

## NEOWORTH COMMERCIAL PRIVATE LIMITED

### Internal Capital Adequacy Assessment Process (ICAAP) Policy

M/s Neoworth Commercial Private Limited (the "company") is a registered NBFC-ML carrying on the business of financing and investment activities by way of advancing Inter-Corporate Deposits and acquisition of shares and securities of its group companies. The company is committed to conducting business in accordance with an effective compliance culture and a strong compliance risk management framework.

The Board of Directors ("the Board") of the company, for the purpose of adhering and aligning with RBI Notification No. RBI/DOR/2025- 26/345 DOR.CAP.REC.264/21-01-002/2025-26, Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Directions, 2025 dated November 28, 2025 has formulated a policy for Internal Capital Adequacy Assessment Process (ICAAP).

*This policy will be known as the Internal Capital Adequacy Assessment Process Policy or the ICAAP Policy or ICAAP.*

#### **1. PREAMBLE:**

RBI has stated that Regulatory structure for NBFCs shall comprise of four layers based on their size, activity, and perceived risk.

As per the present regulatory framework, NBFCs must perform stress testing on only securitization exposures or pool of loans taken from other institutions. So now the NBFCs in the middle layer and upper layer will be required to undertake a thorough internal capital assessment by taking into account various risks associated with their business.

The RBI's revised framework directs NBFCs to make a thorough internal assessment of the capital requirement which should commensurate with their business risk. It further states that the internal assessment process can be in accordance to the ICAAP prescribed for commercial banks under Pillar 2 i.e., Master Circular - Basel III Capital Regulations, dated May 12, 2023. It further provides that the internal capital assessment shall factor in credit risk, market risk, operational risk and all other residual risks according to the internally determined methodology.



## **2. DEFINITIONS:**

"Company" means Neoworth Commercial Private Limited.

"Policy" means the Internal Capital Adequacy Assessment Process Policy or the ICAAP Policy or the ICAAP.

"Board/Senior Management" means Board of Directors of Neoworth Commercial Private Limited.

"RBI" means the Reserve Bank of India.

## **3. PURPOSE /OBJECTIVES OF THE POLICY:**

The objective of ICAAP Policy is to ensure availability of adequate capital to support all risks in business as also to encourage the Company to develop and use better internal risk management techniques for monitoring and managing their risks. This will facilitate an active dialogue between the supervisors and the Company on the assessment of risks and monitoring as well as mitigation of the same. It will also bridge the gap, if the assets pose a higher risk, that reflects on the end result of the ICAAP process thereby providing clarity on the roles, governance, responsibilities, and structure related to the Internal Capital Adequacy Assessment Process.

## **4. FRAMEWORK AND PRINCIPAL COMPONENTS OF ICAAP:**

The internal capital adequacy assessment process must be forward looking in nature and it should consider the expected / estimated future developments.

The main consideration in ICAAP is to address risk faced by the Company. It would take care of both quantifiable and non-quantifiable risk. The ICAAP should also include stress tests and scenario analysis. The stress test helps in determining the risk posed to an entity in various stress scenarios and gives an idea about the entity's capability to deal with it.

For internal assessment of their capital requirements however, there are certain prerequisites of the model which includes:

- Well documented model specifications;
- Robust system for validation of the model inputs and outputs;
- A system of stress testing.



Further, the Company should analyse the relevant organizational and historical financial data for the Company vis-a-vis the regulatory requirements, and any conclusions that can be drawn from trends in the data which may have implications for the Company's future. The projected financial position could reckon both the projected capital available and projected capital requirements based on envisaged business plans. These might then provide a basis against which adverse scenarios might be compared.

- **Capital adequacy**

The Company should analyse the risk appetite, in quantitative terms, as approved by the Board and used in the ICAAP. It would be necessary to clearly spell out in the document whether what is being presented represents the Company's view of the amount of capital required to meet minimum regulatory needs or whether represents the amount of capital that Company believes it would need to meet its business plans. For instance, it should be clearly brought out whether the capital required is based on a particular credit rating desired

by the Company or includes buffers for strategic purposes or seeks to minimize the chance of breaching the regulatory requirements. Thus, to summarize, Capital Adequacy deals with the following aspects:

- a. Capital Planning- Forecasting capital requirements for determining capital strategy
- b. Capital Transferability - Rules and process related to infusion of capital and contingency plan.
- c. Capital Allocation Approach - process followed for allocation of capital.

- **Risk Governance Framework**

The role of risk management should not be biased by consideration of profits or performance evaluation and should be in line with regulatory guidelines and international good practices. The risk governance framework has been designed taking this into account.

- **Risk Appetite**

This summarizes the Risk Appetite Assessment Process and description of the linkage of risk appetite of the company with day-to-day business decision making and strategy.

- **Material & Residual Risk**

This summarizes the material and residual risks which has been assessed quantitatively and qualitatively and Internal Control process and practices.

- **Risks analysed**

- ▶ an identification of the major risks faced in each of the following categories:



- a) credit risk
- b) market risk
- c) operational risk
- d) liquidity risk
- e) concentration risk
- f) interest rate risk in the banking book
- g) residual risk of securitization
- h) strategic risk
- i) business risk
- j) reputational risk
- k) other residual risk; and
- l) any other risks that might have been identified

- ▶ Further, for each of these risks, an explanation of how the risk has been assessed and to the extent possible, the quantitative results of that assessment;
- ▶ where some of these risks have been highlighted in the report of the RBI's inspection of the Company, an explanation of how the Company has mitigated these;
- ▶ where relevant, a comparison of the RBI-assessed CRAR during on-site inspection with the results of the CRAR calculations of the Company under the ICAAP;
- ▶ a clear articulation of the Company's risk appetite, in quantitative terms, by risk category and the extent of its consistency (its 'fit') with the overall assessment of Company's various risks; and
- ▶ where relevant, an explanation of any other methods, apart from capital, used by the Company to mitigate the risks.

**Risk Exposure and Assessment-** The Company encourages calculated risk-taking, where risks are known, and are within the risk limits arising from the Board approved risk appetite. Also, while evaluating the risks, the associated returns are also considered. The key constituents that promote "Risk aware culture" in the Bank are:

- Encourage employees to take business decisions in line with the Bank's approved risk appetite;
- Treatment to whistleblowers who report on fraudulent activities;
- Treatment to employees who report potential risks;

Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue on the risks arising from various activities across the Company.



- **Stress testing**

Stress Testing forms an integral part of the ICAAP and the risk management framework, which requires to undertake rigorous, forward looking stress testing that identifies severe events or changes in market conditions that could adversely impact the Company.

It provides an insight on the impact of extreme but plausible scenarios on the Company's risk profile and capital position. Based on the stress testing framework, the Company conducts stress tests on its various portfolios and assesses the impact on its capital adequacy ratio and the adequacy of capital buffers for current and future periods. The Company periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect market conditions and Operating environment. The business and capital plans and the stress testing results of certain key group entities are integrated into the ICAAP.

Based on the ICAAP, the Company determines the level of capital that needs to be maintained by considering the following in an integrated manner:

- a) Bank's strategic focus, business plan and growth objectives;
- b) Regulatory capital requirements as per the RBI guidelines;
- c) Assessment of material risks and impact of stress testing;

- **Methodology and assumptions:**

A description of how assessments for each of the major risks have been approached and the main assumptions made. The methods should be backed by documents/ ICAAP documents to make clear which risks are covered by which modelling or calculation approach. This would include details of the methodology and process used to calculate risks in each of the categories identified and reason for choosing the method used in each case.

- **Key sensitivities and future scenarios :**

This section would explain how a Company would be affected by an economic recession or downswings in the business cycle or markets relevant to its activities. The way Company would manage its business and capital so as to survive a recession while meeting the minimum regulatory standards.

## **5. MONITORING AND REVIEW:**

ICAAP will be subjected to Independent Review covering an assessment of the following:

- Whether the Company's ICAAP is proportionate to the scale, nature of business, and complexity of its activities;



- the quality and completeness of data inputs to the ICAAP;
- the reasonableness and validity of methodologies, assumptions and scenarios;
- the integrity, accuracy, and reasonableness of the processes;
- the timely identification of Concentration Risk;
- that the Company conducts appropriate stress testing.

The Board of Directors of the Company will review the policy and other ICAAP Document and also act accordingly to add, amend, modify this policy as and when it deems necessary in terms with statutory amendments.

