

Crescentis Capital Limited

(formerly known as Som Datt Finance Corporation Limited)

LOAN PROVISIONING POLICY

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Prepared by:	Finance department
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Contents

1) BRIEF ABOUT THE COMPANY.....	1
2) OBJECTIVE	1
3) SCOPE	1
4) REGULATORY FRAMEWORK.....	1
5) INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING NORMS	1
a) <i>Income Recognition:</i>	1
b) <i>Asset Classification:</i>	2
c) <i>Provisioning:</i>	3
6) WRITE OFF POLICY	4
7) DISCLOSURES IN FINANCIAL STATEMENTS	4
8) REVIEW OF THE POLICY.....	4
9) ABBREVIATIONS	4

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Loan Provisioning Policy

1) BRIEF ABOUT THE COMPANY

Crescentis Capital Limited (formerly known as Som Datt Finance Corporation Limited) (the “Company” or “CCL”) is a Reserve Bank of India (“RBI”) registered Non-Deposit taking Non-Banking Financial Company (“NBFC”), categorised as an Investment and Credit Company (“ICC”). Under the RBI’s Scale-Based Regulatory framework, the Company is classified as a Base-Layer (“BL”) NBFC. The Company is listed on the Bombay Stock Exchange (“BSE”).

2) OBJECTIVE

This Loan Provisioning Policy (“Policy”) is designed to ensure prudent, consistent, and timely recognition of credit losses across the Company’s loan portfolio, in line with the applicable regulatory and accounting frameworks. It establishes a structured approach for identifying stress, classifying assets, and creating adequate provisions to safeguard the Company’s financial soundness. This Policy also supports transparent and reliable financial reporting, strengthens credit discipline, and reinforces the Company’s overall risk management practices.

3) SCOPE

This document lays down the policy of the Company and the guidelines to be adhered to while undertaking lending operations, including but not limited to:

- All loan products and credit exposures of the Company, including secured, unsecured, retail, MSME, and corporate loans.
- All offices, branches, digital channels, and business partners.
- All employees involved in credit, operations, collections, and finance.

4) REGULATORY FRAMEWORK

This Policy is formulated in accordance with the following regulatory and accounting frameworks, as amended from time to time:

- **Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025**, including the requirements relating to Board-approved policies on credit facilities and prudential treatment of loan exposures.
- **Reserve Bank of India (Income Recognition, Asset Classification and Provisioning) Directions, 2025**, to the extent applicable to NBFCs classified under the Base Layer,
- **Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025**, as they relate to customer communication, disclosures, and treatment of delinquent accounts, and
- **Indian Accounting Standards (“Ind AS”)**, as applicable.

5) INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING NORMS

a) *Income Recognition:*

- i. The income recognition shall be based on recognised accounting principles.
- ii. Income, including interest, fees or any other charges on NPAs, shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.

Crescentis Capital Limited

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Loan Provisioning Policy

- iii. In cases of loans where moratorium has been granted for repayment of interest, the interest income may be recognised on an accrual basis for accounts which continue to be classified as 'Standard'.
- iv. If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalised interest corresponding to the interest accrued during such moratorium period need not be reversed.

b) Asset Classification:

All loan assets shall be classified in accordance with RBI norms as under:

Loan Asset Type	Definition
Standard Asset	Shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.
Non-Performing Asset ("NPA")	A loan or advance shall be classified as an NPA if any interest and/or principal amount remains overdue for a period of more than 90 days.
Sub-standard Asset	(i) an asset which has been classified as an NPA asset for a period not exceeding 18 months; (ii) 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.
Doubtful Asset	A loan which remains a sub-standard asset for a period exceeding 18 months.
Loss Asset	(i) an asset which has been identified as a loss asset by the Company or its internal or external auditor or by the RBI during the inspection, to the extent it is not written off; and (ii) 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, SMA and NPA Classifications

In addition to the above, the Company shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts ("SMA") as per the categories specified below:

SMA Sub-categories	Basis for classification- Principal or interest payment or any other amount wholly or partly overdue
SMA-0	01 to 30 days
SMA-1	31 to 60 days
SMA-2	61 to 90 days
NPA	> 90 days

- i. **SMA Applicability:** The above SMA classification of borrower accounts shall be applicable to all loans, including retail loans, irrespective of the size of exposure.
- ii. **System-driven Overdue and Classification Process:** The borrower accounts shall be flagged as overdue by the Company as part of its day-end processes for the due date, irrespective of the time of running such processes. Similarly, classification of borrower

Crescentis Capital Limited

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Loan Provisioning Policy

accounts as SMA as well as NPA shall be done as part of the day-end process for the relevant date, and the SMA or NPA classification date shall be the calendar date for which the day-end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account on the day-end of that calendar date.

- iii. **Borrower-Level Classification:** Asset classification shall be borrower-wise and not facility-wise. All the facilities granted by the Company to a borrower and investment in all the securities issued by the borrower shall have to be treated as NPA / Non-Performing Investment (“NPI”) and not the particular facility / investment or part thereof which has become irregular.
- iv. **Upgradation of NPAs:** Loan accounts classified as NPAs may be upgraded as ‘Standard’ assets only if the entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility, loan accounts shall be upgraded from NPA to the Standard asset category only upon repayment of the entire arrears of interest and principal pertaining to all the credit facilities.
- v. **‘Overdue’ status:** Any amount due to the Company under any credit facility shall be treated as ‘overdue’ if it is not paid on the due date fixed by the Company.
- vi. **Days Past Due (“DPD”) Recognition:** It is a metric indicating the number of days a payment has been delayed beyond its scheduled due date. DPD shall be recognised on a daily basis through the Company’s system.

c) **Provisioning:**

As a listed entity, the Company shall follow a two-step provisioning approach:

- i. **Ind AS and Expected Credit Loss (“ECL”):** Provisions are calculated based on the probability of default (“PD”), exposure at default (“EAD”), loss given default (“LGD”) and, where relevant, the forward-looking information (including management overlay).
- ii. **RBI Prudential Floor:** Minimum prescribed provisioning rates, as provided below:

Category	Asset Type	Provisioning Rate*
Standard Assets	All Standard Assets	0.25%
Sub-Standard Assets	Secured & Unsecured portions	10%
Doubtful Assets: for up to 1 year	Secured portion	20%
	Unsecured portion	100%
Doubtful Assets: for >1 & up to 3 years	Secured portion	30%
	Unsecured portion	100%
Doubtful Assets: for >3 years	Secured portion	50%
	Unsecured portion	100%
Loss Assets	Entire Outstanding	100%

*The Company may, where considered prudent, maintain provisioning levels higher than the regulatory floor prescribed by RBI, from time to time.

In case of differences between Ind AS requirements and RBI-minimum prescribed norms, the Company shall comply with the more conservative provisioning requirement, in accordance with RBI guidance.

Interim Provisioning Framework

Given that the Company has commenced its lending operations from June 2025 onwards, and as of the date of this policy, the Company is in its initial phase of business stabilisation. Consequently, the Company does not yet possess a sufficient historical credit performance dataset or a statistically significant "look-back" period to develop a robust Expected Credit Loss (“ECL”) model under Ind AS 109. In the absence of adequate behavioural and default data (probability of default), the application

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Loan Provisioning Policy

of an ECL framework would not yield reliable or meaningful impairment estimates at this stage. Accordingly, until the Company builds an appropriate track record and data history to support a compliant ECL methodology, provisioning shall be carried out strictly in accordance with the prudential norms on IRACP prescribed by the RBI. The Company shall transition to an ECL-based impairment framework once adequate data, systems, and modelling capabilities are established, and accordingly, this policy must be updated. Transition to an ECL-based impairment framework shall be undertaken only with Board approval, based on the recommendation of the Audit Committee.

This interim approach shall be reviewed by the Audit Committee periodically to determine if the internal data is sufficient to migrate to a full ECL model.

6) WRITE OFF POLICY

- a) Loans identified as "Loss Assets" shall be written off with Board approval. If the assets are permitted to be retained on the books for any reason, 100% of the outstanding amount shall be provided for.
- b) Loan assets shall be written off either partially or in their entirety to the extent that there is no realistic prospect of recovery.
- c) Technical write-offs may be undertaken for operational efficiency, but it does not dilute the Company's right to recover.
- d) Any subsequent recoveries shall be credited to the profit and loss account, under the appropriate head.

7) DISCLOSURES IN FINANCIAL STATEMENTS

CCL shall make suitable disclosures in its Notes to Accounts as per the requirements contained in the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.

8) REVIEW OF THE POLICY

This Policy shall be reviewed by the Board at least annually, or earlier if required due to changes in RBI regulations, accounting standards, or any business requirements.

9) ABBREVIATIONS

- DPD: Days Past Due
- ECL: Expected Credit Loss
- Ind AS: Indian Accounting Standards
- IRACP: Income Recognition, Asset Classification and Provisioning
- MSME: Micro, Small and Medium Enterprises
- NPA: Non-Performing Asset
- NPI: Non-Performing Investment
- SMA: Special Mention Accounts
