



Saral Home Finance Limited

(Formerly known as Vishwakriya Housing Finance Limited)

CIN : U74899DL2000PLC104956

Regulated by the National Housing Bank

117, South Ex. Plaza - II, 209 Masjid Moth,

New Delhi 110049

T+91 11 41004035/36

POLICY ON RESOURCE PLANNING

1. Brief background

National Housing Bank vide its Master Circular Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 as amended from time to time has provided guidelines for raising money through Private Placement of Non-Convertible Debentures (NCDs) by Housing Finance Companies (HFCs) which inter alia provides that HFCs shall put in place, a Board approved policy for resource planning which *inter-alia*, should cover the planning horizon and the periodicity of private placement.

The policy of the company on resource planning will cover the objectives of the above regulatory requirement.

The guidelines are expected to refine the HFCs borrowing process further and make it more transparent for reporting to the Board.

Complying with the NHB directions and the provisions of Companies Act, it is proposed that the Company formulates a resource planning policy and seek the Board's approval as per the requirements mentioned hereinabove.

Objective

Objective of the resource planning policy is to manage the resource requirements of the Company as raised through various instruments, define the instruments and the borrowing powers that may be delegated by the Board to Board appointed Committees as the Board may deem appropriate.

Scope

The proposed resource planning policy would cover the Instruments through which the Company may raise resources along with guidelines to be followed in each instrument.

2. Overall Borrowing Limits

As per NHB guidelines, an HFC is allowed to borrow maximum 12 times of its NOF.

Pursuant to Section 179(l)(d) read with 180(1)(c) of the Companies Act 1956 specified that the overall borrowing power of the Company may be capped as per resolution passed by members at the Meeting of the Shareholders.



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The Board in its Meeting held on January 28, 2020 has approved the Borrowing Limit of the Company. However, in case of any incremental borrowing beyond the overall borrowing power of the Company the procedures as defined under the Companies Act shall be followed.

While the Board resolution passed by the Board of Directors capped the overall borrowing power at INR 1000 crores, the Company always ensured that it complied with NHB's requirement and overall borrowing at any point didn't breach the NHB's requirement of 12 times of NOF.

The Companies Act requires that for each class of securities a separate special resolution be passed by shareholders every time the Company intends to raise resources through issuance of a security instrument, however for issuance of NCDs a one-time special resolution may be passed by the shareholders that would be valid for issuance of NCDs for a period of one year.

3. Instruments covered

- Term Loans from Banks & Financial Institutions
- NHB Refinance
- Private Placement of NCDs

Term Loans from Banks & Financial Institutions

Term loans are negotiated and availed from Banks & FI, in order to fund its medium to long term borrowing requirements. The loans are bilateral in nature and generally range from 2-5 years with repayment terms varying on case to case basis.

Guidelines for raising funds through term loans (including overdraft):

Borrowings through term loans would be covered under one-time Board resolution passed by the Board of Directors defining the overall borrowing limit for the Company.

- There would be no restriction on number of Term Loan deals during the year.
- The Board in its Meeting held on September 21, 2020 has delegated the power to Working Committee of the Company to borrow funds, negotiate deals with counterparty and execute other necessary documents in this regard.
- Interest rate on loans would be linked to MCLR, BPLR, Base rate or any other prevailing benchmark that may be introduced at a later stage, as applicable.
- During any financial year, minimum 20% of incremental funds would be borrowed through term loans (excluding working capital / overdraft limits).
- At any point in time minimum 25% of total outstanding liabilities should be through term loans. If the proportion of term loans outstanding is below 25% of the total outstanding liabilities Board would be informed of the same in next meeting with appropriate rationale for the same.



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Guidelines for raising funds through the Regulator -National Housing Bank (NHB Refinance):

- Each refinance from National Housing Bank (NHB) would require Board resolution passed by the Board of Directors thereby accepting the terms and conditions of the sanction letter.
- There would be no restriction on number of refinances during the year.

Refinance assistance is availed by the National Housing Bank in order to fund its medium to long term fund requirements. The loans generally range from 1-10 years with repayment terms varying on case to case basis.

Private Placement of NCDs

In the proposed Resource Planning Policy, significant changes as suggested by NHB and per Companies Act have been taken into consideration.

Companies Act 2013 requirements for private placement of NCDs

Section 42 of Companies Act 2013 along with Rule 3 & 4 broadly cover the guidelines for issuance of NCDs.

Explanation II (ii) under Rule 3 provide that any offer of securities or invitation to subscribe securities to select group of persons through issue of a private placement offer letter satisfying conditions satisfied in this section.

- Proposed issue of each instrument must be approved by shareholders of the Company by way of special resolution for each offer / invitation. In case of NCDs however one special resolution valid for the year for all issues to be raised during the year is permissible.
- Offer of securities may be made to such number of persons not exceeding 50, or such higher number as may be prescribed, excluding QIBs (as defined in SEBI regulations 2009) in a financial year and on such conditions as may be prescribed.
- Offer can be made only to 200 persons excluding QIBs in a financial year.
- All securities under private placement to be allotted within 60 days from receipt of application money; if not completed as prescribed, all application money to be refunded within 15 days with interest @ 12% p.a from expiry of 60th day,
- The entire amount raised through private placement to be parked in a separate bank account and cannot be used until allotment process is completed.
- Offer to be made only to such person whose names are recorded prior to invitation to subscribe; such person shall receive the offer by name to subscribe through a private



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placement offer letter accompanied by an application form serially numbered either in writing or electronic form within 30 days of recording their names; no person other than addressed in application form is allowed to apply through such application form and application so received shall be treated as invalid.

- Ensure that application is addressed to recorded subscriber; the offer letter is accompanied by serially numbered application form; application form is filled by the addressed subscriber only.

NHB/RBI guidelines on Issuance of NCDs

- HFC can issue NCDs only if it is rated and the maximum tenor of NCDs is till the validity of rating period.
- NCDs should not be for maturities less than twelve months including rollover and put / call option falling within twelve months.
- In an issue of NCDs, HFCs should restrict the number of investors to 49, identified upfront by such HFCs.
- The aggregate amount of NCDs issued by HFCs shall be within such limit as may be approved by the Board of HFCs or that quantum as indicated by the credit rating agency for the rating granted, whichever is lower.
- The total amount of NCDs proposed to be issued shall be completed within 30 days from date on which the HFC opens the issue for subscription.
- Offer document to detail various aspects viz. for private circulation only, purpose for which the bonds are being issued, name and designation of persons authorized to issue such offer documents, date of opening and closing of issue as well as deemed date of allotment etc.
- Auditors of HFCs to certify to investors that all eligibility conditions set forth in these directions for the issue of NCDs are met by HFCs.
- NCDs may be issued at face value, carrying coupon or zero coupon or at discount to face value.
- The offer document for private placement should be issued within maximum period of six months from the date of Board resolution authorizing the issue.
- An HFC issuing NCDs shall ensure that at all point of time such Debentures are fully secured.
- In case, at the stage of issue the security cover is insufficient / not created, the issue proceeds should be placed under escrow until creation of security which in any case should be within one month from date of issuance.



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Proposed policy for issuance of NCDs

While the Companies Act 2013 restricts the number of investors for all issues during the year to 200 and caps the number of issues to two per year, the act clearly states that in case of NBFCs / HFCs regulated by RBI / NHB, the restriction on number of investors and number of issues during the year doesn't apply as the NCDs may be issued under the limits prescribed by respective regulators as stated in Chapter 3 and rule 5 of Companies Act 2013. In view of the Companies Act 2013 and NHB guidelines, following policy guidelines are proposed for issuance of NCDs:

Borrowings through NCDs would be covered under special resolution passed by the shareholders.

- While launching a fresh issue the Company must ensure that allotment process for previous issue is complete.

During any financial year, minimum 10% of incremental funds would be borrowed through issuance of NCDs (listed or Unlisted)

4. Policy review.

The Board of Directors of the Company may subject to applicable laws is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this policy and of the applicable law, such applicable law in force from time to time shall prevail over this policy.

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