

SATYA MICROCAPITAL LIMITED

Policy on Resource Planning

Version 1.0

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Document review and approval

Revision history

Version	Author	Date	Revision

This document has been reviewed by

	Reviewer	Date reviewed
1	Sudhindra Sharma, Chief Financial Officer	November 2020
2	Board of Directors	November 2020
3		
4		
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This document has been approved by

	Subject matter experts Name	Signature	Date reviewed
1	Board of Directors		November 06, 2020
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POLICY ON RESOURCE PLANNING

I. Background

SATYA MicroCapital Limited (“SMCL” or “Company”) is a public limited company incorporated under the Companies Act, 1956 and registered with the Reserve Bank of India (“RBI”) as a non-deposit taking non-banking finance company (“NBFC”).

RBI vide its Circular:

RBI Circular No. RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17

Dated September 01, 2016 advised that NBFCs shall put in place a Board approved policy for Resource Planning which inter-alia, should cover the planning horizon and the periodicity of private placements. The policy of the company on resource planning will also cover the objectives of the above regulatory requirement.

As per the RBI directives, the Board of Directors of the Company (“Board”) has approved a Policy on Resource Planning (“Policy”) in its meeting held on 06th November, 2020.

II. Objectives of the Policy

The Policy aims to provide guidance on the following:

- Long-term funds in the mix of resources;
- Short-term funds in the mix of resources;
- Mix of long-term funds;
- Maintenance of liquidity buffer; and
- Contingency funding arrangement.

The resource planning of the Company shall be based on its Asset Liability Matching (“ALM”) requirement.

III. Annual Plan for mix of Resources

The ideal mix of resources for the Company and the resource mobilization program for each financial year shall be decided in advance and shall be properly defined in the business plan for each year. The mix of resources shall be mobilized in accordance with the above Policy.

The proportion of the long-term and short-term resources for the Company shall be fixed from time to time by the Asset Liability Management Committee (“ALCO”) based on the business plan for each year and the ALM pattern to be maintained by the Company.

Long-term Resources

• Mix of Long-term Funds

Broadly, the long-term targets of the Company for resource mobilization shall be in the following

ratio:

Source	% mobilization
Banks/Institutional Funding	Upto 80%
Non Convertible Debentures (“NCD”)	Upto 40%
Issuance of any other money market instruments	Upto 10%

- **Sources**

1. Borrowings from Banks and other Financial Institutions

The Company may plan for raising long-term resources from banks and financial institutions. The major source of funding for the Company as of now is nationalized and other scheduled commercial banks and larger NBFCs. While these shall continue to be the biggest source of capital for meeting its funding requirements, the Company shall also develop alternative sources of funding from other markets depending on the business requirements.

2. Retained Earnings

The Company shall plough back its profits after declaring dividends in such proportions so as to maintain the Capital Adequacy Ratio above the regulatory minimum requirement (“**CRAR**”) and maintain low leverage.

3. Issue of Debt Securities

The Company, subject to the applicable provisions of laws and regulations, shall issue debt securities depending on its business requirements and the market conditions. The debt securities may be issued in the following manner:

3.1 Public Issue of NCDs

The Company may issue Secured Redeemable Non-Convertible Debentures (“**NCDs**”) with a maturity period of 12 months and above by way of public issue at coupon rates that the Company thinks fit from time to time. These NCDs shall be listed in one or more recognized stock exchanges in India (“**Listed NCDs**”). The frequency of the issue may be decided by the Board or any Committee to which the Board has delegated such powers, from time to time, depending on the business environment, market conditions and regulatory provisions.

3.2 Private Placement of Listed NCDs

The Company may issue Listed NCDs at such intervals by way of private placement to such number of subscribers with a minimum subscription amount of INR 50 Lacs or such higher minimum subscription as may be prescribed under any law or regulation in force from time to time to such eligible investors including High Net worth Individuals (“**HNIs**”) and institutions. The securities may be listed in one or more recognized stock exchanges in India. The timing or periodicity of private placement in this manner may be decided by the Board based on the market conditions, availability of funds and the business plan of the Company and subject to compliance

with the statutory and regulatory requirements.

3.3 Private Placement of Unlisted NCDs (Rated and Unrated)

Based on the business requirements each year, the Company may issue unlisted NCDs to HNIs/ institutions or such other class or category of investors. The timing and the amount of issue shall be decided by the Board and shall be subject to the statutory and regulatory compliances as may be required. However, as a policy, the Company in the ordinary course of its business shall have maximum of 3 such issues during a month and the total number of subscribers in each issue shall not exceed the maximum number of subscribers fixed under any of the applicable laws or regulations.

Private Placement of Unlisted Debentures shall be made on the basis of a Disclosure Document which shall specify the opening and closing dates of the issue, the names and designations of the officials who are authorised to issue, information on purpose for which the resources are being raised, financial position and performance of the Company as per the two latest audited financial statements of the Company and the major risk factors as perceived by the management and the Disclosure Document shall clearly state that it is for “For Private Circulation Only”.

The issue of debentures covered under clauses 4.1, 4.2 and 4.3 above shall be secured on the assets of the Company, moveable or immovable, and a charge shall be registered in accordance with the provisions of the Companies Act, 2013.

Further, the Company shall issue NCDs for the purpose of its own Balance Sheet only and shall not grant loans against its own debentures.

4. Issue of Subordinated Debt Instruments

The Company, for meeting its CRAR/ALM requirements, may issue unsecured Subordinated Debt Instruments which are not classified as deposits under the applicable directions of the RBI and have a maturity period exceeding 5 years from the date of allotment. This instrument may be issued to such class or category of investors as decided by the Board.

Short-term Resources

Resources with a maturity of 12 months and less shall be treated as short-term resources. The main sources are bank limits and Commercial Papers (“CPs”). Depending on the ALM requirements, the Company may borrow funds from banks and other financial institutions / corporates from time to time and continue to issue CPs with maturity ranging from 1 to 12 months.

Subject to applicable laws and regulations, the Company may also avail inter-corporate loans which are exempt from the purview of public deposits under the applicable directions of RBI.

Maintenance of liquidity buffer

The Company shall ensure maintenance of adequate buffer to take care of unforeseen requirement of

additional funds at a short notice. The Company will maintain such buffer in the form of high-quality liquid assets like bank deposits (free of lien) and/or Government Securities which can be encashed immediately without any restrictions.

Contingency funding requirement

The Company will maintain adequate funding lines with banks/financial institutions for availing loans at a shorter notice in case of any contingency.

IV. Amendment to the Policy

The Policy may be amended from time to time by the Board of Directors on the recommendation of the ALCO which is monitoring the ALM.

V. Applicability/ Validity of the Policy

The Policy shall be guiding document for Resource Planning and shall be reviewed every year. This Policy is subject to changes in accordance with guidelines/ directions issued by RBI, and the Board.
