

IndoStar Capital Finance: Risk Framework and Policy

1. Approach to risk management

Risk management at IndoStar Finance Capital Finance Private Ltd (hereafter referred to as ICF) will have two elements

1.1 Regulatory risk compliance: ICF will need to comply with and report on regulatory requirements on portfolio characteristics. It will also need to comply with certain risk organization and process requirements as set out by RBI and as relevant in certain cases by SEBI. These will relate both to its constitution as an NBFC and as related to the business that it is engaged in. These will also include a formal risk policy that can be reviewed by the RBI. While the overall risk management framework will need to ensure compliance and reporting on these elements, it will not be limited to meeting regulatory needs alone.

- **NBFC exposure guidelines**
- **Real estate exposure guidelines**
- **Corporate governance guidelines**
- **Risk and Asset liability committees and reporting**
- **ECB, FII guidelines**

1.2 Overall risk management framework and guidelines: This will form the actual framework for managing risk to meet business objectives. While core elements of the management team and the Board have deep experience with the deployment of capital in different forms and in managing attendant risks, this framework seeks to provide the basis for a common understanding of risk parameters and the mechanisms to achieve them. The rest of the document seeks to meet that objective (except the section(s) on regulatory compliance).

2. Risk organization and roles

Overall risk management at ICF will be carried out through oversight at different levels of the organization from the Board to elements of the operating team.

The roles of the different elements of the risk organization and broad delegation of authority are as below.

- Board will conduct overall oversight and delegate authority to subordinate committees
- Risk committee (RC) will manage overall risk within a broad risk framework which it approves through the use of subordinate committees, the Credit Committee (CC) and Asset Liability Committee (ALCO). It will engage in approval of specific transactions only at the request of the CC, especially in cases where conflicts of interest prevent the approval at the CC level.
- The CC will
 - approve each exposure

- approve divestment (sell down) of any exposures
- try and meet business objectives on overall profit and risk including meeting ALM boundary conditions (including duration mismatches, interest rate risk overhang, conformity with likely sources of finance such as banking finance needs on end-use etc)
- ensure that regulatory (RBI) requirements on portfolio concentration and sectoral exposure are met through exposure approvals
- conduct portfolio risk reviews to ensure management of risk within key thresholds
- direct the management team on what it needs for smooth and timely decision making
- ensure compliance with its instructions and approvals using the services of other organs such as the audit committee, the CFO and other mechanisms
- The ALCO will
 - Be responsible for managing ALM risk within agreed parameters (portfolio duration gap, period by period mismatches etc)
 - Approve and manage “passive” or “treasury” investments to deploy surplus beyond “core” business (terms elaborated later)
 - Approve funding measures by the management team and specifically the CFO to meet these objectives
 - Work with the CC and the management team to ensure that transactions and overall portfolio characteristics are such that financing options are feasible
 - Managing and reporting compliance with RBI requirements on ALM and ALCO reporting
- CFO
 - Will be responsible for ensuring financial data is available to measure and manage risk for all Board committees on risk (RC, CC, ALCO)
 - Will be responsible for executing the decision of the ALCO on “passive” treasury management
 - Responsible for managing the ALM within prescribed limits as directed by the ALCO
 - Will be responsible for operations to ensure the execution of exposures within prescribed parameters and reporting (includes documentation, disbursements, subscription to debt issues, execution of divestments etc)
- Legal:
 - Responsible for executing legal documentation in line with desired legal objectives
 - Collateral perfection
 - Structure compliance

2.1 The Board will be will be responsible for managing risk at an overall level and accountable to the shareholders for returning a risk adjusted return in line with expectations, across time horizons.

To do this, the Board will delegate authority for overall risk management to the **Risk Committee (RC)** to ensure focused oversight and committed board level capacity for this task. The Risk

Committee which in turn will delegate authority to various subordinate elements of the risk organization and oversee their roles in risk management.

Until the formation of the **Risk Committee (RC)**, the Board may perform this role directly. However after its formation, the Board will directly only perform the following roles

- Delegation of authority to the Risk Committee initially and then review of powers as necessary from time to time
- Reviewing the work of the Risk Committee once/twice a year for directional guidance if any on the risk function of the company
- Reviewing conflict issues if they cannot be resolved at the Risk Committee and are referred to it

2.2 **Risk Committee** will be responsible for managing risk at an overall level. It will be accountable to the Board for managing risk parameters within expectations across time horizons.

2.2.1 **Composition:** The RC will comprise both Investor and independent directors. Initially the RC will comprise 5 ICF Board directors. Of these 2 will initially be nominated by Everstone, 1 by Ashmore and 2 will be independent directors nominated by the Investor company (IndoStar).

2.2.2 **Meeting frequency:** At least two times a year and as needed for resolving issues referred to it.

2.2.3 **Responsibilities and authority:**

- **Approval of delegation of authority** to various subordinate elements of the risk organization including (as detailed in later sections) the Credit Committee (CC), the Asset Liability management committee (ALCO), the Chief Executive Officer (CEO) and the Chief Financial Officer and controller (CFO). From time to time it will review the performance of these organizational bodies against their mandated roles under these delegated authorities and if necessary refine the extent and nature of delegated authority to these subordinate organs of risk management.
- **Approval of risk framework and changes.** The RC will approve the risk framework used by the CC and ALCO under which ICF (detailed below) will operate and under which subordinate organs of risk management will function. This will include definitions of core and supporting business activity, broad threshold levels of concentration or exposure for each type of activity or risk as it sees fit, the delegation of these decisions to the credit committee, direction to the credit committee on changes in risk guidelines from time to time, if warranted.
- **Recommendation to the Board on the risk parameters in the Budget.** The Board will approve the financial budget for the company based on broad implied risk parameters, especially the implied risk adjusted return on capital (RAROC) and Value at Risk (VaR) emanating out of business priorities and past and external benchmarks of risk adjusted return on comparable assets. The RC will recommend targets on these parameters to

the Board. While this is an indirect lever of risk management, the RC will play an oversight role in ensuring alignment between business aspirations and risk management within this context.

- **Review of risk management performance of the company:** The RC will have to periodically review leading and lagging metrics on risk management (detailed later) to satisfy itself that the company goals on risk management are being met. These metrics could range from extraordinary/unexpected drops in collateral cover or operating cash flow cover levels at transaction and portfolio levels due to market conditions; to levels of default in industry and within the company for sectors and clients as examples. This is crucial for two roles of the RC:
 - Forward looking course corrections on current risk parameters or guideline elements if needed
 - Review (retrospective) of all elements of risk guidelines and their execution for identification of future risks from internal guidelines or risk management processes
- **Approval or review of, any exposures with conflict of interest:** The RC will have to review (and in some cases if requested by the Credit Committee, approve) transactions or issues with any element of conflict of interests.
 - Companies/ promoters in which any of the shareholders of ICF have a material interest directly or indirectly
 - Companies/ promoters in which any of the members of the Board or subordinate organs have material personal interests directly or indirectly
- **Review and approval of changes in key management personnel.** This element of risk management will involve the RC satisfying itself on the changes in personnel taking up key positions that are crucial for the company.

2.3 The Credit Committee (CC): The credit committee is empowered by the Board through the RC, to

- approve the deployment of all capital through the core business (detailed later) of lending to companies, in line with the risk framework, with reference to both taking on and divesting exposures
- define and interpret the risk framework in approving individual transactions and in deciding portfolio composition both through incremental disbursements and divestments.

2.3.1 Composition: The CC will comprise only sponsor Investor directors. Initially the RC will comprise 4 ICF Board directors and 1 observer. Of these 3 will initially be nominated by Everstone and 1 by Ashmore. Initially the observer will be nominated by Baer Capital. Attendees will include the management team proposing the transaction, the CEO and on request, the CFO.

2.3.2 Meeting frequency: At least once time a month and as needed for approving transactions

2.3.3 Responsibilities and authority:

- **Approval of under-writing guidelines:** The CC has to ensure that business is equipped with efficient and effective under-writing guidelines that are agreed and understood in the main, for use in proposing transactions to the CC for approval. This forms the basis of time- efficient, standardized and effective under-writing which is at the heart of the business in which ICF is engaged. The CC has to, in consultation with business management, adopt and approve a set of under-writing guidelines that can deal with the majority of the issues in the majority of cases brought before it for approval. It must also from time to time, in consultation with the business, and the RC (as appropriate), make changes in these guidelines to 1) meet changing needs of the environment or the business and 2) implement course corrections if needed to rectify issues. The framework for under-writing guidelines and their implementation through credit proposal memos/ dockets is detailed in later sections.
- **Define (and as needed refine definition of) core business:** This is a core responsibility of the CC (in consultation with the RC and the management) which entails deciding on what forms of exposure constitute the core business of the company. Initially the core business can be defined as :
 - **Extending finance in the form of debt to companies and promoters against acceptable collateral**
 - **Extending capital in the form of debt to high credit quality companies without direct recourse to collateral**
- **Deployment of capital by approving loans:** The CC has has the authority to deploy capital by approving transactions brought before it by the business team for approval. It has the authority and responsibility to do this by examining proposals prepared for its consideration using under-writing guidelines it has approved; and in line with RC delegated authority to interpret and define the company's risk framework. It is responsible for managing approvals such that the risk-adjusted return profile for 1) individual loans/transactions and 2) for the portfolio as a whole as a result of the approved loan; meet company expectations on risk adjusted returns on capital deployed. The responsibilities of the credit committee in approving a transaction are laid out in a later section (3. Underwriting guidelines).
- **Managing overall portfolio risk:** The CC is responsible for management of the overall portfolio profile to achieve expected risk adjusted returns, post approval of loans, by continually monitoring the portfolio for risk and return trade-offs. This means it is responsible for periodic review of the portfolio and deciding and implementing actions to achieve portfolio objectives. This in turn means
 - Proactively reviewing portfolio health and performance metrics and potential deviations from plan due to deal specific factors or external factors (detailed in later sections)

- Reviewing the levels of portfolio concentration risk on various dimensions in light of external environment and internal funding considerations to ensure risk adjusted returns are in line with expectations. These dimensions would include
 - Client, group level concentration: long term and short term pending sell-down or divestments (beyond RBI stipulations)
 - Sectoral concentration
 - Collateral based: land, other forms of real estate listed shares, unlisted shares, other
 - End-use: capital markets, real estate development, M&A etc
 - Suitability for various forms of finance : bank finance, rated paper etc
- Deciding on divestments and their terms to manage the portfolio within desired risk- return parameters (detailed in later sections)
- Deciding on need for actions on parts of the portfolio such as additional collateral, exercise of puts or calls or other options to get the best risk adjusted return profile
- Deciding on guideline/ framework changes for incremental loans to manage the portfolio within desired risk parameters given the existing portfolio
- **Divestments of loans/ assets:** The CC as discussed also has the responsibility for managing portfolio risk-return characteristics through actions such as divestment of assets/loans (detailed in later sections). The CC has a specific responsibility to implement RC mandated risk policy in the context of divestment of assets by ensuring that
 - Terms of each divestment are the best terms possible to deliver value to ICF and do not adversely affect the original return assumptions on the transaction where possible, except when done for avoiding more adverse characteristics
 - Approvals for divestment both in the form of 1) pre-approved divestment schedules during under-writing or 2) separate divestment approvals ; meet the test of incremental value addition to the portfolio characteristics
 - Resultant portfolio characteristics on risk-return are better than prior to the divestment
 - Divestments ensure optimal use and availability of capital in the context of other opportunities available at the same time, and their risk-return profiles
 - Divestments are in line with ALM considerations of the ALCO.
- **Review of functioning of subordinate organs.** The CC will need to review the role played by subordinate organs of risk management under their delegated authority and satisfy itself on the efficacy of the roles played. This is a crucial element of control and oversight by the CC. This will include (not exhaustive)
 - Compliance with documentation and legal terms suggested by the CC
 - Compliance with timing of exposures and divestments as suggested by the CC
 - Compliance with various other actions as agreed: exercise of warrants, sale of partial collateral to bring cover in line etc

- **Review of “interim” deviations.** The CC will review any interim deviations (deviations that correct themselves between CC meetings or reviews) on agreed risk to understand causes and interventions taken (eg divestment to happen with X days and exposure to be brought down to Y within stipulated period doesn’t happen as per schedule)
 - **Interim deviations from single client/ group exposure guidelines**
 - **Interim deviations from sectoral or collateral concentration guidelines**
 - **Interim deviations from short term Asset-liability mismatches agreed with ALCO**
- **Monitoring operational risk elements:** The CC is responsible for monitoring operational element of risk as part of its obligation to ensure risk adjusted returns on the portfolio of core business lending. This means reviewing other elements of risk apart from under-writing and divestments using the findings of the Audit Committee; or ALM risks as follows:
 - Ensuring legal risks of loan documentation are examined by internal and external counsel; and provide adequate cover to the company
 - Ensuring detailed periodic reviews of value and coverage ratios of collateral covers have been carried out for both traded securities and other non-traded collateral at agreed frequencies by appointed internal functions and external partner agencies
 - Ensuring all external partner agencies involved in all aspects of under-writing, valuation, documentation, divestments, among others, are examined for conflicts of interest in general and in each transaction and found to be non-conflicted.
 - Ensuring compliance of all personnel to policies on conflicts of interest, insider trading, and other regulatory and internal declaration requirements.
 - Ensuring execution of past interventions on portfolio elements including stock or other collateral sale or changes of documentation have all carried out and accounted for in current views of the portfolio risk-return characteristics
- **Identifying and reporting conflicts of interests:** A key responsibility of the CC is to identify and report all conflicts of interest within its own members, the MC or other organs of risk management and larger organization to the RC for oversight, review and approval wherever necessary. In order to execute against this responsibility:
 - Individual members of the CC with the conflict of interest must identify themselves and must be recused from deliberations
 - Similarly individual members of the MC or other parts of the organization must identify themselves and must be recused from deliberations
- **Recommending changes in overall risk framework if necessary:** The CC is responsible for recommending to the RC and Board, any changes to the larger risk framework with supporting arguments, after review of the portfolio and of the external environment.

2.4 Asset Liability management committee (ALCO): This is another risk sub-committee accountable to the RC, with a focus on managing the asset liability mismatches for the company. It is responsible to the RC for managing risks arising out Asset-liability mismatches including exposures to interest rate changes and risks from instruments used to manage duration mismatches. It would also be responsible for all deployment of capital in “treasury management”.

2.4.1 **Composition:** 4 investor directors. Initially 3 from Everstone and 1 from Ashmore.

2.4.2 **Meeting frequency:** Atleast twice a month and as needed to

2.4.3 **Responsibilities and authority:** will include:

- **Approval of ALM guidelines:** The ALCO will have to approve of ALM guidelines that will meet Board expectations on risk adjusted returns on overall capital through activities beyond the core lending business of the company. This will involve setting guidelines for:
 - **Acceptable duration mismatches:** The ALCO will have to approve acceptable levels on duration mismatches depending on cost of closing mismatches and outlook at different points in time. This will work within the overall principle that the company doesn't seek to play the yield curve through asset-liability mismatches as a core part of the business. This in turn will mean setting guidelines on maximum loan duration/ maturity at different points, mix of fixed and floating rates/coupons, mix of funding sources for debt in terms of duration and rates (fixed vs floating) detailed in later sections.
 - **Core portfolio divestments from ALM point of view:** This will mean approving guidelines on ALM impact of any opportunistic or pre-planned divestments of core lending portfolio at different points.
 - **Pegging reference rate:** The outlook on the yield curve and duration mismatches of the portfolio will decide the reference rate used for cost of funds and hence for loan pricing across horizons.
 - **Guidelines from ALM point of view for lending terms:** The ALCO will have to set guidelines for lending terms in general and as a proportion of the portfolio for different types of structures. Examples would be limits on bullet repayment structures, fixed coupon structures, etc in absolute or proportion terms from time to time
 - **Approval of guidelines for use of derivatives for hedging:** The ALCO will also have to approve use and proportion of use of specific derivative structures in treasury management for management of ALM risks from time to time depending on external market conditions.
- **Approval of debt instruments for passive fund deployment as part of treasury management:**
 - Rating of instruments above which decision to deploy can be delegated to the CFO; and instrument types that are proscribed or will need an ALCO decision for deployment

- Quantum of fund deployment in different classes of debt securities that can be done automatically by the CFO ; and above which size of investment for a specific instrument type, a decision by the ALCO is needed for deployment.
- **Review of functioning of subordinate elements of ALM:**
 - actions taken on decisions related to Asset-liability mismatches across time horizons and adherence to boundary conditions suggested in previous deliberations on asset and liability durations, duration gaps, fixed vs floating elements of asset and liability portfolios, repayment terms etc
 - Process compliance on due-diligence within delegated authority on passive fund deployment and divestments
 - CC and business decisions with reference to laid out terms on ALM
- **Approval of delegation of authority :**
 - **Approving delegation of powers** of capital deployment and divestment to CFO on
 - passive treasury management transactions below a certain level
 - Decisions on raising of domestic debt for leveraged operations
- **Reporting on compliance to RBI:**
 - **Reporting on ALCO deliberations and period wise fund-mismatches**
- **Recommending changes in overall risk framework if necessary:** The ALCO is responsible for recommending to the RC and Board, any changes to the larger risk framework with supporting arguments, after review of the portfolio and of the external environment.

2.5 The CFO and financial controller will be responsible for

- Independently reviewing the business financials including risk and reporting to the CC and board
- Managing the overall balance sheet and reporting financials to the Board
- Presenting the results of internal and external audit, including risk audit, to the CC and Board

3. Under-writing process:

The origination/relationship and structuring team will jointly propose loans/deals to the credit committee in the form a proposal /credit memo to the CC. They will include both an analysis of the proposed deal by itself and its impact on the portfolio as a whole.

The credit committee will examine the proposals and sanction or reject the proposal and/or specify the terms/structure under which the proposal can be approved. In the case of any exceptions or related party transactions, these will be referred to the RC and if needed to the full board.

The CFO will be responsible for verifying and preparing the credit MIS and presenting these after verification to the CC and the board.

All under-writing risk guidelines will be subject to RBI and other regulatory boundary conditions and will also be superseded by an overall risk management framework for the portfolio . This part of the document deals with risk guidelines for under-writing specifically . The credit proposal or memo prepared by the origination and structuring teams for consideration by the credit committee will need to explicitly cover two aspects:

- Details of proposed transactions (Part A)
- Impact on portfolio if proposed transaction is approved (Part B)

Details of proposed transaction (Part A):

The credit memo proposing the loan to the credit committee must cover explicitly the following details:

- 1. Size of loan and percentage of ICF portfolio and net-worth that the transaction will entail**
 - Loans need to be examined for compliance with RBI guidelines on single borrower or group exposure and if action is needed to adjust portfolio composition for compliance, the same needs to be flagged to the credit committee.
 - 2. Details of any past transaction with the borrower**
 - Any prior transactions with the prospective borrower need to be explicitly detailed especially any defaults but also any details such as puts/calls being triggered and any past actions needed to maintain cover ratio.
 - 3. Credit rating and other data with a bearing on past credit behavior of the promoter and of any of the entities that are to be involved in the transaction**
 - External rating data on any of the entities directly or indirectly involved in the transaction should be explicitly mentioned
 - CIBIL data including any suit filed data on the promoters and entities should be reviewed explicitly.
 - All DRT and other debt arbitration and appellate tribunal actions and data related to any entity or part of the borrower group should be explicitly mentioned. Similarly any past or present referrals to the BIFR of any entity in the borrower group must be explicitly reviewed
 - SEBI and other regulatory data on defaults, legal actions and cautionary notices to any of the promoters or entities must be explicitly reviewed
- **Shareholding/ownership pattern of entities that will either be borrowers, stand guarantee, offer collateral or recourse, or own a stake in any of the borrower entities, directly or indirectly; or lend substantially to the entities or do substantial business with any of these entities.** This data is to be used to identify and review any potential conflicts of interests, misalignment of incentives and “ leakages” that could affect risk on loan. This information must include
 - Extent of ownership directly and through subsidiary or peer companies
 - All wholly owned, majority owned and minority owned subsidiaries and promoter and third party interests/ shareholding in each
 - All third party holdings of relevance in group entities.

- All listed entities in the group and linkages between these and other entities ; and shareholding pattern for listed entities
- Extent of free-float and volumes of trading in all listed shares
- Extent of lending directly and through subsidiary or peer companies with group entities
- Extent of business flows between companies with ownership interests and extent of dependence on these flows
- **Nature of business and source of operating cash flows of all relevant entities with relevant sensitivities to risks**
 - Primary areas/sectors of business and composition of revenues and profits from each area of business- current, historical and projected
 - Mapping of each business line/area/sector to entities within the borrower group
 - Revenue, cost and cash flow diagram for each entity in the group
 - Revenue and profit concentrations- by customer, related party/ inter-group flows and by entity, by product/business line, by currency (if relevant), by geography
 - Growth projections and dependence on key assumptions and sensitivities to risks on key assumptions
 - Details of cash flows of key entities (borrower, guarantor, recourse, holding company, entities whose shares or assets will serve as significant collateral) and sensitivity of cash flows to risks on different assumptions
 - Extent and source of non-operating income
 - Whether significant operating cash flows come from real estate or capital markets and how much, nature of flow of cash and income
- **Purpose/ end-use of loan**
 - Will benefit which entity most in terms of operating cash flows, profits and valuation
 - If expansion or new venture or M&A/inorganic initiative
 - For expansions and new ventures, analysis of project case for expansion and sensitivities on profits, and cash flows of different assumption risks
 - Business : Strategic and execution risks and impact on cash and profit projections
 - Regulatory risks
 - For M&A financing/ inorganic initiatives, analysis and presentation of
 - Price and other transaction risks and sensitivities
 - Sensitivities on realizing acquisition/merger benefits
 - Regulatory and compliance sensitivities
 - Revenue expense or capital expense
 - Analysis of changes in expense mix and dependence on long term funds for short term needs if any
 - Use for acquiring land or capital market assets
 - Transaction risks
 - Sensitivities influencing value realization in different entities

- **Promoter and hold-co analysis:** This data and analysis is to be used to specifically examine promoter and hold-co alignment of interests with respect to borrower, guarantor entity interests and performance
 - concentration of promoter interests and flows from holdings to determine and review relative value of different entities and hence value of collateral in form of shares of individual entities other than the hold-co
 - concentration of hold-co interests and flows from holdings to determine and review relative value of different entities and hence value of collateral in form of shares of individual entities other than the hold-co
 - Relative value to promoter and hold-co under different scenarios of direction/re-direction of revenues, costs and cash flows across different entities in particular those with borrower/guarantor role
- **Extent and structure of operating cash flows debt cover of all entities:** Must cover all related party flows and explicit analysis of concentration of flows and impact on debt coverage ratios
 - Debt servicing capacity under different scenarios- overall and for ICF after seniority: DSCR and ISCR measures at different levels and under different scenarios
 - Other obligations
- **Extent and structure of existing debt of all entities :** Must cover quantum, nature, structure of all debt of all entities linked to the transaction (borrower, guarantor, owner of borrower/guarantor)
 - Bank, institutional, NBFC borrowing : names of primary lenders and analysis of debt relationship
 - Quantum
 - Seniority
 - Overall structure of debt
 - Collateral provided and extent and number of charges on collaterals
 - Terms of debt: fixed/ floating rate, coupon, bullet, maturity/ tenor
 - Overall and specific encumbrance
 - Servicing obligations
 - Debt issuances
 - Quantum
 - Structure of debt issuances
 - Level of encumbrances
 - Direct servicing obligations
- **Structure of loan being proposed: Credit committee will need to review each of the following with a view to**
 - Amount
 - Bilateral or subscription to debt issue
 - Hold vs sell-down proposed

- Repayment terms
 - principal and interest servicing
 - duration of asset; and VaR at X months from disbursement
 - Door-to-door term
- Interest rate:
 - Fixed/ floating
 - Benchmarks
- Put and call terms if any
- Warrants and convertible terms offered: strikes and dates
- Which entities will borrow/ guarantee /provide partial recourse
- Total collateral/cover being offered:
 - Total cover being offered
 - Split of cover by type of collateral
 - Sensitivities of cover to movements in each collateral and total cover sensitivity
 - Land/real estate in any form with title details with current/adjacent valuation
 - Title of land if land directly as collateral
 - In case of real estate developments, nature of charge/ lien on development and its cash-flows
 - Escrow mechanisms
 - Shares of SPV
 - Other
 - Valuations of land, developments by third party valuation agencies
 - Nature of charges and encumbrances on land/development
 - Other debt to the SPV/ project and clearances obtained from other bank and institutional lenders
 - Shares of entity:
 - Whether operating company, target (in acquisition) company, holdco, SPV, subsidiary, peer company and relationship to borrower/guarantor/promoter entities
 - Listed or unlisted
 - For listed
 - Shareholding pattern
 - Market cap, P/E, P/B, EPS
 - Free float
 - %age of free float represented by collateral
 - F&O or not
 - VaR for trailing X months
 - Beta of stock
 - Impact cost
 - Warrants and other structures outstanding
 - For unlisted

- Shareholding pattern: third party shareholders and existing valuation
 - Value of underlying assets
 - Operating cash flows and concentration of related entity flows
 - Existing drags, tags and ROFRS; and other poison pills
 - %age represented by collateral: 51%+; 26-50% or less than 26%
 - Existing warrants and other calls/puts on stock
 - Existing convertible debt
- Other assets: plant and machinery: valuation and liens/charges on each
- **Yield curve and ALM mismatch risks:**
 - In light of proposed structure, risks due to interest rate changes need to be modeled and reviewed for each transaction
 - In light of the proposed structure and whether in-going strategy is hold to maturity or sell-down; and depending on extent of balance sheet usage, risks of sell-down need to be evaluated
 - In general liquidity risks for class of loan across life-cycle for sell-down is required, need to be modeled and presented for review by the credit committee
- **Related party elements:** The credit committee will have responsibility for identifying and reporting to the Board, all potential conflicts of interest and linkages of ICF with the borrower

If the deployment decision relates to a **pool of exposures or a portfolio of loans**, in addition to all elements mentioned above as applicable the following may need to be examined depending on underlying:

- Independent rating if available
- Portfolio concentration measures
- Vintage-wise delinquencies and flow through rates and resultant PD (probability of default) and LGD (loss given default) and resultant loss rates at different time horizons and hence threshold IRR and benchmark NPVs of the portfolio
- Insurance, escrow amounts available and recourse levels available on the portfolio under different scenarios

Impact of transaction on overall portfolio: Part B

Each transaction will need to be accompanied by an impact summary of the transaction if approved.

This will need to cover the following aspects in detail:

- Resultant total exposure of ICF to borrower and to group and compliance with RBI guidelines
- Resultant exposure to real estate sector
- Resultant exposure to sector of company
- Resultant exposure to class of end use (M&A, expansion, new venture etc)
- Resultant overall cover of portfolio with respect to real estate

- Resultant overall cover of portfolio with respect to capital markets
- Resultant sensitivity of cover to capital market movements: Beta of cover to capital markets
- Resultant sensitivity of cover to real estate market movements: Beta of cover to real estate
- Resultant duration/ modified duration of portfolio
- Resultant ALM at a monthly level
- Resultant %age of portfolio with interest and principal servicing and monthly and quarterly levels
- Resultant debt-equity and CAR impact
- Resultant exposure to class of collateral:
 - Unlisted stock with minority position
 - Unlisted stock with majority holding
 - Listed stock with Beta of X
 - Commercial real estate
 - Residential real estate
 - Undeveloped land
 - Plant and machinery
- Measures to correct any temporary imbalances as viewed by the credit committee or board