



GEECEE FINCAP LIMITED

CREDIT UNDERWRITING & LENDING FRAMEWORK

(Effective from 08<sup>th</sup> August, 2024)

DRAFT

## INTRODUCTION

Credit Underwriting & Lending is a critical process that involves assessing the creditworthiness of individuals or businesses seeking loans. Credit Underwriting & Lending framework is essential for lenders to make informed decisions and manage the associated risks effectively. A well-defined framework is essential for responsible lending and risk management. To meet the challenges of an ever-changing market, lenders must refine and adapt their Credit Underwriting & Lending frameworks to changes in the financial landscape. Lenders can minimize potential risks and maximize financial stability by considering the important components outlined below.

## MAJOR COMPONENTS OF CREDIT UNDERWRITING:

1. **Credit History and Payment Behaviour:**  
Evaluation of a borrower's credit history, including repayment patterns, late payments, defaults, or bankruptcies, to predict future payment performance.
2. **Financial Statement Analysis:**  
Analysis of financial documents (income statements, balance sheets, cash flow statements) to assess the borrower's financial health, income, expenses, and overall stability.
3. **Regulatory Compliance:**  
Understanding of and adherence to regulatory guidelines, including anti-money laundering, Know Your Customer, and fair lending rules, to ensure legal and ethical lending practices.
4. **Evaluation of the Collateral Security:**  
Assessment of the quality and value of collateral the borrower provides as security for a loan involves appraisals, inspections, and legal considerations.
5. **Industry and Economic Analysis:**  
Examination how external influences may impact a borrower's ability to repay a loan.
6. **Debt-to-Income Ratio:**  
Ratio comparing monthly debt payments to gross monthly income, indicating the borrower's capacity to take on additional debt and meet repayment obligations.

**7. Credit Scoring Models:**

Statistical models that assign a numerical value (credit score) based on factors such as a borrower's payment history, credit utilization, length of credit history, types of credit, and new credit.

**MAJOR COMPONENTS OF LENDING:**

GeeCee Fincap Limited ("the Company") is an Investment and Credit Company (ICC). It is predominantly engaged in lending, investing in securities and mobilisation of Capital . However it is also engaged in providing;

**a) Loan to the Related Parties** – Inter Corporate Loans / Loan against Securities / Revolving Loan Facility.

**b) Loan to the entities other than Related Parties** – Corporate Lending & individuals in the form of Loan against Securities / Secured Term Loans / Revolving Loan Facility.

**FOLLOWING MAJOR FACTORS INVOLVED IN THE LENDING:**

**1. Funding Cost:**

- Cost of Borrowings - It is the cost of raising funds from external sources / opportunity cost for owned fund.
- Debt to Equity Ratio – It is the ratio of Borrowings to Equity.

**2. Applications for Loans and their processing:**

The Loan application forms shall include all necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other Non-Banking Financial Companies can be made and informed decision can be taken by the borrower.

**3. Loan appraisal and terms / conditions:**

Interest on Loan will be decided mutually by the parties at the time of disbursement of Loan as per terms of the Agreement.

**4. Regulation of Interest charged:**

Interest on Loan will be decided mutually by the parties at the time of disbursement of Loan as per terms of Agreement & considering the cost of funding of the Company.

**5. Liquidity Cost:**

It is the cost of maintaining surplus liquidity on balance sheet.

**6. Operating expenses:**

It is the operational cost of running the business.

**7. Spread:**

It is the spread applicable to different products including customer and product specific margin and profitability expectations.

**8. Schedule of Fees And Charges:**

The Company may levy following charges as per the agreed terms & condition as mentioned in Loan Agreement entered at the time of loan sanctioned and disbursement of loan:-

- Processing Fees
- Part Prepayment /Fore-Closure Charges
- Charge for Late payment
- Cheque Swap Charge
- Document Retrieval Charge
- Cheque Bounce Charge
- Duplicate Statement Issuance Charge
- Cheque Pick up Charge
- Non-adherence of any terms and conditions of the Documents executed by the Borrower, for the period beginning the date of such non-compliance until the same is cured to the satisfaction of the Lender + applicable taxes.
- CERSAI charges
- Stamp Duty & other statutory Charges
- Conversion Fee.

**9. Penal Charges:**

Reserve Bank of India (RBI) vide Circular bearing ref no. RBI/2023-24/53 dated August 18, 2023 has brought out the concept of Fair Lending Practice - Penal Charges in Loan Accounts. Accordingly, the Board of Directors of the Company has formulated and adopted on 07.02.2024 a policy for the implementation of above mentioned Circular to be called as "Policy on Penal Charges".

The Company shall use penal rates of interest, over and above the applicable interest rates, in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned.

**10. Release of Movable/ Immovable Property:**

The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.

**11. Documents that may be obtained from Customers:**

Customers	Documents (Certified copy of any one of the following officially valid document)
<b>Individuals</b>	<p><b>Identity Proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"> <li>(i) Passport</li> <li>(ii) PAN card</li> <li>(iii) Voter's Identity Card issued by Election Commission</li> <li>(iv) Driving License</li> <li>(v) Aadhar Card</li> </ul> <p><b>Residence proof:</b> (Copy of one of the following)</p> <ul style="list-style-type: none"> <li>• Utility Bill (Latest Telephone / Post-paid mobile / Electricity bill)</li> <li>• Property or Municipal Tax receipt</li> <li>• Bank Account or post office savings bank account statement</li> <li>• Passport</li> <li>• Driving Licence</li> <li>• Voter's Identity Card</li> <li>• Aadhar Card.</li> </ul> <p>A copy of the marriage certificate or Gazette notification, in case of name change.</p>
<b>In case of Non-Individual (As applicable)</b>	<p><b>Identity &amp; Residence proof</b> (Copies of the following)</p> <ul style="list-style-type: none"> <li>• Income Tax PAN Card</li> <li>• Incorporation Certificate &amp; Memorandum &amp; Articles of Association (Registration Certificate &amp; Deed, in case of Partnership firm/Trust)</li> <li>• CST/VAT/GST/Service Tax registration / Shops &amp; Establishment Certificate, as applicable</li> <li>• List of Directors/Partners/Trustees along with their OVDs as above.</li> <li>• Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of company.</li> <li>• Utility bill</li> </ul>

**12. Execution of the documents:**

- Loan Agreement
- KYC form
- CRC & FATCA Forms
- PML related documentation