- Minimum holding period or ‘seasoning’ and minimum retention requirements of assignment loans; and
- Assignments shall be eligible for classification under priority sector only if the interest rate charged to the ultimate borrower by the originating entity does not exceed the bank’s marginal cost of funds-based lending rate plus 10% per annum or the external benchmark-linked lending rate plus 14% per annum.

Additionally, pursuant to the Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 (the “**Master Directions on Loan Exposures**”) NBFCs (including HFCs) can transfer and/ or acquire loans permitted under the Master Directions on Loan Exposures. In terms of the Master Directions on Loan Exposures, lenders are required to frame a comprehensive policy approved by their board of directors for transfer and acquisition of loan exposures. The policy must, among others, lay down the minimum quantitative and qualitative standards relating to due diligence, valuation, requisite IT systems for the capture, storage and management of data, risk management and periodic oversight including by the board of directors of the lenders. For instance, under the Master Directions on Loan Exposures, transfer of loans not in default can be made to permitted transferees through novation, assignment or loan participation contracts, only on a cash basis and the consideration must be received not later than at the time of the transfer of the loans. Loans can only be transferred after a minimum holding period (“**MHP**”), as counted from the date of registration of the underlying security interest with CERSAI, i.e., (a) three months in case of loans with tenor of up to two years; (b) six months in case of loans with tenor of more than two years. The calculation of MHP is subject to certain exceptions as prescribed in the Master Directions on Loan Exposures. For instance, in case of loans where security does not exist or security cannot be registered with CERSAI, the MHP shall be calculated from the date of first repayment of the loan.

There is no assurance that we will continue to comply with existing policies and/or regulations, particularly in connection with the assignment of our loan assets, which may adversely affect our ability to manage our liquidity and raise or transfer external funds. Any adverse changes in the policy and/or regulations in connection with the assignment of assets by HFCs and/or new circulars and/or directions issued by the RBI in this regard, affecting HFCs or the purchasers of assets, would affect the assignment market in general and our ability to assign our assets. In addition, a decline in demand for assignment would adversely affect our ability to assign our assets, thereby affecting our ability to maintain low NPA levels and to borrow at competitive rates, which may have a material adverse effect on our business, financial condition and results of operations.

11. We are subject to periodic inspections by the NHB. Non-compliance with the NHB's observations made during any such inspections could subject us to penalties and restrictions which may be imposed by the NHB and/or RBI and could adversely affect our reputation, financial condition and results of operations.

We are subject to periodic inspection by the NHB, wherein our books of accounts and other records, including details of NPAs, grievance redressal mechanism, corporate governance and branches, among other, are inspected for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the NHB. We are also required to submit the details of complaints received from our customers and details of frauds observed on a periodic basis to NHB. In its past inspection reports, the NHB has (a) identified certain deficiencies in our operations, (b) made certain observations in relation to our operations during its periodic inspections and (c) sought certain clarifications on our operations, including as follows:

- Lack of mandated disclosures in the annual financial statements such as on liquidity risks and ratios pertaining to business criteria;
- Investment policy not updated in line with the revised RBI Master Directions – HFC;
- Discrepancy in loan disbursement practice and credit policy;
- Lack of policy on off-balance sheet exposures;
- Observations in relation to the reporting structure for the chief risk officer and the chief compliance officer and independence of both roles;
- Identified certain deficiencies in asset quality in quick mortality accounts; and
- LTV on certain loan accounts higher than permissible limits.

Further, our Company had received show cause notices dated December 29, 2020 and February 26, 2021 for certain non-compliances with the Master Circular – Housing Finance Companies (NHB) Directions, 2010, which were responded to by our Company on January 11, 2021 and March 5, 2021, respectively. While as of the date of this Red Herring Prospectus, the NHB has not levied any penalty for the above non-compliances nor have we received any further communication from NHB in relation to the above show cause notices and we have provided necessary clarifications and/ or undertaken to