

KYC POLICY

INTRODUCTION

The Reserve Bank of India has issued comprehensive guidelines on Know Your Customer (KYC) norms and has advised all NBFCs to ensure that a proper policy framework on KYC be formulated and put in place with the approval of the Board.

The guidelines also mandate making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC policy of the Company is approved by the Board of Directors of the Company.

This policy is applicable to all categories of products and services offered by the Company.

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Email ID : info@srajan.cap.com **CIN**: U65910PB2013PLC050993

SCOPE AND APPLICATION OF THE POLICY

The scope of this policy is:

- To lay down explicit criteria for acceptance of customers.
- To establish procedures to identify of individuals/non-individuals for opening of account.
- To establish processes and procedures to monitor high value transactions and/or transactions of suspicious nature in accounts.
- To develop measures for conducting due diligence in respect of customers and reporting of such transactions.

To fulfill the scope, the following four key elements will be incorporated into our policy:

- Customer Acceptance Policy
- Customer Identification Procedures
- Monitoring of Transactions
- Risk Management

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CUSTOMER ACCEPTANCE POLICY

Definition of a Customer

- A person or entity that maintains an account and/or has a business relationship with the Company.
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of high value demand draft as a single transaction.

A “**Person**” shall have the meaning as defined under KYC policy of RBI (and any amendment from time to time by RBI) which at present is as follows:

‘Person’ shall include:

- an Individual;
- a Hindu Undivided Family;
- a Company;
- a Trust a Firm;
- an association of persons or a body of individuals, whether incorporated or not;
- every artificial juridical person, not falling within any one of the above person (a to e);

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- any agency, office or branch owned or controlled by any one of the above persons (a to f).

GUIDELINES FOR ACCEPTING CUSTOMERS

Following norms and procedures will be followed by the Company in relation to its customers who approach the Company for availing financial facilities. While taking decision to grant any one or more facilities to customers as well as during the continuation of any loan account of the customer, the following norms will be adhered to by the Company:

No loan account will be opened, and / or money will be disbursed in a name which is anonymous or fictitious or appears to be a name borrowed only for opening the loan account i.e. Benami Account. The Company shall insist on sufficient proof about the identity of the customer to ensure his physical and legal existence at the time of accepting the application form from any customer.

Circumstances, in which a customer is permitted to act on behalf of another person /entity, shall be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by intermediary in a fiduciary capacity.

The Company shall not open any account or give / sanction any loan or close an existing account where the Company is unable to apply appropriate due diligence measures arising due to any of the following circumstances:

- The Company is unable to verify the identity of the customer
- The customer without any valid or convincing reasons refuses to provide documents to the Company which are needed to determine the risk level in relation to the customer loan applied for by the customer and his paying capacity
- Information furnished by the customer does not originate from the reliable sources or appears to be doubtful due to lack of supporting evidence.

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- Identity of the customer, directly or indirectly matches with any individual terrorist or prohibited / unlawful organizations, whether existing within the country or internationally, or if the customer or beneficiary is found, even remotely, to be associated with or affiliated to any illegal, prohibited or unlawful or terrorist organization as notified from time to time either by Govt. of India, State Govt. or any other national or international body / organization.

Subject to the above-mentioned norms and caution, at the same time all the employees of Company will also ensure that the above norms and safeguards do not result in any kind of harassment or inconvenience to bona fide and genuine customers who should not feel discouraged while dealing with the Company.

The Risk Team shall, at the time of approving a financial transaction/activity, or executing any transaction, verify the record of identity, signature proof and proof of current address or addresses including permanent address of the customer. For co-lending loans, this shall be verified by the NBFC partner. The Company shall however maintain a repository of KYC documents of borrowers under the co-lending programme as well.

RISK LEVEL CATEGORIZATION

The Company shall categorize its customers based on the risk perceived by the Company. The levels of categorization would be Low Risk, Medium Risk and High Risk. The risk categorization would be a function of the industry the borrower operates in, the geography in which the borrower operates, the shareholding pattern of the entity etc.

The profile of new customers will be prepared on a risk categorization basis. Such profile will contain the following information about the new customers:

- Customer's Identity
- Social/Legal and financial status of the customer
- Nature of the business activity
- Information about the business of the customer's clients and their locations

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There will be level-wise categorization of customers i.e. Level-I, Level-II and Level-III. Such levels will be decided based on risk element involved in each case which will be determined by considering the following information submitted by the customer:

- Nature of business of the Customer and of his Clients
- Work place of Customers and of his Clients
- Country of Origin
- Source of funds
- Volume of business six-monthly / annual turn-over
- Social/Legal and financial status
- Quantum and tenure of facility applied for and proposed schedule for repayment of loan

Information to be collected from the customers will vary according to categorization of customer from the point of view of risk perceived. However, while preparing customer profile the Company shall seek only such information from the customer which is relevant to the risk category and is not intrusive to the customer. Any other information from the customer should be sought separately with his/her consent and after opening the account.

For risk categorization, individual (other than High Net Worth) and entities whose sources of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, may be categorized as low risk or Level-I category. Normally Level-I customers would be

- Well governed corporates
- Salaried employees having definite and well-defined salary structure,

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- Employees of Government Departments or Government owned companies,
- Statutory bodies,
- Self-employed individuals, however with regular income and good credit behavior

Cases where the Company is likely to incur higher than average risk will be categorized as medium or high-risk customers and will be placed in medium or high risk category i.e. Level-II or Level-III category. While placing the customers in the above categories, the Company will give due consideration to the following aspects:

- Customer's background,
- Country of his origin,
- Nature and location of his business activities,
- Sources of funds and profile of customer's clients etc.

In such cases, the Company will apply higher due diligence measures keeping in view the risk level. Special care and diligence will be taken and exercised in respect of those customers who happen to be high profile and/or Politically Exposed Persons ("PEP") within or outside country. Such persons will include:

- Foreign Delegates or those working in Foreign High commissions or Embassies,
- Senior Politicians,
- Senior Judicial Officers,
- Senior Military Officers,
- Senior Executives of State Owned Corporations and
- Officials of important and leading political parties (as explained in "Annexure2").

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About the accounts of PEPs, in the event of an existing customer or the beneficial owner of an existing account subsequently becoming PEP, the Company shall obtain Credit Committee approval in such cases to continue the business relationship with such person, and undertake enhanced monitoring.

The extent of due diligence requirement will vary from case to case as the same will depend upon risk perceived by the Company while granting credit facilities to customers.

For the purpose of preparing customer profile only such relevant information from the customers will be sought based on which the Company can easily decide about the risk category in which the customers are to be placed. Ordinarily, the customer profile maintained by the Company will be kept confidential except for cases where the customer himself allows and/or gives consent for the use of the information given in customer profile / application form for offering other products / services of other companies / entities belonging to the Company's group or any other legal entity with whom the Company is having any business tie-ups. However, while taking any such permission or consent of the customer for using his above referred information provided to the Company, it will be ensured that such permission / consent of the customer is unambiguous and explicit.

Cases in which the risk level is higher will require intensive due diligence exercise. Such cases will include those where the sources of funds to be used for business operations or sources to repay the loan to the Company are not clearly disclosed or cannot be ascertained from the financial statements submitted by the customer to the Company. Besides above, some of such customers in whose cases the Company will require higher due diligence measures, especially those for whom the source of funds is not clear, are mentioned below:

- NRI Customers
- Trusts (except trusts appropriately set up under a specific regulation)
- Societies

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- Charitable Institutions
- NGOs and other organizations receiving donations from within or outside the country Partnership firms with sleeping partners
- Family owned companies
- Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc
- Companies having close family shareholding or beneficial ownership
- Politically exposed persons (PEPs) of foreign origin means individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, Senior Politicians, Senior Government, important political officials
- High net worth individuals
- Non-face to face customers

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