

LENDING POLICIES

As such, our Company maintains its own internal credit policies and approval processes, which are developed and implemented according to the underlying nature of its operations and the particular nature of its customers and products.

INVESTMENT AND CREDIT POLICY AND APPROVAL PROCESS

Our Company manages its own investment and credit approval process in accordance with its internal infrastructure finance investment and credit policies, which are approved by the board of directors of our Company. A dedicated Investment and Credit Committee ("Infrastructure ICC") oversees the application of, and compliance with, these policies, and retains the sole responsibility for approving advances made by our Company at meetings generally convened once in every two week cycle.

Eligibility and Policy Objectives

Public sector and private sector companies, public-private sector SPVs under PPP initiatives, partnership firms, unincorporated joint ventures (but only where the joint venture partners are incorporated entities) and trusts and societies (aimed at establishing educational or medical facilities, or for commercial purposes) are eligible borrowers from our Company.

The policy objectives of our Company include, amongst others:

- building a business model in conformity with the RBI's policies and guidelines for NBFCs, and that would optimize the benefits thereof for our stakeholders;
- building a sound and diversified asset portfolio through risk-pricing based lending and growth-oriented early-stage investments, with the aim of earning superior returns on capital employed; and
- optimize the risk-return profile of the infrastructure loan portfolio with an emphasis on credit quality, supervision, timely collection and well-defined exit options from investments.

Project and Credit Assessment Process

Before presenting a proposal for approval to the Infrastructure ICC, a dedicated team within the project finance segment, and a separate project development team, appraises the proposed project for which funding is sought and conducts due diligence investigations on the project and project sponsor. The following aspects of the project are assessed

- the project sponsor and the project group;
- the industry and sector in which the project is being undertaken;
- the nature of the project and structure of the concession;
- technical feasibility evaluation of the project;
- commercial and economic viability evaluation;
- credit checks and due diligence with the existing lenders and/or bankers of the sponsor(s) and or Credit Information Bureau (India) Limited;
- interaction with the key management personnel of the project group and sponsor to understand their perspective on the project and sector-specific commercial considerations and business dynamics;
- risk identification, risk allocation, risk mitigation and risk pricing of the transaction;

- site visits are undertaken by the appraising team to ascertain what local factors would have an impact on the project's viability;
- in the case of projects which require viability gap funding under a Government scheme, we ensure that due commitments from the relevant Government agencies for such a facility are in place;
- arrangements for the monitoring of the project and project assets by competent external technical agency, where considered necessary, are put in place; and
- in respect of specialized asset leases such as aircrafts, ships and oil rigs, an assessment of the residual values thereof is undertaken with the help of external agencies.

Once the proposal has been assessed, the Infrastructure ICC makes a determination on the size of the exposure to be taken, based on the findings of the assessment process, and by reference to our Company's exposure norms to an individual company, group or industry.

Our Company has developed an internal ratings model, which is similar to models used by external rating agencies in terms of methodology and rating scales. Accordingly, all credit proposals are evaluated and their internal ratings presented to the ICC as an input for its decision-making process. Also, these internal ratings are periodically reviewed, based on operational performance and external developments, if any.

Repayment Schedule

The repayment of loans and facilities is normally fixed on a case-by-case basis, depending on the nature of the project, its projected cash flows and the maturity profile of our Company's own funding mix. A pre-payment premium may be charged in case of early repayment of the facility. However, any post-approval changes in the repayment schedule would conform to the provisions of a "Schedule of Delegation of Powers for Investment and Credit approvals and Portfolio Management", as approved by the Infrastructure ICC.

Exit Options

A fundamental element of the projects that our Company funds is the availability of clearly defined exit opportunities from the investments we make. As such, all of our equity investments, convertible instruments, mezzanine debt and any similar financial products, as well as operating leases, should necessarily have clearly identified (and agreed upon by the customer, where applicable) exit options. Any recommendation to exit – particularly when earlier than as provided for in the documentation – would be based on a detailed evaluation by our project finance team of the commercial merits of exiting the investment, and would conform to the provisions of the "Schedule of Delegation of Powers for Investment and Credit approvals and Portfolio Management" approved by the Infrastructure ICC.

In addition, and in the case of operating leases, due diligence is carried out in conjunction with technical teams on the status of the assets and its residual values at the time of exercising such exit options.

Security

The project assets typically form the security for the credit facilities we provide. The details of the security to be charged in favour of our Company, are stipulated by the Infrastructure ICC and suitably

reflected in the security documents in the credit approval process. The security package for each facility is structured in such a manner so as to adequately cover the risks associated with the facility.

In the case of structured products, facilities can be approved by the Infrastructure ICC without requiring conventional security on the basis of a suitable financing structure and with comfort from other covenants such as a ceiling on overall debt-equity ratio, escrow account mechanism, negative lien agreement, pledge of shares or assignment of rights. In cases of funding which are serviced entirely from project revenues, escrow and/or water-fall arrangements are acceptable to support the security provided.

In the case of loans made for specific infrastructure assets, the security is normally an exclusive or *pari passu* charge on the underlying assets to be financed. For short-term interim loans such as bridge finance facilities for infrastructure projects and/or the acquisition of assets, the security is generally in the form of a hypothecation of movables, corporate/personal guarantees and/or pledges of shares, as well as other forms of security considered sufficient by the Infrastructure ICC. Appropriate processes to create enforceable security in the form of a mortgage and or hypothecation are rigorously followed. The margin requirements for different types of security are decided by the Infrastructure ICC from time to time, and exceptions, if any, will be handled in accordance with the guidelines of the Infrastructure ICC.

Documentation

Our Company only makes disbursements on the completion of all requisite legal documentation. The documentation process seeks to ensure that:

- our customers' obligations are clearly defined and established by the documents;
- the charges created on our customers' assets as security for the debt and/or other facilities provided are suitably registered and maintained, such that it is enforceable at all times during the term of the loan provided; and
- our rights to enforce the security for the recovery of the debt and/or facilities provided (including committed return thereon, if any), through a court of law or other applicable forum, is as extensive and unambiguous as possible under relevant statutes of limitations in jurisdictions of India as well as in the countries where the assets are registered or located.

We evolve and adopt standard documentation and commitment processes for various products and services we offer. For each structured finance facility, specific covenants are designed in consultation with our legal counsel. Where any deviation from the terms of the standard facility documents is warranted, approval of the appropriate authority in accordance with the "Schedule of Delegation of Powers for Investment & Credit Approvals and Portfolio Management" approved by the Infrastructure ICC, is obtained. In addition, the Schedule prescribes specific procedures for the execution of standard facility agreements and documentation in respect of the creation of interim and final security. Such documentation, aimed at protecting our rights to recourse against the underlying security, is completed and in the process, all prevailing laws and regulations of relevant jurisdictions are observed and reflected in the documentation.

In addition, we also ensure that comprehensive insurance of the secured assets is in place, and that such insurance policies are kept updated and valid. The insurance policies are typically issued to our infrastructure customers, and assigned in favour of our Company and any co-financiers sharing the security on a *pari passu* basis, where applicable, as the loss-payees.

CORPORATE SOCIAL RESPONSIBILITY

To view our Corporate Social Responsibility policy, [click here](#)

RELATED PARTY TRANSACTIONS POLICY

To view our Related Party Transactions policy, [click here](#)

INTERNAL GUIDELINES ON CORPORATE GOVERNANCE

To view our Guidelines on Corporate Governance, [click here](#)