



HINDUSTHAN MICROFINANCE PRIVATE LIMITED
(HMPL)

RISK MANAGEMENT COMMITTEE (RMC) – FRAMEWORK &
FUNCTIONS

Version :1.2

Hindusthan Microfinance Private Limited (HMPL)
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1. INTRODUCTION

Hindusthan Microfinance Pvt Ltd is committed to providing financial inclusion through Joint Liability Group (JLG) loans and Micro Loan Against Property (Micro LAP) products. These products cater to underserved segments, enabling access to credit for micro-entrepreneurs and small businesses. However, given the unique challenges of microfinance and secured lending, a structured risk management framework is essential to ensure financial stability and regulatory compliance.

As per Scale-Based RBI Direction ,2023 (clause 39) “In order that Board is able to focus on Risk Management, NBFCs shall constitute Risk Management Committee either at Board level or at executive level. the Risk Management Committee shall be responsible for evaluating the overall risks faced by the NBFCs including liquidity risk and shall report to the Board.” The RBI has issued several Directions to NBFCs, on risk management on 28 November 2025 covering Credit Risk, Concentration Risk, Operational Risks and Outsourcing. The RBI – Amendment Direction ,2026 (NBFC -Credit Risk Management) focuses on risks arising out of Related Party Transactions. The Risk Management Committee plays a crucial role in overseeing the Organization’s Risk Management Policy framework, ensuring that it is robust and is also aligned to Company’s overall business, risk appetite and strategic objectives. In the light of regulatory prescriptions and in view of attendant benefits , the Board has decided to constitute Risk Management Committee at the Management Level . Its framework and rules & procedure of working are outlined below.

2. PURPOSE& BENEFITS OF THE RMC

The Risk Management Committee (RMC) has been formed to oversee risk governance for Joint Liability Group (JLG) and Micro LAP products under both Own Book and Business Correspondent (BC) Business models. The Committee ensures risk identification, mitigation, and compliance with regulatory guidelines while maintaining portfolio health and financial stability. The broad objectives and expected benefits of the RMC are as under:

- a) Identification of key risks and analysis, assessment / evaluation of same;
- b) facilitating risk mitigation, prevention and providing warning signals;
- c) ensuring implementation of Risk Management Policy, Plans and risk control/ mitigation strategies of the Company;
- d) monitoring, review & timely reporting to the Board of Directors;
- e) protection of stake holders (employees, customers, community) by promoting ethical risk management practices;
- f) sustaining & enhancing Company’s credibility and reputation by good corporate governance;
- g) ensuring compliance to the relevant laws and regulations; and
- h) promoting a culture of risk awareness at all levels in the Organization

3. SCOPE OF RMC:

The RMC will oversee the following areas of risk management:

Portfolio Risk Management: Monitoring credit, operational, and market risks

Credit Risk Assessment: Ensuring underwriting policies are aligned with risk tolerance levels.

Regulatory Compliance: Adhering to the RBI/SRO Directions/ guidelines, KYC norms, and business best practices.

Hindusthan Microfinance Pvt. Ltd.

Operational Risk Controls: Strengthening fraud detection, internal audit, and loan disbursement processes.

Stress Testing & Early Warning Signals (EWS): Identifying potential portfolio stress and recommending corrective actions.

Fraud Risk Mitigation: Monitoring fraudulent activities and enforcing control mechanisms.

- **Related-party credit exposure:** Related-party credit exposure includes any loan, advance, or credit facility granted by the Company to its related parties as defined under applicable laws and regulatory guidelines
- **Collateral/security:** First Loss Default Guarantee (FLDG) refers to an arrangement where a partner entity agrees to compensate the lender for losses arising from borrower defaults up to a pre-agreed percentage of the loan portfolio.
- **LEI compliance:** The Company shall ensure compliance with LEI requirements as prescribed by the Reserve Bank of India for borrowers who are legal entities involved in large value credit exposures
Reputational Risk – Negative public opinion/ perception due to service failures , default to lenders , compliance breaches , unethical conduct by staff
- Audit Risks: Major risks identified by the Risk-based internal /statutory audit;
- Concentration Risks: Concentration risk arising out of uneven branches, excessive loans to customers, borrowings from any lender in violation of exposure norms
- Liquidity Risks: Most importantly, Assets- Liabilities mismatches
- Risks /business disruptions emanating from natural calamities , epidemics, wars conflicts, etc

4. RMC COMMITTEE MEMBERS

Name	Designation
Mr. Anil L Jadhav	Chairman & Managing Director
Mr. Satishkumar G. Rao	Executive Director
Mr. Anup K Ghosh	Chief Executive Officer (CEO)
Mr. Ganesh Hankare	VP- Finance & Accounts
Mr. Pijush Shaw	National Credit Head
Mr. Srikant Bandolla	VP-Corporate Strategy & Business Operations
Mr. Vivek Hirlekar	AVP- Audit

5. RISK MONITORING FRAMEWORK

Risk Category	Key Monitoring Areas
Credit Risk	Portfolio delinquency, default rates, over-indebtedness trends, and cross-lender exposure shall be regularly monitored to ensure portfolio quality and early risk identification. The Company shall follow responsible lending practices, including proper borrower indebtedness assessment, credit bureau verification, and strict

Hindusthan Microfinance Pvt. Ltd.

	adherence to RBI Guidelines and Fair Practices Code. The Company shall also promote group discipline and maintain geographic diversification to mitigate concentration and credit
Operational Risk	Loan process lapses, fraud cases, system vulnerabilities.
Regulatory Risk	RBI/SRO policy compliance, KYC/AML adherence, audit observations
Market Risk	Interest rate fluctuations, economic downturn impact.
Related-party credit exposure	Related-party credit exposure refers to loans or credit facilities extended to directors, senior officers, their relatives, or entities in which they have a significant interest, and such exposures are monitored regularly
Collateral/security	First Loss Default Guarantee (FLDG) refers to an arrangement under which a partner entity agrees to compensate the lender for losses arising from borrower defaults up to a pre-agreed percentage of the underlying loan portfolio.
Liquidity Risk	Availability of funds for Own Book and BC Business commitments.

6. RISK GOVERNANCE FOR OWN BOOK VS. BC BUSINESS

Parameter	Own Book	BC Business
Loan Sourcing	Internal underwriting, direct control over credit policies.	Partner institutions handle loan origination; risk assessment depends on partner compliance.
Portfolio Ownership	Balance sheet exposure.	Off-balance-sheet, exposure shared with partner.
Collection & Recovery	Directly managed by Hindusthan Microfinance.	Directly managed by Hindusthan Microfinance.
NPA Impact	Direct financial impact.	Indirect, subject to partner agreement terms.
Regulatory Compliance	Hindusthan Microfinance responsible.	Dual responsibility (Hindusthan + BC Partner).

7. MEETING FREQUENCY

- Quarterly RMC Meetings (mandatory)
- Emergency Meetings (if major risk events occur).
- Annual Policy Review to update risk strategies

8. REPORTING & ESCALATION MATRIX

9. The Company will identify/appoint a suitable officer as Risk Management Officer (RMO), who will report the status of various risks identified, duly assessed/evaluated and possible strategies for risk mitigation, to the Committee and the Board. The RMO would be coordinate with all Departments /Key Officers for preparing various reports for the RMC effectively and timely. The RMO in coordination with the Compliance Officer will take steps to implement the decisions of the RMC from time to time the main areas to be attended by him are as under:

- Quarterly risk reports to the Board of Directors.
- Immediate escalation of critical risks to the Executive Director & Board.
- Regulatory Reporting as per RBI/SRO guidelines.
- Exploring & pursuing various risk control and mitigation strategies

10. STRESS TESTING & EARLY WARNING MECHANISMS

- Portfolio stress testing under different economic scenarios.
- Early Warning Signals (EWS) for rising delinquencies.

11. POLICY REVIEW & UPDATES

- Annual review of Risk Management Policy.
- Updates based on regulatory changes, market conditions, and portfolio performance.

12. CONFIDENTIALITY & COMPLIANCE

- All risk data and discussions remain confidential.
- Strict adherence to data privacy and security protocols.