCs), LLPs, or Private/Public Companies, the credit score-based delegation norms (applicable for individual borrowers) shall not apply.

Accordingly:

- The Credit Information Report (CIR) under the Commercial Segment shall be mandatorily obtained from any of the recognized Credit Information Companies (CICs) for the borrowing entity.
- In addition, the CIR under the Consumer Segment shall be drawn for each Beneficial Owner/Promoter/Guarantor, and examined for indicators such as:
    - Past delinquencies or defaults
    - Overleveraging or multiple borrowings
    - Number of inquiries and loan types availed
    - Suit filed or written-off cases, if any

These findings shall be:

- Explicitly commented upon in the credit appraisal note.

- Evaluated holistically to form a view on the financial behaviour, credit discipline, and risk of association with the applicant entity.

The Sanctioning Authority must exercise their discretion and professional judgment in determining whether to accept or reject the proposal based on the composite credit assessment, with due weight given to the commercial report of the entity and the financial conduct of its key persons.

Where any red flags or adverse remarks are identified in the CIR of the entity or its promoters, additional due diligence, reference checks, or justification for sanction shall be documented in the credit note.

13. Operating Guidelines for Lending to Real Estate Sector

1. Lending To Real Estate Sector

- Real Estate is generally defined as an immovable asset - the land (earth space) and the permanently attached improvements to it.
- The exposure is restricted to the ceiling fixed in terms of the RBI guidelines with the approval of the Board as per Policy on credit/Investment concentration Limits. Specific norms for appraisal and monitoring of loans and advances to this sector should be followed.

I. Non-Commercial Real Estate Sector:

i. **Housing Loans to Individuals:** Loans extended to individuals for the purchase, construction, extension, or improvement of residential properties shall be treated as non-CRE exposure.

ii. **Loans to Entrepreneurs for Business Use of Property:** Loans extended to entrepreneurs for acquiring real estate (e.g. office, showroom, warehouse) for conducting their own business operations, where repayment is primarily from the business cash flows and not from the sale/lease of the real estate asset, shall be treated as non-CRE.

iii. **Loans to Mixed Activity Companies (Non-Real Estate Purpose):** Loans to companies engaged in multiple activities (including real estate) where the loan is extended for a specific non-real estate purpose and repayment is from non-real estate cash flows shall be classified as non-CRE.

iv. **Loans Against Future Rent Receivables:** Loans extended against the security of future rent receivables provided there are certain in built conditions which have the effect of delinking the repayment from real estate price volatility like, the initial/original lease rental agreement between the Lessor and lessee has a lock in period which is not shorter than the tenor of loan and there is no clause which allows a downward revision in the rentals during the period covered by the loan.

v. **Loans to Construction Contractors:** Loans extended to construction contractors not engaged in property development for sale or lease (e.g. civil work contractors) shall be considered non-CRE.

vi. **Loans for Self-Occupied Office/Company Premises:** Loans extended for acquisition or renovation of premises for self-use by a company (e.g., for their registered office, manufacturing unit, etc.) shall not be classified as CRE.

vii. **Loans for Acquisition of Units in SEZs (for Own Use):** Loans extended to industrial units for acquiring units or developing facilities in Special Economic Zones (SEZs) for their own operations shall be considered non-CRE.

II. Commercial Real Estate Sector:

An exposure shall be classified as Commercial Real Estate (CRE) when:

- The loan is extended for the acquisition, construction, or development of real estate assets such as office spaces, retail malls, warehouses, hotels, commercial plots, or multifamily residential buildings **meant for sale or lease**, and
- The primary source of repayment (i.e., more than 50% of cash inflows) is expected to be from lease rentals or sale proceeds arising from the funded asset, and
- The recovery in the event of default also primarily depends on the monetization of such funded property.

III. Commercial Real Estate – Residential Housing (Cre-Rh):

A separate sub-sector viz., Commercial Real Estate – Residential Housing (CRE-RH) has been carved out from Commercial Real Estate sector. An exposure shall be classified as **CRE-RH** when:

- The loan is extended to builders or developers for residential housing projects (not for personal use or captive consumption).
- The repayment depends on sale of residential units, and
- The project does not include significant commercial development (i.e., shops, showrooms, offices).

Projects are eligible for classification under CRE-RH only if:

- The commercial component (if any) does not exceed 10% of the total Floor Space Index (FSI) of the project.
- If the commercial area exceeds 10% of FSI, the entire project shall be treated as CRE, not CRE-RH.

IV. Loan Appraisal Criterion For Cre And Cre-Rh Exposures

In such cases, loan appraisal and sanction shall be carried out based on the **projected cash flows of the specific project**, as the primary source of repayment is the realization from sale or lease of the property developed.

However, the following shall be adhered to in spirit:

- The principles of financial discipline and prudential credit assessment shall continue to apply, and the approving authorities must satisfy themselves with regard to the reasonableness of cash flow projections, cost and revenue assumptions, and timelines.
- Any exceptions or deviations from standard ratio-based criteria must be appropriately justified in the appraisal note and approved by the Chairman and Managing Director on a case-by-case basis, with such decisions placed before the Board periodically.

V. Financing Of Specific Housing / Development Projects

The following shall be stipulated as part of the terms and conditions:

1. **Mandatory Disclosure in Marketing Material:** The builder/developer/company shall explicitly disclose in all printed, digital, or publicly circulated material (such as brochures, leaflets, and pamphlets) the name(s) of the financial institutions / NBFCs (including IITL) that hold a mortgage or charge on the said property/project.
2. **Disclosure in Public Advertisements:** Any advertisement published in newspapers, magazines, digital platforms, or any other public domain medium regarding the scheme/project must clearly mention the existence of mortgage/charge with IITL or any other lender, as applicable.
3. **Disclosure Regarding NOC:** The builder/developer/company shall include a specific declaration in all sales and promotional literature stating that they shall provide the No Objection Certificate (NOC) or written permission from IITL, where required, for the sale of flats/units in the mortgaged project.
4. **Precondition for Disbursement:** No disbursement of sanctioned funds shall be made unless the builder/developer/company has:
    - Complied with all the above disclosure requirements, and
    - Furnished satisfactory evidence thereof (e.g., printed brochures, sample advertisements, declarations, etc.) to the satisfaction of the sanctioning authority.

These conditions are intended to ensure transparency, protect the interests of homebuyers and subsequent lenders, and maintain lien clarity over mortgaged assets.

General Guidelines For Loans To Commercial Real Estate (Cre)

The following broad guidelines shall apply to all CRE-related exposures:

1. Treatment of Land Cost in Project Cost: The cost of land shall be considered as part of the overall project cost only to the extent of the documented purchase price, and not on notional or market value basis, for the purpose of computing eligible loan amount.

2. Loan-to-Value (LTV) Monitoring

- The LTV ratio shall be computed as:

  LTV (%) = [Total Outstanding (Principal + Accrued Interest + Charges)] ÷ [Realizable Value of Property] × 100

- LTV must **not exceed** the ratio accepted at the time of sanction.
- Valuation of the underlying security shall be reviewed annually.
- If adverse LTV trends are noticed, IITL need to initiate measures such as seeking additional collateral or partial prepayment.

3. Nature of Facility

- IITL shall extend term loans only for project-specific financing in the CRE sector.

- Working Capital finance shall not be provided on a standalone basis. However, a sub-limit for working capital requirements within the term loan structure may be considered, strictly linked to the specific project.

4. End-Use and Speculative Activity Prohibition

- Loans shall not be used for speculative buying, trading of land/units, or investment in non-identified real estate assets.
- Funds must be utilized strictly for the approved purpose, and post-sanction monitoring shall verify the same.

5. Promoter's Contribution

- Promoter's equity shall be infused upfront or proportionately with disbursements.
- No disbursal shall be made unless minimum margin has been deployed.

6. Statutory Permissions

- Though proposals may be sanctioned pending approvals, no disbursement shall be made unless all applicable statutory, regulatory, and local body permissions (e.g., building plan approval, RERA registration) are in place.

7. Monitoring and Closure

- Ongoing monitoring shall be carried out to ensure that loan funds are deployed strictly for the approved purpose and to identify any early signs of diversion or misuse of funds.
- Upon completion of the project, the loan/facility must be fully repaid from the project cash flows or sale proceeds. Final closure shall include:

  1. Full settlement of outstanding dues (principal, interest, charges),
  2. Compliance with all repayment and escrow conditions, and
  3. Release of mortgage/security interest upon repayment and satisfaction of all obligations.

8. Collateral Coverage

- Wherever applicable, IITL shall stipulate additional collateral to secure its exposure.

ADHERENCE TO NATIONAL BUILDING CODE (NBC) & RERA GUIDELINES

4. National Building Code (NBC) 2005 Compliance

The National Building Code (NBC), 2005, lays down comprehensive guidelines for construction quality, safety, structural integrity, fire safety, and disaster resilience. IITL shall ensure that all projects financed under its real estate loan portfolio adhere to the principles and technical standards enshrined in the NBC.

Key Guidelines for Implementation:

1. **Scope of Applicability:**
    - Applicable to all real estate projects with exposure of ₹1.00 crore and above, including housing loans and builder finance.
    - For projects below ₹1.00 crore, simplified adherence requirements are outlined.
2. **For Projects ₹1.00 Crore and Above:**
    - The borrower and their appointed Architect/Structural Engineer must submit:
        - Confirmation that the building plan is approved by competent local authorities.
        - Written certification that construction complies with NBC/NDMA guidelines.
    - Upon completion of the construction:
        - A certificate from the borrower and architect/engineer must be furnished confirming adherence to approved plans and all NBC/NDMA safety and quality standards.
3. **For Projects Below ₹1.00 Crore:**
    - A certificate from the borrower's architect/engineer must confirm:
        - Approval of the plan by competent local authority.
        - Compliance with approved layout and structural design during execution.
4. **For Individual Housing Loans:**
    - Only the approved building plan and a written confirmation from the borrower and/or their architect/engineer affirming construction as per the sanctioned plan shall be required.
    - NBC/NDMA compliance to be ensured only in terms of adherence to applicable local authority approvals.

5. Real Estate Regulatory And Development Act (Rera) Compliance

IITL shall adhere to all applicable provisions of the Real Estate (Regulation and Development) Act, 2016, for all real estate-related lending. Proposals must be scrutinized to ensure the requirement or exemption from RERA registration is clearly established before disbursement.

Key Policy Guidelines:

1. **Mandatory Legal Opinion:**
    - A written **legal opinion from IITL's empaneled advocate or legal officer** shall be obtained confirming the applicability or exemption under RERA.
    - This shall form a part of the appraisal note before sanction and disbursement.
2. **When RERA Registration is NOT Required (Section 3(2) Exemptions):**
   No registration of the real estate project shall be required if:
    - Land area < 500 square meters **or** number of apartments < 8 (inclusive of all phases).
    - The promoter has already received a completion certificate for the project prior to the commencement of the Act.
    - Project is for renovation, repair, or redevelopment that does not involve marketing, advertising, or new allotment of apartments or plots.
3. **Phased Development:**

- Each phase of a project must be treated as an independent project for the purpose of determining applicability of RERA.
- Hence, even if one phase qualifies for exemption, other phases may still require registration.

4. **Disclosure Requirements in Advertisements and Brochures:**
    - In case the property/project is mortgaged to IITL:
        - The name of IITL shall be disclosed in all brochures, pamphlets, and marketing material.
        - Builders must explicitly declare that the property is mortgaged and sale shall be subject to NOC from IITL.
        - Any advertisement in newspapers or magazines must carry the disclosure of mortgage interest and state that NOC will be provided for flat/unit sales, if required.
5. **Pre-Disbursement Conditions:**
    - No funds shall be disbursed unless the builder/developer complies with:
        - RERA registration (if applicable).
        - Above-mentioned disclosure requirements.
        - Legal opinion affirming applicability status of the project under RERA.
        - All required approvals from local statutory authorities.
        - Valid RERA Approvals.

6. **Role of Internal Compliance & Credit Teams**

- The Credit team must ensure that the above requirements are incorporated in all real estate appraisal notes.
- The Compliance/Legal function must maintain a register of:
    a. All projects requiring RERA registration and date of registration.
    b. Exempted projects with documentation supporting exemption (e.g., architect certificate, legal opinion).
- **Disbursement control** shall be exercised to ensure that funding is released only upon fulfilment of all RERA and NBC/NDMA guidelines.

14. Operating Guidelines for Short Term and Long-Term Loan Products

1) Short Term Loans

IITL may extend Short Term Loans to eligible corporates and entities to meet their genuine short-term funding needs. These loans are intended to support working capital requirements, project-related expenses, refinancing of high-cost debts, acquisition of commercial assets, or other business purposes that are compliant with RBI and Government regulations. The facility shall be fully secured and structured with clear end-use, tenure, and repayment terms. Short term loans are not to be used for speculative activities, capital market investments, or land purchases for non-business purposes.

A. Permitted End-Use:

1. Working capital requirements
2. Project-related operational expenses
3. Repayment/swap of high-cost debts

4. Acquisition of commercial assets for own use
5. Short-term cash flow mismatches
6. General corporate purposes (not speculative)
7. Business expansion

B. Prohibited End-Use:

1. Purchase of land (except for direct business use, subject to compliance)
2. Speculative real estate or commodity transactions
3. Purposes restricted under RBI or Government norms
4. Any end-use violating statutory/regulatory frameworks

D. Security Requirements:

- The Short-term loan must be fully secured.
- Acceptable securities include:
  - Immovable property
  - Corporate guarantees
  - Financial instruments
- Adequate margin shall be maintained
- Security valuation must be conducted by empanelled valuers.

E. Tenure and Interest:

1. The maximum loan tenure is 12 months.
2. Interest shall be serviced monthly without fail.
3. Repayment can be structured as:
   - Equal monthly instalments (EMIs)
   - Bullet repayment
   - Ballooning structure, supported by projected cash flows

F. Sanction & Monitoring Guidelines:

1. Only eligible borrowers with a **clean repayment record** and **no overdue** will be eligible.
2. Cash flow statements must be submitted and evaluated at appraisal stage.
3. Repayment capacity and debt servicing must be validated based on projected business inflows.
4. End-use monitoring shall be ensured through appropriate documentation and field visits, if necessary

2. Long Term Loans:

IITL may extend Long Term Loans to eligible entities for meeting funding needs that are aligned with their core business operations. This scheme is designed to support growth, strengthen operational capacity, and finance ongoing or expansionary capital requirements. These loans shall always be fully secured, sanctioned after proper appraisal, and structured with a clear repayment schedule based on the borrower's projected business cash flows and repayment capacity.

A. Permitted End-Use:

Long Term Loans may be extended for the following business-linked purposes:

1. Building or strengthening Net Working Capital
2. Project-related expenses, including:
    - Project expansion
    - On-going capital expenditure
    - R&D expenses
    - Equipment or machinery purchases
3. Acquisition of commercial assets for business use (e.g., office space, factory equipment, vehicles, etc.)
4. Upgrading technology or digital infrastructure
5. Meeting cash flow mismatches, provided adequately justified

C. Prohibited End-Use:

The following purposes are **not allowed** under this scheme:

1. Loan proceeds shall not be used for acquisition of land unless it is intended for immediate and clearly defined business use
2. Any activity that is prohibited or restricted under:
    - RBI Master Directions
    - FEMA / SEBI / MCA / IRDAI Guidelines
    - Central or State Government Notifications
    - Statutory or regulatory framework applicable to NBFCs

D. Facility Type and Tenure:

1. The facility shall be sanctioned as a Long-Term Loan.
2. The tenure under this scheme shall be more than 12 months
3. The structure may include:
    - Monthly / quarterly principal repayments with monthly interest
    - Balloon repayments in justified cases (with projected cash flow backup)
4. Tenor, EMI/Instalments, and repayment schedule shall be finalized based on project life cycle, cash flow, and business stability.

E. Security & Margin Requirements:

1. The loan shall be fully secured by:
    - Tangible immovable property (residential/commercial/industrial)
    - Movable assets such as machinery, vehicles, or inventory
    - Corporate or personal guarantees (as applicable)
2. Valuation and legal due diligence of primary and collateral securities shall be mandatory before disbursement.

F. Monitoring & Compliance:

1. Post-sanction monitoring shall ensure:

- End-use verification
- Timely repayments
- Compliance with loan covenants
- Maintenance of stipulated margins and LTV

2. Borrowers shall be required to submit:
   - Quarterly/half-yearly unaudited financials
   - Annual audited statements
   - Cash flow updates, wherever applicable

15. Staff Training and Awareness

IITL shall ensure that all staff involved in credit, operations, collections, and compliance are adequately trained to follow RBI guidelines and this Credit Policy.

1. Mandatory Areas of Training:

• KYC / AML requirements and RBI customer due diligence norms
• Fair Practices Code and ethical lending standards
• Asset classification, provisioning, and monitoring norms under RBI SBR framework
• Handling of customer data and confidentiality

2. Frequency:

• Induction training – for every new employee within 30 days of joining
• Refresher training – at least once every year for all relevant staff
• Special updates – whenever RBI issues important new directions or the Board revises key policies

3. Monitoring:

• Participation shall be recorded, and employees may be assessed to ensure understanding.
• Records of all training programs will be maintained for a minimum of 3 years for audit and regulatory review.

16. Policy Review and Updates

To ensure that the credit policy remains relevant, compliant, and aligned with IITL's evolving business strategy, the Company undertakes a periodic review of this Credit Policy and associated operational guidelines.

The policy shall be:

- Reviewed Periodically, warranted by changes in RBI guidelines, business model, or industry dynamics.
- Revised to incorporate applicable amendments issued by the Reserve Bank of India, including Master Directions, circulars, and prudential frameworks.
- Benchmarked against prevailing market practices, peer NBFC policies, and sector-specific risk exposures.

Any significant changes to the Credit Policy shall be placed before the **Board of Directors** for approval. Minor operational modifications or clarificatory notes may be issued with approval from the Managing Director & Chairman, subject to ratification by the Board wherever required.

A record of all amendments, along with the date of approval, shall be maintained for regulatory and audit purpose.