

Risk Management Policy

Crescentis Capital Limited
(Formerly known as Som Datt Finance Corporation Ltd)

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1. INTRODUCTION

Crescentis Capital Limited (Formerly known as Som Datt Finance Corporation Limited) (“the Company”) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and holds a valid Certificate of Registration to carry on the business of Investment and Credit. Over the years, the Company has primarily engaged in investment activities and is now strategically evolving towards a balanced business model encompassing both investment and lending operations. Within its lending portfolio, the Company extends a range of financial products including working capital loans, term loans, equipment loans, rooftop solar loans, and personal loans etc.

2. OBJECTIVES:

The objective of this Risk Management Policy is to establish a clear and practical framework for identifying, assessing, and managing the various risks that may arise from the Company’s investment and lending activities, as well as from its day-to-day operations and strategic decisions. Risk is an inherent part of a dynamic business environment, representing the possibility of loss, damage, liability, or any other adverse outcome resulting from internal or external factors. The likelihood of a risk event occurring and the potential impact, it may have determine its overall magnitude, making it essential to anticipate and address such risks through proactive and preventive measures.

In line with this understanding, the Policy aims to ensure that risks are managed in a structured, forward-looking, and balanced manner to safeguard the Company’s assets, reputation, and business interests. It seeks to promote sustainable profitability and long-term stability by embedding a strong risk-aware culture across all levels of the organization.

3. SCOPE

This Policy is framed in accordance with the Reserve Bank of India’s Master Direction – Non-Banking Financial Company – Scale Based Regulation (SBR), 2021, and other circulars, as amended from time to time. The Company being classified as a Base Layer NBFC, shall ensure that its risk management framework remains proportionate to the scale and complexity of its operations.

This Policy applies to all business functions, operations, and processes of the Company, including investment and lending activities, as well as administrative, financial, and strategic functions. It covers all categories of risk that may affect the Company’s performance and sustainability — including, but not limited to, credit risk, investment risk, financial risk, technology risk, liquidity risk, operational risk, regulatory and compliance risk.

The Policy serves as a guiding framework for the Board of Directors, Risk Management Committee (“RMC”), senior management, and employees at all levels to ensure that risks are appropriately identified, evaluated, monitored, and mitigated in alignment with the Company’s overall business objectives, internal policies, and applicable regulatory requirements.

4. RISK GOVERNANCE FRAMEWORK:

- a. **Risk Governance Structure:** Effective risk management is based on a common understanding of risks, clear organizational structures and comprehensively defined risk management processes. The Management establishes and adheres to a risk strategy and associated risk appetite for the Company’s business, which is derived from, and consistent with the business strategy. The risk governance

structure of the Company consists of the RMC which assists the Board of Directors to achieve desired risk objectives.

- b. **Roles and Responsibility:** The responsibilities of the RMC include Overall risk governance and policy oversight, Risk appetite setting and monitoring, Regulatory compliance monitoring, Risk reporting to Board of Directors, Crisis management and business continuity.
- c. **Board of Directors:** The main responsibility of the Board is to oversee the operation of an appropriate risk management strategy. The Company's Board has delegated its risk management and oversight responsibilities to the RMC.
- d. **Risk Management Committee (RMC):** The RMC oversees the functioning of the overall risk management framework of the Company and implementation of the risk management strategy, including credit risk, investment risk, financial risk, technology risk, liquidity risk, operational risk, regulatory and compliance risk, and strategic risk etc, to the extent applicable. The RMC has also been vested with the responsibility to formulate, implement and periodically monitor the status of the risks. The RMC comprises of:
 - Managing Director
 - CEO
 - CFO
 - Head of Business Development.
- e. **Meetings of the Risk Management Committee:** The Risk Management Committee ("RMC") shall meet **at least twice in every financial year** to review and assess the Company's risk profile, risk management framework, and the status of key mitigation measures. Additional meetings may be convened as and when required based on business needs or emerging risk considerations. The Company Secretary shall act as the Secretary to the Committee.
- f. **Quorum:** The quorum for a meeting of the Risk Management Committee shall be constituted by at least **1/3rd (One Third) members** of the Committee. No business shall be transacted at a meeting unless the requisite quorum is present. Participation by members through audio-visual or electronic means shall be counted for the purpose of quorum and attendance, in accordance with applicable laws.
- g. **Minutes:** The minutes of each meeting of the Committee shall be recorded and maintained in accordance with the applicable provisions of the Companies Act, 2013 and Secretarial Standard – 1 (SS-1).

5. RISK MANAGEMENT FUNCTION

- i. The Risk Management Function is an integral part of the "Three-Lines-of-Defence" concept which defines first line of defence in which the respective heads of functions are responsible for having internal controls
- ii. second line through the office of Risk Management Committee and
- iii. third line is the Audit Committee supported by RMC, internal and external Audits.

Its main objectives are to set up the risk framework, identify, measure and monitor key risks across the organization, recommend mitigation solutions/controls, monitor controls and create risk awareness across the Company.

6. **RISK MANAGEMENT FRAMEWORK:**

Effective risk management requires identification, assessment, mitigation, monitoring and reporting of risks.

a. **Identification & Assessment**

At Crescentis Capital Limited, risks are identified on an ongoing basis as part of regular business operations and the overall planning process. Being a Base Layer NBFC engaged in both investment and lending activities, the Company recognises that risks can arise from its credit portfolio, investment decisions, funding sources, and day-to-day operations. The identification process relies on a mix of internal data, business experience, and external market information, considering both normal business conditions and potential stress situations. Each department is responsible for assessing and recording the risks relevant to its activities through a structured self-assessment process. Once identified, the risks are evaluated in terms of their possible impact on the Company, the adequacy of existing controls, and the likelihood of occurrence. This helps the Company understand which risks need more attention and ensures that appropriate measures are taken to manage and mitigate them in a timely manner.

b. **Mitigation and Monitoring**

Monitoring plays a key role in ensuring that the Company's risk management and mitigation strategies—whether to accept, avoid, transfer, or control a particular risk—remain effective over time. Regular monitoring helps the Company stay within its defined risk appetite and also provides insights into potential new opportunities that can be pursued within acceptable risk parameters.

Risk exposures are reviewed periodically and compared against approved risk limits and key risk indicators to ensure they remain within the tolerance levels set by the Board and the Risk Management Committee. The effectiveness of internal controls and risk mitigation measures is also assessed on a continuous basis, particularly in relation to operational processes, credit quality, investment decisions, and liquidity management.

In addition, compliance with regulatory requirements and internal standards is closely monitored to ensure that the Company operates within the framework, the standards set by the Bank and maintains a sound, transparent, and prudent risk management framework.

c. **Reporting.**

On an **annual** basis, the senior management shall prepare and present a comprehensive summary of the key risks faced by the Company, along with the mitigation measures undertaken during the year, to the Risk Management Committee for its review. The report shall highlight the top residual risks based on their potential impact and likelihood, and outline the actions proposed or implemented to address them effectively.

The review shall cover major risk categories such as Credit Risk, Liquidity Risk, Market Risk, and other significant operational or strategic risks relevant to the Company's investment and lending activities. After review and deliberation by the Risk Management Committee, the report shall be placed before the Board of Directors for its consideration and noting. This process ensures that the Board remains informed of the Company's overall risk profile and that appropriate systems and controls are maintained to support sound, compliant, and sustainable business operations.

7. POLICY

The purpose of this policy is to address unanticipated and unintended losses to the Company. The effective management of risk is vital to the continued growth of the Company since an NBFC is prone to inherent risks while operating in the financial sector. The company has introduced effective risk management systems that address the issues relating to various risks. The following broad categories of risks have been identified in our risk management framework, along with possible mitigation factors:

S.NO.	Type of Risk	Risk Mitigation Strategies
1.	<p>Credit Risk: A risk of loss due to failure of a borrower/counterparty to meet the contractual obligation of repaying his debt as per the agreed terms, is commonly known as risk of default.</p>	<p>The Company shall maintain a Board-approved Credit Policy, reviewed annually, with clearly defined sanctioning authority. Loan disbursements shall be made as per the credit policy and any deviations shall be documented with appropriate approvals. Exposure to a single borrower or group shall be within the limits, specified in Credit Policy and portfolio performance shall be monitored monthly through overdue and ageing reports. The Company shall conduct periodic stress testing on its credit and liquidity exposures under normal and stressed scenarios, with results reviewed by the Board to ensure preparedness for adverse conditions. Early Warning Signals (EWS) shall be tracked to identify and address stress accounts in a timely manner. Collateral shall be documented and periodically revalued.</p> <p>Further to the above information, Credit risk management of the company should encompass identification, measurement, monitoring and control of the credit risk exposures.</p> <p>Exposure to related parties and connected lending relationships shall be monitored in accordance with regulatory guidelines.</p>
2.	<p>Operational Risk: Any eventuality arising from the act relating to people, technology, infrastructure, and external factors, which can give rise to some type of loss in the organization, is termed as</p>	<p>Standard Operating Procedures (SOPs) shall be established for all core functions and adhered to by all employees. Annual internal audits shall be conducted by an independent agency covering credit, operations, accounts, HR, and other critical</p>

S.NO.	Type of Risk	Risk Mitigation Strategies
	<p>Operational Risk. Majorly it is internal and known. Therefore, the persons responsible shall keep continuous watch and shall gather the symptoms/warning signals to manage Operational risk. There are following types of operational risk that the company is exposed to:</p> <ul style="list-style-type: none"> ▪ External frauds ▪ Non-Compliance with policies ▪ Inaccurate External reporting and communications ▪ Talent Management ▪ Unstable IT infrastructure ▪ Document Availability ▪ Business continuity ▪ Ethics and Compliance 	<p>functions. A whistleblower mechanism shall be maintained for reporting policy violations or unethical practices. The Company shall maintain basic IT security measures, role-based system access, and secure storage for important records. A Business Continuity Plan (BCP) shall be tested periodically. All outsourced activities shall be subject to due diligence, contractual safeguards, and ongoing monitoring to ensure compliance with regulatory requirements and internal standards.</p> <p>The Company shall maintain adequate safeguards against cybersecurity and data breaches. Access to systems shall be role-based and reviewed periodically. Any data incidents shall be reported to the management and, where applicable, to the RBI within the prescribed time.</p>
3.	<p>Financial and Liquidity Risk The financial and liquidity risks primarily include interest rate risk, funding risk, and liquidity risk. Interest rate risk arises when changes in market rates adversely affect the Company's income or asset valuations. Liquidity risk stems from the inability to fund asset growth, manage unplanned changes in funding sources, or meet financial commitments on time. These risks also arise due to maturity mismatches between assets and liabilities.</p>	<p>The Company shall maintain a prudent Capital to Risk-Weighted Assets Ratio (CRAR) above the regulatory requirement whenever applicable (currently not applicable to Base Layer NBFCs). Liquidity positions shall be monitored continuously, and Asset-Liability Management (ALM) statements shall be reviewed at regular intervals to avoid stress situations. Adequate liquidity buffers and contingency funding lines shall be maintained to meet unforeseen requirements. The Company shall review interest rate movements regularly and adjust its lending and pricing strategy accordingly. Borrowings shall be managed conservatively to ensure that the total leverage ratio does not exceed seven times at any point in time, as required by RBI or as amended from time to time. Funding sources shall be diversified to avoid over-reliance on any single lender or market segment.</p>
4.	<p>Regulatory Risks & Compliance Risks: The Company shall be compliant in terms of regulatory norms and therefore shall effectively manage regulatory risk. Effective Customer redressal mechanism and fair practices</p>	<p>The Company shall maintain a compliance framework to ensure timely submission of statutory and regulatory returns. Policies and procedures shall be updated promptly in line with regulatory changes. A functional grievance redressal mechanism shall be maintained, with</p>

S.NO.	Type of Risk	Risk Mitigation Strategies
	shall keep legal risk under control. The Company shall have processes in place, to manage the risk of fraud and the suspected frauds are reported, wherever necessary.	escalation protocols for unresolved complaints. Fraud monitoring shall be in place, and all instances of fraud shall be reported to the Reserve Bank of India within the prescribed timelines, in accordance with applicable guidelines.
5.	<p>Investment Risk: Investment risk refers to the possibility of losses arising from fluctuations in the value of the Company's investment portfolio, due to adverse movements in market prices, interest rates, credit quality of issuers, or overall economic and policy conditions. For a Base Layer NBFC engaged in investment and credit activities, such risks may stem from exposure to debt instruments, equity holdings, mutual funds, or other financial assets held for strategic or treasury purposes. Unmanaged investment risk can adversely affect the Company's capital, profitability, and liquidity position</p>	<p><i>Prudent Investment Policy:</i> All investments shall be made strictly in accordance with the Company's approved Investment Policy, which outlines permissible instruments and exposure limits.</p> <p><i>Diversification of Investment Portfolio:</i> The Company shall maintain diversification across issuers, sectors, and instruments to avoid excessive concentration of exposure to a single counterparty or sector. Limits on sectoral and counterparty exposures shall be regularly reviewed in line with market and regulatory developments.</p> <p><i>Periodic Valuation and Monitoring:</i> All investments shall be periodically marked to market to assess fair value, and deviations shall be reported to management and the Risk Management Committee. The investment portfolio shall be reviewed at least quarterly to monitor performance, credit quality, and compliance with internal and regulatory limits.</p>

8. RISK APPETITE AND RISK CULTURE

Risk appetite refers to the level and type of risk that the Company is willing to accept in pursuit of its business objectives, considering its capital strength, earnings capacity, and strategic goals. The Company here shall maintain a prudent risk appetite consistent with its capital strength, earnings capacity, and long-term strategic objectives. The risk appetite shall be reviewed and approved by the Board of Directors **annually**. The Company shall:

- Maintain a minimum Capital to Risk-Weighted Assets Ratio (CRAR) above the regulatory requirement at all times, whenever it becomes applicable to the Company.
- Operate within defined exposure limits to avoid excessive concentration to any borrower, group, sector.
- Maintain adequate liquidity buffers to ensure its ability to meet obligations under normal and stressed conditions.

- Ensure that leverage levels remain within prudent limits as determined by the Board.

Risk-taking shall be proportionate to the nature, scale, and complexity of the Company's activities. The Board and Management shall promote a culture of risk awareness, accountability, and compliance across all levels of the organization. All employees shall be responsible for adhering to policies and procedures designed to safeguard the Company against undue risk.

9. **POLICY REVIEW AND APPROVAL**

This Policy shall be reviewed **annually** or earlier if warranted due to changes in regulatory requirements, the Company's NBFC layer classification, or business objectives, to ensure its continued relevance and effectiveness. Any proposed amendments to this Policy shall be recommended by the Management and placed before the Board of Directors for approval. Once approved, the Policy shall be disseminated across all relevant functions of the Company to facilitate effective implementation.