



POLICY ON DEMAND / CALL LOAN

1. Introduction

The Company extends inter corporate loan finance to Individuals, HNIs, HUFs, Partnership Firms and Corporates, both secured and unsecured, to eligible borrowers, based on their pre-validation by the Board.

The Demand / Call Loans can be extended under Trade Advances, Loan against Shares or Securities and any other tangible assets etc. This would be reviewed from time to time by Credit Appraisal and Sanctioning authority.

There has been keen competition amongst many players in lending and borrowing market and products are evolved as per the customer requirements and benchmarked to offering by the competition.

The tenure and rate of interest vary with the customers concerned.

This also depends upon the risk profile of the customer. The option for annulling and repayment of the loan is only with the customer and the company as a lender may not have any such option to call for early repayment except where default exists/Risk Presume and recalling option is exercised. Demand/Call loans offer better flexibility to both customer and lender in handling the credit requirements.

For customers whose requirements for funds are for short term and temporary, but frequent in nature demand loans are better option as it would meet their purpose. For the company as a lender it would help in meeting the customer requirements, help in deploying surplus funds for short term and also to plan its funds flow in a seamless way. Further in case of any sudden and upward movement in cost of funds, it would offer an exit option for both the borrower and lender.

RBI in its Master Circular - Non banking Financial (Non deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2015 dated July 1, 2015 advised that the Board of Directors of every non banking financial company granting/ intending to grant demand/ call loans shall frame a policy for the company and implement the same. The aforesaid Norms are now replaced by 'Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016' dated 01st September' 2016.

Keeping the benefits in view and in order to explore the business opportunities the demand loans may open up, a policy on extending demand / call loans is detailed out as under:

Aims and Objectives of the Policy:

The aim of this demand loan policy is to lay down in clear terms on loan tenure (if applicable), interest, margin, repayment, renewal, etc. relating to the demand loan facility given to the borrower for purchase of securities.

Criteria for Loans:

Demand / Call loans would be considered by the company both under Secured loan as well as unsecured loan segments.

The demand / call loans can be considered under business loans, trade advances, inventory funding, loans against shares & securities, Loan against Commodities, IPO Funding etc. This would be reviewed from time to time by Credit and Sanction Authority and Risk Management Committee.

CREDIT POLICY and APPROVALS

Nirmal Bang Financial Services Pvt Ltd is a RBI registered Non Banking Financial Company which offers Loan against Securities facility to its clients. It allows the investors to take leverage positions in the stock market. Client has to pay margin of 50 % depending upon the scrip (Group -1 Securities) and rest is funded by us NBFSP. To put it simply, for example if the client is having scrip (Group -1 Securities) of Rs.1,00,000/-, then he can be funded Rs.,50,000/-. Approving authority for sanctioning the loan is mentioned in the 'Annexure' of the policy

Credit policies guidelines are as follows :-

- a) The company shall conduct a due diligence on the creditworthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment would be in line with the company's credit policies, norms and procedures in respect thereof.
- b) The borrower would be informed in the vernacular language or in a language as understood by the borrower by means of sanction letter or otherwise the amount of loan sanctioned. The said letter shall contain the terms and conditions including the annualized rates of interest and method of application thereof and shall obtain an acceptance from the borrower on the said sanction letter.
- c) The company shall furnish a copy of loan agreement along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of requisition by borrower or brief terms should be made part of sanction letter. The company shall ensure that the loan agreements and enclosures furnished to all borrowers contain the terms and conditions and the rate of interest in the form of a term sheet, which shall be annexed to the loan agreement.
- d) Limit is set after reviewing client's financial background.

- e) Credit Appraisal Memo shall be prepared for every new client and same shall be taken into consideration at the time of finalising limit.
- f) For a prospective client, the Company shall check whether the client does not exist in debarred list and also if any records are found in CIBIL / watchout Investors
- g) Risk Categorisation shall be done on the basis of financial limit.
- h) Two Un-dated cheques (UDCs) shall be collected for security purpose, if required, in case of default by the client.
- i) On monthly basis, interest payment shall be traced of each client. In case of non-payment, it shall be informed to the management and accordingly action shall be taken.
- j) Enhancement shall be done only after reviewing client's past history which includes interest repayment on timely basis.

Sanction Process:

For availing the sanction facility, borrower shall execute the Master Loan Agreement and other documents, declarations, Power of Attorney, KYC documents as may be required in respect of the sanctioned facility. The credit and Sanction Authority will carry out the credit appraisal of documents and then facility will be sanctioned as per the sanction process outlined in the Credit and Risk policy.

Tenure and Call back of loans:

The demand/call loan will be sanctioned for a period of one year from the date of sanction of the loan in case of Demand Loan Facility or as per the terms agreed between the company and the borrower.

- a) The sanction Committee shall record specific reasons in case the tenure of loan for any client is beyond the period of 12 months from the date of sanction.
- b) In case no call / demand is made prior to the expiry of stipulated period, then the loan shall be deemed to be called/ demanded on such expiry date and shall be repaid accordingly.
- c) Suitable clause empowering such demands/ calls made for repayment would be incorporated in the loan agreements.
- d) Either party to the loan agreement would give 3 working days notice to the other side for intended repayment / demanding / calling for repayment. During this 3 days period no additional interest/ penal interest would accrue. **In case the repayment is not made within the 3 days, then additional rate of interest of 4 % over and above the original rate would be collected from date of demand / call till it is paid off.** The rates and call days will be decided on case to case basis depending on the needs and size of the loan and based on any other criteria that management deems fit.

- e) The mode and authority of making the demand or call for repayment of the loan would be as decided, documented and adhered to.

Interest Rates:

- a) Interest rates will be determined as per the trends prevailing in the market and as per the company's cost of borrowing which will be the Basic Lending Rate (BLR).
- b) The interest would be applied on monthly basis. Generally the interest should be serviced on monthly basis. The interest may be collected at the option of the company on Monthly / quarterly payment basis which shall be specified in the terms and conditions of the agreement.
- c) In case of fluctuating amount loan, interest is calculated on the amount utilized on monthly compounding / Simple Interest Basis.
- d) Interest run will be done on a monthly basis
- e) Monthly outstanding balance will be inclusive of interest
- f) Posting of interest run is done on Last day of the respective month / quarter.
- g) Demand / call loans may be considered on fixed interest basis pegged to any anchor rate as may be agreed upon. Interest rate would be decided on case to case basis. Any changes in the interest rates considered for calculation of interest amount will be notified to the customers immediately.
- h) Any variation in the rate of interest shall be notified to the customer from time to time and shall be effective from such date as may be intimated by the company.
- i) The rationale for charging different rate of interest (i.e. premium/discount over the reference rate) shall depend on the risk gradation of the client, tenure of the loan and type of the loan. The approach for gradation of risk is based on factors such as borrower profile, available security, client's reputation/positioning in the market, past track record, financial standing, etc. Applicable rate of the interest will be on annualized basis and payable as per the agreed terms.

Tax deducted at source (TDS) :

TDS is deductible on interest under Section 194A of the Income Tax Act 1961.

- a) All customers who are liable to deduct the TDS must pay TDS as per applicable rate for the interest being paid to NBFSP.
- b) TDS credit is given to client on the basis of credit received in 26AS.

Review or Renewal of Loans:

- a) The demand loan facility would be due for renewal at the expiry of the loan tenure as specified at the time of loan sanction. The renewal of the loan facility would be at the sole discretion of the lender.

- b) The renewal of the Demand Loan Facility as aforesaid shall be on the same terms and conditions unless otherwise agreed by agreeing to new terms and conditions.
- c) At least 30 days prior to the end of the stipulated period, the loans would be reviewed to decide on whether demand / call should be made on due date or further renewal of the loan either in full or part to be considered for any period, not exceeding 12 months. The same shall be documented.
- d) In case the loan is renewed, then it should be considered as a new demand / call loan although the same may continued under same customer/ loan account number. Necessary renewal papers would be obtained.
- e) Maximum amount for each of the demand/ call loan and the aggregate amount of the demand / call loan would be subjected to a review periodically, at least annual basis, by the Risk Management Committee.

Loan Repayment:

- a) The loan amount shall become payable on the expiry of the loan term or as demanded by the lender before the expiry of the term loan
- b) The loan shall be repayable unconditionally on demand at the lender's discretion and without giving any reasons whatsoever
- c) The loan can also be paid by the customer at any time before the expiry of the loan period.

Classification as Non Performing Assets (NPA):

In case the interest is not serviced on due date or the loan is not paid off after being called up / demanded, then the loan would be treated as Non-Performing Asset (NPA) if such overdue status continue for more than 6 months from such date and would be provided for according to the policy of the company. The borrower wise NPA classification would also be applicable although no call or demand is made for any particular loan.

Industry Specific Exposure Limit

For the purchase of Approved scrip which is mentioned in NBFSP Approved securities list, borrower shall be subject to the satisfaction of required margin on each security, outstanding loan balances along with accrued interest and charges (if any), not exceeding at any point of time the Demand Loan Facility limit sanctioned.



Margin:

Margin shall comprise of cash and/or collaterals, as per the Approval List / Group – 1 Securities after applying the haircut percentage as per RBI Master Direction DNBR.PD.007/03.10.119/2016-17 dated 1st September 2016.

Loan Agreement will override policy:

This policy will be not be overwriting any of the terms and conditions given in the agreement including schedule of terms. In case of any inconsistency, the terms given in the agreement will prevail.

This policy will be reviewed on periodical basis and revisions, if any, will be carried out after approval of Board of Directors / Committee authorized by it as the case may be.

This policy should always be read in conjunction with RBI guidelines, directives, and instructions. The company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines. In case of conflicts, the RBI guidelines will have overriding effect.

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Annexure

| Limits | Initiator / Preparator | Approval 1 | Approval 2 | Approval 3 |
|------------|------------------------|---------------------------------|-----------------|---------------------------------|
| | | Any One | Any One | Any One |
| 0 to 5 Crs | Operation Executive | Executive / Senior Executive | Manager & above | Not Applicable |
| >5 Crs | Operation Executive | Executive / Senior Executive | Manager & above | Director / Authorised Person |