

# AQUILA FINANCE LIMITED

## POLICY ON ANCILLARY BUSINESS ACTIVITIES

**AFL/POL/10/25-R003-12**

History of the Document	Adopted by	Date of Adoption/Review
Originally Adopted	Board of Directors	27-04-2024
Review	Board of Directors	01-04-2025
Review and Amended	Board of Directors	25-10-2025

### 1. Introduction

Aquila Finance Limited, hereinafter referred to as the “Company”, is primarily engaged in the business of lending as a Non-Banking Financial Company. The Company recognizes the potential to enhance its service offering and revenue streams by undertaking certain ancillary business activities that complement its core operations. This policy document serves to codify the principles and guidelines for the acceptance and management of such ancillary business activities within the Company.

### 2. Ancillary Business

An ancillary business is an activity that, while not essential to the core functioning of the Company, provides supplementary services that add value. Such activities are intended to leverage the Company's existing infrastructure and customer relationships to generate additional value, either directly through revenue or indirectly through enhanced customer engagement, without significantly adding to overheads.

### 3. Core Business

The core business of the Company is that of a Non-Banking Finance Company within the meaning of the Reserve Bank of India Act, 1934. The principal activity is lending and providing financial solutions. The scope of the core business is as defined in the Company's Memorandum of Association and is subject to amendments therein and approvals as required by law.

### 4. Approach to Ancillary Business

i. The Company may undertake ancillary business activities that advance its core business objectives, either directly or indirectly.

ii. Preference shall be given to financial services that are regulated by statutory or regulatory bodies in India.

iii. The ancillary activity must be capable of being conveniently carried on alongside the core business and must not hinder its normal functioning or development.

iv. The Company shall not engage in any business activity that is illegal, detrimental to its objectives, or harmful to its reputation and goodwill.

v. The selection of ancillary activities shall be guided by objectives such as:

a. Leveraging excess capacity in resources and infrastructure.

b. Providing value-added services to existing customers.

c. Expanding the Company's customer base.

d. Generating additional revenue to improve return on equity.

e. Building the Company's brand equity.

vi. The Company shall ensure that any ancillary business activity aligns with the permissible activities for an NBFC under the prevailing Foreign Direct Investment (FDI) policy of the Government of India.

## **5. Capital Commitment**

i. Capital commitment for any ancillary business shall ordinarily be minimal. However, the Board may approve a capital commitment not exceeding 5% of the Company's tangible net worth, based on the nature of the business and its expected revenue potential.

ii. The working capital allocated to ancillary activities shall not exceed 5% of the total working capital of the Company at any point in time.

## **6. Share of Revenue**

All business activities of the Company, including ancillary ones, are expected to be profit-oriented and contribute to a reasonable return on equity. While ancillary activities may be undertaken for multiple strategic purposes, they shall ideally result in positive revenue or, at a minimum, be revenue-neutral when considering indirect value additions to the core business. Activities resulting in persistent

negative revenue will be discontinued unless the Board determines they provide significant value to the broader society.

## **7. Compliance**

i. The Company shall ensure full compliance with all applicable regulatory requirements for every ancillary business it undertakes.

ii. Where the Company acts as an agent for other regulated entities (e.g., in money transfer services), it shall adhere to all guidelines, including KYC norms and reporting requirements under anti-money laundering laws.

iii. If the Company enters into the distribution of financial products such as mutual funds or insurance, it shall strictly follow the guidelines issued by the Reserve Bank of India and other relevant regulators.

## **8. Accounting**

i. The Company shall maintain separate books of account for all ancillary business activities, retained for the period stipulated by applicable laws.

ii. Appropriate accounting methods shall be adopted in consultation with the Company's auditors, ensuring they meet any specific reporting requirements for the ancillary activity.

iii. The Company shall develop a robust Management Information System (MIS) to effectively track performance, claim commissions/incentives from principals, and utilize data for the advancement of its core business.

## **9. Audit of Ancillary Activities**

All ancillary activities shall be included within the scope of the Company's internal audit. Where specialized skills are required to audit a specific activity, the Company shall arrange for appropriate training or engage external experts on a contract basis.

## **10. Effective Date**

This policy shall be effective from the date it is approved by the Board of Directors or a committee thereof.

## **11. Implementation**

The Managing Director is authorized to issue necessary internal guidelines and circulars for the effective implementation of this policy across the Company.

## **12. Severability**

If any provision of this policy is rendered inoperative due to changes in law, regulation, or RBI directions, the validity and enforceability of the remaining provisions shall remain unaffected. Any actions taken under this policy prior to such a change shall remain binding.

## **13. Review of Policy**

This policy shall be reviewed by the Board periodically or as necessitated by changes in the regulatory or business environment.

**BY THE ORDER OF THE BOARD OF DIRECTORS**

**For AQUILA FINANCE LIMITED**

