

KINARA CAPITAL PRIVATE LIMITED

(formerly known as Visage Holdings and Finance Private Limited)

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CO-LENDING POLICY

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CO-LENDING POLICY

1. Background

The Reserve Bank of India ("RBI") has issued a circular¹ on Co-Lending by Banks and NBFCs to Priority Sector ("Circular") in supersession of its earlier circular dated September 21, 2018, applicable for co-origination of loans by Banks and NBFCs for lending to Priority Sector².

2. Co-lending

The purpose of co-lending is to lend to the underserved and unserved sector of the economy based on a prior agreement ("**Master Agreement**") executed by Kinara Capital with banks and NBFCs (collectively "**Co-Lending Partners**").

3. Objective

Kinara Capital Private Limited (formerly known as Visage Holdings and Finance Private Limited) ("**Kinara Capital**") proposes to partner with eligible Co-lending Partners³ to co-lend to MSMEs. This policy lays down the general principles and practices to be followed by Kinara Capital in co-lending in partnership with the Co-lending Partner ("**CLM Policy**").

4. Applicability and Scope

The CLM Policy will be applicable to:

- a) all the existing arrangements with Co-Lending Partners for all categories of products of Kinara Capital.
- b) all new co-lending arrangements made with Co-lending Partners.

5. Threshold

Kinara Capital's co-lending book shall not exceed the amount approved by the Board (as part of the business plan) from time to time.

¹Bearing reference no. RBI/2020-21/63, FIDD.CO.Plan. BC.No.8/04. 09.01 /2020-21 dated November 05, 2020.

²Bearing reference number FIDD.CO.Plan.BC.08/04.09.01/ 2018- 19.

³Excluding the (i) foreign banks (including wholly owned subsidiary) with less than 20 branches; and (ii) Kinara Capital's group company/promoted entity, if any.

6. Eligibility Criteria

The broad parameters⁴ are as follows:

Sl. No.	Parameters	Criteria
a.	Nature of entity	Bank and/or NBFCs
b.	Asset under Management	Minimum of INR 300 crore
c.	Net-worth of the Co-Lending Partner	Minimum of ~INR 100 crore
d.	External Credit Rating	BBB- and above.
e.	Product Presence	Not actively engaged in MSME financing.
f.	Geographic Presence	Limited overlap with Kinara Capital's presence

The above parameters are subject to periodic review by the Approving Authority.

7. Process

The process of co-lending will broadly involve the following stages:

- Identification and evaluation of the Co-Lending Partner.
- Finalization of the credit policy for co-lending and post-sanction obligations of the parties.
- Entering into master agreements with the identified Co-Lending Partner.
- Building tech integration and capabilities with the Co-Lending Partner as may be required.
- Opening of the escrow account with the Co-Lending Partner, as mutually acceptable.
- Go live with the Co-Lending Partner.

8. Effective Date

The CLM Policy is applicable with effect from January 20, 2023.

9. Review of the CLM Policy

This CLM Policy shall be reviewed once every three (3) years by the Board unless required to be reviewed earlier under the regulatory/statutory requirement.

10. Delegation

The arrangements or any deviations(s) to the arrangements pursuant to this CLM Policy shall be approved by any two (2) of the authorities namely the chief executive officer (CEO), or the chief financial officer (CFO) or the chief operating officer ("**Approving Authority**").

⁴These are indicative in nature to be followed on a best effort basis.

11. Types of arrangement

Kinara Capital can partner with banks and/or other NBFCs, on such terms and conditions as detailed herein below:

11.1. Features of the Arrangement

11.1.1. Sharing of Risk and Rewards

The Co-lending Partners will be sharing the risks and rewards as per the Master Agreement negotiated between both parties prior to any loan disbursements.

11.1.2. Commercial Arrangement

Interest Rate: Based on the respective interest rate and proportion of risk sharing, an all-inclusive rate is to be offered to the customer.

Other costs/ charges: The processing fee and other costs and charges are to be shared in a ratio as agreed between the parties and listed in the Master Agreement

11.1.3. KYC/AML, Credit Appraisal & Loan Sanction

A detailed SOP to be created in discussion with the Co-Lending Partner in line with the Master Agreement, to lay down the credit appraisal process. Based on the SOP, the process of issuance of sanction letter and execution of the loan agreement is to be followed. Kinara Capital and the Co-Lending Partner shall adhere to applicable KYC/ AML guidelines, as prescribed by RBI and any other regulations as stipulated by RBI from time to time.

11.1.4. Escrow Account

An escrow account shall be opened for the co-lending arrangement. The mechanism of operation of the escrow account to be detailed in the Master Agreement.

11.1.5. Customer Account Balance/Unified Account Statement

The customer loan statement is maintained at the individual customer level by the parties for their respective share.

11.1.6. Accounts Monitoring & Recovery

The parties shall create the framework for day-to-day monitoring and recovery of the loan, as mutually agreed upon in the Master Agreement.

11.1.7. Change in Loan Limits

Any change in loan limits shall be subject to the mutual consent of both the parties.

11.1.8. Security and Contractual Comfort

The parties shall ensure the creation of security and/or contractual comfort, as per mutually agreeable terms.

11.1.9. Provisioning/Reporting Requirement

Each of the parties shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines applicable to each of them for their respective shares.

11.1.10. Credit Bureau Reporting

Each of the parties shall carry out their respective reporting requirements including reporting to Credit Information Companies, under the applicable law and regulations for their portion of loan.

11.1.11. Assignment

Any assignment of loans by any of the parties can be done as per the terms agreed by the parties under the Master Agreement in accordance with the Circular.

11.1.12. Customer Service & Grievance Redressal

The Master Agreement shall set out responsibilities with respect to:

- Explaining to customers regarding products offered through the co-lending model.
- To provide the required customer service and grievance redressal to the customer as per grievance redressal mechanism agreed between Kinara Capital and the Co-Lending Partner.
- Any complaint registered by a borrower with Kinara Capital/Co-Lending Partner shall also be shared with the other party; in case the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with the concerned Co-Lending Partner Ombudsman/ Ombudsman for Kinara Capital or the Customer Education and Protection Cell (CEPC) in RBI (as may be applicable).

11.1.13. Business Continuity Plan

Both the parties shall formulate a business continuity plan to ensure uninterrupted service to the customers till repayment of the loan.