

SEEDS FINCAP PRIVATE LIMITED

POLICY ON RESOURCE PLANNING



Document review and approval

Revision history

Version	Author	Date	Revision

This document has been reviewed by

Reviewer	Date reviewed
1	
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This document has been approved by

Subject matter experts		Date reviewed
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1. Background and Objective

SEEDS FINCAP PVT. LTD. is a Delhi NCR-based non- deposit-taking NBFC. With its headquarters in Gurugram (erstwhile ‘Gurgaon), we aim to serve million MSMEs - Micro, Small, and Medium Enterprises in India in this decade! It is evident from many recent reports & surveys of industry bodies and research agencies that MSMEs have huge potential for the development and growth of the country by creating jobs and contributing to GDP growth by nourishing entrepreneurship. SMEs are responsible for over 28% of the GDP and almost 45% of the manufacturing units.

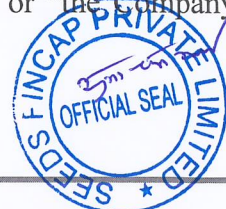
The Company has a diversified Board and the Senior Management Team with rich professional experience across the BFSI industry and brings on board versatile experiences & valuable perspectives. Currently, Seeds Fincap Pvt Ltd is catering 42 branches in 5 states - Haryana, Rajasthan, UP, Bihar, and Uttarakhand and will subsequently expand to Punjab, Himachal Pradesh, and other states.

The objective of this policy is to lay down the broad framework covering planning horizon and periodicity of raising funds, Liquidity Management by ensuring availability of adequate liquid resources. The objective of the policy is to keep maturity mismatches in the Balance Sheet within desired levels. The Director/Finance Head/ CFO is entrusted with the task of reviewing economic scenario, regulatory changes, impact of current industry conditions and deciding the strategy accordingly. This policy has been approved by the board of directors of the Company in its board meeting dated [-].

2. Regulatory Framework

The Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“**Scale Based Regulations 2023**”) as amended from time to time, prescribe a minimum set of guidelines to be followed by all NBFCs. The policy of the company on resource planning will cover the objectives of the above regulatory requirement.

This policy has been framed to establish a guidance system for resource planning covering areas such as planning horizon and periodicity of raising funds through private placement out by Seeds Fincap Private Limited (herein after referred to as “SEEDS” or “the Company”)



keeping in view the requirements of the Scale Based Regulations 2023 as amended from time to time. The policy of the company on resource planning will also cover the objectives of the above regulatory requirement.

3. Scope of the Policy

Policy of the company on resource planning will cover Guidance on:

- Maintenance of liquidity buffer.
- Long term funds in the mix of resources.
- Short term funds in the mix of resources.
- Mix of long-term funds viz Bank loans, ECBs, Loans from Financial Institutions, Non – Convertible debentures, subordinated debt etc.
- Contingency funding arrangement

However, the policy does not cover raising of resources for capital augmentation like issue of fresh equity/ convertible debentures/ preference shares etc. which will be examined by the Board.

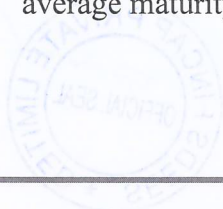
4. Long Term Resources:

4.1 Term loans from banks and other Financial Institutions

Seeds Fincap has been raising loans from public and private sector banks and financial institutions. Seeds Fincap has been treating funds raised with maturity profile of more than 12 months as funds from long term resources. Seeds Fincap shall continue to avail term loans from these institutions with maturities ranging from more than 1 year to 5 years. This channel will need to be examined each time before borrowing from the point of view of capital market exposures.

4.2 External Commercial Borrowings (ECB) and Foreign Currency Denominated loans

Eligible borrowers (includes NBFCs also) can raise ECB up to USD 750 million or equivalent per financial year under automatic route, subject to certain conditions. The credit facility in foreign currencies can be in the form of loans, bonds, and debentures. Minimum average maturity period (MAMP) shall be 3 years as specified in the Regulations.



To reduce cost of funds and to diversify sources of fund, Seeds Fincap may avail of ECBs, subject to the following conditions:

- a. Cost of borrowing including the hedging cost shall be less than the prevailing domestic borrowings of similar maturity.
- b. The lender shall be a foreign bank or foreign branches of Indian Banks.
- c. The facility shall be fully hedged.
- d. All in cost shall be within the regulatory limits as prescribed in clause 6 of this policy.

Seeds Fincap may also avail of fully hedged foreign currency loans from Banks in India if the all-inclusive cost will be less than the rupee borrowings.

4.3 Private Placement of Non-Convertible Debentures/Bonds (NCDs):

The Debentures may be issued on private placement basis. These are largely collateralized with appropriate asset covers as mandated by the lenders and agreed by the Company. The assets can be hypothecated to the lender either on pari passu basis or on specific charge basis. Treasury of Commercial Banks, corporates, Mutual Funds, Insurance Companies, Provident/Pension Fund Trusts are active investors in these papers.

Where the Debentures are issued on private placement basis, such issues shall be in accordance with the extant Notifications/Guidelines/Circulars issued by the Reserve Bank of India in this regard, from time to time. Current regulatory guidelines for private placement of NCDs with maturity of more than one year are given below.

- a. Minimum subscription per investor shall be Rs 20,000 (Rupees Twenty thousand);
- b. Two categories of NCDs, those with a maximum subscription of less than Rs. 1 crore and those with a minimum subscription of Rs. 1 crore and above per investor;
- c. Maximum subscribers in a financial year for issuance of NCDs with a maximum subscription of less than Rs 1 crore shall be 200, and such instruments shall be fully secured;
- d. There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹1 crore and above; the option to create security in favour of

subscribers shall be with the issuers. Such unsecured debentures shall not be treated as public deposits as defined in the Scale Based Regulations, 2023.

- e. Debentures shall be issued only for deployment of funds on its own balance sheet and not to facilitate resource requests of group entities/ parent companies/ associates.
- f. Loans against the security of its own debentures (issued either by way of private placement or public issue) shall not be sanctioned.

The Debentures shall be issued at such frequency as may be determined by Board/Committee in accordance with regulatory stipulations that govern the same. The Debentures can either be issued as secured or unsecured, in accordance with the RBI Regulations.

4.4 Subordinated - Debt

Loans that are subordinated to senior or secured debts, are available to the Company for a relatively long period of time (more than five years) and shall have covenants to be eligible for classifying under Tier II Capital. These would be subscribed to by Banks, Insurance Companies, Corporates or Mutual Funds. These are unsecured in nature and shall aid in the capital adequacy of the company.

4.5 Perpetual Debt / AT1 Bonds:

To augment capital resources and diversify borrowing sources, the Company can also issue Perpetual Debt Instruments (PDI). The PDI shall be perpetual & interest payable to the investors may be either at a fixed rate or at a floating rate. These shall be in line with the regulations issued by RBI in this regard.

5. Short term resources

Facilities with maturity up to 12 months shall be treated as short term resources. The main sources of such funds are cash credit facilities, short term loans / Working Capital Demand Loans from Banks and Commercial papers (CP). 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 commercial papers with maturity ranging from one month to 12 months.

6. Size and Periodicity of Fund Raising:

Resources	Issuance frequencies	Min. size per issue	Max. size per issue
Bank Finances (Cash Credit/ WCDL/ Term Loans)	Based on sanctioned terms.	INR 2Cr	INR 50Cr
External Commercial Borrowings (ECB) and Foreign Currency Denominated loans	Based on sanctioned terms.	INR 2Cr	INR 50Cr
Non-Convertible Deb. / Bonds -Others	Based on sanctioned terms.	INR 2Cr	INR 50Cr
Sub-debt	Based on sanctioned terms.	INR 2Cr	INR 50Cr
Perpetual Debt Issuances	As & when required	INR 2Cr	INR 50Cr
Inter-corporate Deposits	As & when required.	INR 2Cr	INR 50Cr

Note: Above issue frequencies and issue sizes are subject to regulatory limitations.

All exceptions to the above parameters / framework to be approved by the Director/Finance Head/ CFO of the Company and reported to the Board or its Committee.

7. Liquidity Buffer

Basel III – “International framework for liquidity risk measurement, standards and monitoring” prescribes Liquidity Coverage Ratio (LCR) for funding liquidity. The LCR promotes short-term resilience of Financial Institutions to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

Reserve Bank of India guided banks to maintain LCR with effect from 1/1/2015. RBI has issued a draft guideline for maintaining LCR by NBFCs also with effect from 1/4/2020.



As per the draft guidelines, NBFCs shall need HQLA of minimum of 25% of the net stressed cash outflows. As per the draft guidelines, NBFCs need maintain 60% of the LCR by 1/4/2020 and it should be progressively increased in equal steps to 100% by 1/4/2024. Final guidelines will be issued only after hearing from NBFCs and other stakeholders.

As part of preparation for maintenance of LCR, Seeds Fincap may maintain average 3 days of expected cash outflows in 30 days bucket as cash, balance in current account and term deposits.

8. Contingency funding

Seeds Fincap may consider the following options to sail through any unforeseen contingency of stressed liquidity.

- Reserve undrawn lines of 10% of the limits, having sufficient drawing power, with the lenders and churning of undrawn lines frequently.
- Maintain portfolios that are eligible for availing refinance from SIDBI, NABARD, NHB etc.
- Raise debentures and tier II capital.
- Maintain liquid funds in the form of investment in government securities, treasury bills and liquid mutual fund instruments etc.
- Sale of portfolios through securitisation or direct assignment.
- Enter into arrangements with Banks for co-origination of priority sector loans.

Seeds Fincap shall have the powers to exercise any of the options as deems fit according to the circumstances.

9. Applicability & Validity of the Policy

The policy will become applicable from such date as approved by the Board of Directors. Any change in the policy by way of any deletions or additions by the Company or any amendments due to changes in laws shall be implemented immediately after taking the approval of the board of directors.

