

- I. **Sourcing of Loan/Credit Facilities:**

Loans/ Credit facilities shall be sourced by Business Team either directly through discussions with the Borrowing entity or through the other Banks underwriting /syndication the credit facilities. It can be sourced through a third party/ intermediary e.g., Merchant Bankers/Professional Consultants etc, if the concerned entity is legally authorised by the Borrowing entity/Syndicator Bank, to approach Lenders on its behalf for participation. Preliminary interest of the Borrowing entity looking for a credit facility shall be documented either through a mail or a formal letter, originated from either side i.e., originated either by Borrowing entity/Syndicating Bank or by NaBFID detailing the discussion it had regarding the requirement of Credit Facilities.
- II. **Initial due diligence/In-principle approval:**

Initial broad due diligence shall be carried out by the Business Group primarily relating to the 3Cs viz. Character, capacity & Capital and it shall negotiate / agree on the broad commercial /major terms with the Borrowing entity/Promoters. If the proposal is considered bankable, an In-principle approval shall be obtained by the Business Team from the appropriate authority as per approved delegation of authority structure and communicated for formal acceptance to the Borrowing Entity/Promoters. In-principle approval letter shall be signed by an appropriate Official as per internal delegation of powers and shall be valid up to 30 days for acceptance, unless extended further by the competent authority. In-principle approval shall clearly indicate, recoverability of fee, if any for the approval and the timelines for the same.
- III. **Detailed Loan Appraisal & Assessment:** Once the formal acceptance of the In-principle approval is in place, detailed due diligence cum Appraisal process shall commence. It would consist of the following major steps:
 - **Appraisal & Assessment:** Detailed appraisal/due diligences pertaining to KYC, applicable legal due diligences, conduct of group accounts, demand-supply analysis, compliance with Regulatory/Statutory guidelines, establishment of viability etc (list is illustrative only). Appraisal and Assessment shall be carried out by NaBFID's internal team only based on the maker/checker concept and can not be outsourced, as per Regulatory guidelines. However, Business unit may use the services of external professional consultants to assist them in the specific tasks, permitted within the ambit of Regulatory instructions, for example services for getting a Techno Economic Viability Study done etc.
 - **Internal Rating:** Internal Rating shall be carried out by the Business Team and submitted for validation to the Risk Team, as per the laid down processes and if the rating so derived is below the hurdle level, laid down in the policy, approval for the deviation need to be obtained from the sanctioning authority. Brief details of internal rating shall be captured in the Credit Proposal. Until the Internal Rating Model is in place, External Credit Rating shall be used, as per NaBFID's internal guidelines.
 - **Validation of Appraisal outcomes** by a Credit Policy & Validation Team under the supervision of Head (Credit Policy & Validation): Credit Policy & Validation Team shall review the appraisal (2nd eye concept) on independent basis and may raise queries/seek additional inputs from the Business Team. Based on the review, it shall award a risk grade to the Credit Proposal (low/Medium/High/No Go) and shall provide appropriate inputs to the

sanctioning/approving authority as deemed appropriate along with the additional inputs received from Business, in response to the queries raised. 4 Credit Policy & Validation Team shall not have business Targets and shall not be allowed to interact with the Borrowing entity, to maintain its independence without any conflict of interest. As the setting up of Credit Policy & Validation Team, may take some time, therefore, until the Credit Policy & Validation Team is in place, Risk Team, shall carry an independent review of the proposal and provide its appropriate inputs to the Sanctioning Committee, to assist them in the decision-making process.

IV. Sanction/Approval & Control Processes: Post completion of the Credit Processes detailed under previous stage III; the Credit Proposal shall be submitted to the appropriate Sanctioning Committee/ Executive Committee of Board. Sanctioning committee may sanction/defer/reject the proposal with / without observations/additional conditions. An action taken report (ATR) shall be submitted to the Sanctioning Committee / appropriate authority relating to compliances with observations/additional conditions, as per laid down processes. Minutes of the Sanctioning Committee relating to deliberations on the Credit Proposals shall be submitted to the next higher authority for exercising effective control. If the Sanctioning Committee is below the Executive Committee of Board, minutes shall be submitted to Executive Committee of Board and if Executive Committee of Board is the sanctioning /approving authority, minutes shall be submitted to the Board, for noting / taking on record.

V. Documentation & Disbursement: Post sanctioning of a Credit Proposal by the Competent committee, Business Team, shall issue the Sanction Letter to the Borrowing entity, duly incorporating the Terms of sanction. Post acceptance of sanction letter, appropriate documents shall be executed, with the help of internal / external Legal Team, in line with terms of sanction. It may involve appointment of security Trustee, Opening of TRA/Escrow accounts, filing of charge with Registrar of Charges (ROC) etc. The documentation process would also involve Legal due diligence/Legal Audit post execution of documents and completion of other required compliances but before first disbursement by internal / external Legal Counsel, confirming validity and enforceability of the legal rights of the Lender, as stipulated under sanction terms. Business /Disbursement Teams shall also be verifying compliances with the condition's precedents (CPs or PDCs-Pre disbursement Conditions) and conditions subsequent to further disbursements, if any. NaBFID may utilise the services of external professional consultants e.g., Lenders Independent Engineers, to seek inputs, for verifying compliances. 5 Disbursement of project loans shall be, as per sanction terms. If for any justifiable reason, relaxations/ deviations are required, it shall be permitted, only post approval of the competent authority. VI. Post Sanction Monitoring: Post Sanction monitoring framework shall be applicable during disbursements i.e., during project implementation as well post completion i.e., during revenue generation. • Post Sanction monitoring may involve appointment of professional consultants e.g., Lenders Independent Engineers, Legal Auditors, Stock Auditors, Agencies for Specialised Monitoring (ASMs) etc. • The monitoring may involve, periodic site visits, discussions with key company executives, analysis of periodic progress reports/revenue generation reports, conduct of Legal Audit as per regulatory guidelines etc. • It shall also involve submission of periodic reviews as per laid down periodicity and authority structure.

- It may also involve resolving the issues, if any, for timely project completion or extending additional support, if warranted for the benefit of the project. Once the project has reached a stable revenue phase, scope of monitoring can be revised suitably. NaBFID can also examine/ evaluate churning of the asset to other lenders, to free its capital or securitisation of asset/portfolio, to make available higher resources for fresh funding.