

**Fortune Integrated Assets Finance Limited**

**RISK MANAGEMENT POLICY**

**VERSION CONTROL**

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## **Background**

Non Banking Financial companies (NBFCs) form an integral part of the Indian financial system. NBFCs are required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place. This policy document has been prepared in line with the RBI guidelines.

This Policy represents the basic standards of Risk Assessment to be followed by Fortune Integrated Assets Finance Limited (“the company”). Changes in the Policy will become effective upon approval by the Board of Directors of the Company. All relevant employees must be thoroughly familiar or made familiar with it and make use of the material contained in this Policy.

## **Risk Management**

Risk management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The Company shall follow a disciplined risk management process and has been taking business decisions, ensuring growth and balancing approach on risk reward matrix.

There are mainly three types of risk associated with our business which are detailed as under:

### **1. 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 term, is commonly known as risk of default.

#### **Risk Mitigation**

- a) Credit risk shall be managed using a set of credit norms and policies. The Company shall have defined roles and responsibilities for originators and approvers. All credit exposure limits shall be approved by authorized persons.
- b) There shall be a structured and standardized credit approval process to ascertain the credit worthiness of the borrower.
- c) The Company shall develop internal evaluation team to make credit decisions more robust and in line to manage collateral risk.
- d) The Company shall follow a process of time-to-time revisiting the credit policy and processes, on the basis of experience and feedback.

### **2. 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 organisation, is termed as Operational Risk. Majorly it is internal and unknown. Therefore, the persons responsible shall keep continuous watch and shall gather the symptoms/warning signals to manage Operational risk.

### **3. Market risk**

This is majorly external market dynamics, which gives rise to Risks like Liquidity risk, Interest Rate risk and Funding risk. Liquidity risk is the inability to meet financial obligations in a timely manner and without stress. The Company shall resort to proper ways to manage such risks.

#### **Risk assessment of borrowers**

It is generally recognized that certain borrowers may be of a higher or lower risk category depending on the customer's background, type of business, our references, borrowers net worth and the ability to refund and pay interest etc. As such, the principal officer shall apply to each of the customers due diligence measures on a risk sensitive basis and shall divide the same in three categories HIGH, MEDIUM AND LOW which shall be reviewed every year. Initially all the new clients are to be marked as high – risk category, however they may be subsequently re-categorised depending on their performance based on our own experiences.

The basic principal enshrined in this approach is that the concerned persons should adopt an enhanced customer due diligence process for higher risk customers. Conversely, a simplified customer due diligence process may be adopted for lower risk of categories of customers. In line with risk based approach, the type and amount of information and documents shall vary depending on the risk category of a particular borrower and should be collected from the client.

#### **Obligations of the principal officer**

The Principal Officer is required to carry out risk assessment to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk with respect to such borrower, countries or geographical areas, nature and volume of transaction, payments method used by borrowers. The risk assessment shall also take into account any country specific information provided or circulated by RBI from time to time.

#### **Board of directors meetings and review**

The Board of Directors, in their board meetings, will oversee the implementation of the system and review its functioning periodically.