# LOAN POLICY

## PREAMBLE

GTP Finance limited is a Deposit taking Loan Company licensed by the Reserve Bank of India for carrying out non banking financial operations. The company is engaged in disbursal of loans of various types such as Vehicle Loans, Corporate Loans, SME Loans, Mortgage Loans, Clean Loans Personal Loans, Staff Loans, besides Gold Loans. The company visualizes to be a Robust Regional NBFC partnering the growth of the geography with a sustainable and inclusive quality business growth. The Company has already in place a Loan Policy approved by the Board. To keep pace with the changing needs and dynamism in the market, the existing Loan Policy will be replaced with a new policy approved by the board and the New Policy is reduced to writing as under

## Role of the Company

The company recognizes the importance of its position as a strategic partner in the economic development activities of the country and has formulated various loan schemes for assisting the needy and economically backward group for securing gainful and lawful employment activities for generating income and thereby attaining economic independence. For achieving this, the company extends various loan schemes as under which will be periodically reviewed and modified

## Objectives of loan Policy:

To prescribe a broad framework of guidelines for credit function.

To put in place, guidelines for types of credit facilities, lending norms including assessment of credit requirement, security, margin, pricing, delivery system etc.

To achieve credit growth with asset quality, optimum yield and enduring business relationship.

To ensure balanced growth of credit (i) Across various industrial sectors, (ii) Asset liability profile, (iii) Type of facility and (iv) Within the ambit of prudential norms.

To provide flexibility in decision-making and credit operations but within prudential and other norms so that (i) Good business opportunity is not lost, (ii)Business relationship issue stained (iii)New business is built upon a regular basis; (iv) Customer experiences satisfaction and rates us as the first choice.

Scope of the Loan Policy:
The Policy lays down the basic credit philosophy and culture, broad framework of lending norms, assessment methodology, parameters for decision-making, regulatory and prudential guidelines and broad approach to lending rationale and practices.

Regulatory guidelines / norms and other directions issued from time to time by GOI, RBI, will be incorporated in the loan Policy with the due approval of the Board

The company's loan Policy will be highlighting simplified lending norms, transparent terms of finance, easy documentation procedures and speedy disposal of applications as its USP towards achieving these goals.

The Loan Policy will be in accordance and in compliance of the various directives of the Regulating Authorities. The Master Directions of Reserve Bank Of India vide "**RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 September 01, 2016** will be the guiding document for formulation of the Loan Policy .The Policy will be aligned to all future modifications /amendments to the Master Directions of Reserve Bank of India at the earliest opportunity with the approval of the Board.

The Company has started broad basing its activities with thrust on Gold Loans .which is governed by a separate Loan Policy within the ambit of the Master Directions of RBI mentioned above with periodical review by the Board. The Policy prescriptions contained in this Loan policy and the Gold Loan Policy will not override each other and will be operating independently but within the overall Regulatory requirements.

## SECTORS

1. SME :

a.Transport: Loans for purchase of new / used vehicles for commercial purpose

and personal vehicles

Loan against existing vehicles for maintenance /upgradation

a. Machinery Loans: Factory Machineries, (New and old), Earth Movers etc.,

b. Business Development Loans, Traders Loans. Corporate Loans: Loans to middle & large Corporate for all Bonafide business requirements.

2. MORTGAGE LOANS: For facilitating business expansion, capital infusion, payment of statutory dues, settlement payments arising out of property partitions, social obligations etc. and for entities ,individuals for shoring up working capital, meeting margin requirements , repairs to fixed assets etc.,

3. REAL ESTATE: construction of commercial and residential complexes

4 CLEAN LOANS : Demand /call loans for pure consumption purposes.

5.STAFF LOANS: Loans for two wheelers, passenger cars and personal loans

6.GOLD LOANS: Advance against the security of Gold ornaments

The List is only illustrative and could include any other activities which are otherwise not excluded in the Master Directions of RBI or by any other Regulatory directives

## CLINTELE

1. Individuals in the age group of 18 yrs to 65 years permanently residing in their locality having regular source of income, reasonable means and social acceptability.

2. Companies, Partnership firms, Proprietorship units, Trusts, Associations etc.

Existing or new customers or non-customers with sufficient repayment capacity i.e. having net income to service the proposed EMI excluding persons who are in the negative list of customers and those with unsatisfactory default history with us or other Institutions / Banks.

3. The Negative list of clients as circulated by FIU or other Regulatory agencies will also be a reference document for processing the loan applications

## KYC: (KNOW YOUR CUSTOMER)

The applicants are required to submit KYC requirements and to disclose their family details, means, assets and liabilities etc. at the time of application. Any wrong disclosures or concealment of material information will go against the applicant and may result in rejection of application or recalling advances if already sanctioned. The loan applications received will be duly acknowledged by branches and the probable date of sanction will be communicated in the acknowledgment.

The company has a well defined KYC Policy which is approved by the board and reviewed periodically. The KYC Policy has been structured in line with the RBI Master Directions No "**RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 February 25, 2016**

The applicants are required to submit KYC requirements and to disclose their family details, means, assets and liabilities etc. at the time of application. Any wrong disclosures or concealment of material information will go against the applicant and may result in rejection of application or recalling advances if already sanctioned.
The copy the KYC documents are to be submitted along with the application which will be verified by the company officials with the originals and certified with company's seal and date.

The Company may also resort to verifying the genuineness of the documents with the issuing authorities of such documents or may get it verified utilizing the services of an outside agency.

## LOAN APPLICATION

The Loan applications will be submitted in the standard application forms prescribed by the company .The application form will be designed to capture all required information for appraisal and credit decision. The application form will also prescribe the documents /copies to be submitted by the applicants to substantiate the credit requirement. A check List of documents that are to be obtained are listed below. The list is illustrative and depending upon the nature of the facility the company may choose to obtain or waive the documents

The application form will be in Vernacular language with a separable portion for providing a dated acknowledgement to the applicant upon receipt.

All loan applications will be disposed off within a fortnight's time and decision communicated to the applicants.

A Record of applications, received, sanctioned, rejected along with the date of communication will be maintained at the Head office processing center.

## CHECK LIST OF DOCUMENTS

1. Application in prescribed form
2. Bio-data of promoter/s and guarantor/s.
3. Statement of Assets & Liabilities supported by copies of Income Tax/Wealth Tax Returns for past one or two years and last available assessment orders in respect of promoter/sand guarantor/s.
4. Copies of Memorandum of Association and Articles of Association for limited companies.
5. Audited Balance Sheets and Profit & Loss Account of the proponent concern for past 2 years.
6. Details of Technical/Managerial Personnel.
7. List of shareholders holding 5% or more in equity.

8. Note on Company's tax payment status.
9. Details of Fixed Assets. Information if they are revalued.
10. Particulars of credit facilities including Foreign Currency Loans/ other banking facilities enjoyed by the applicants along with particulars of Banks/institution
11. Copy of Sale/Lease Deed for land.
12. Copy of document declaring the land as industrial land.
13. Location Map.
14. Copy of site plan duly approved by local municipality / Gram Panchayat
15. Details of arrangements made for construction of factory / office building along with agreement with construction contractor.
16. Details of plant and machinery, schedule of supply/erection and terms of payment.
17. Copy of letter of sanction for power.
18. Copy of electrical layout of the plant.
19. Details of source of water supply.
20. Particulars of arrangement for effluent disposal and waste management.
21. Details of marketing arrangements for products, distribution network, etc.
22. Projected Profit & Loss Account and Balance Sheets for next 5 years.
23. Information if the applicant had entered capital markets say during last 5 years and the response thereof. Do they have any plans of going to markets in the near future.
24. Whether they have Foreign Exchange Earnings.
25. Status of Labor relations-strikes, etc. if any.

The Director (operations) may approve the format of the application and improve it whenever needed.

## APPRAISAL

1.Credit Appraisal–Initial due diligence and financial analysis.

The process of credit appraisal would begin with the selection of the proponent. It would involve appraising the background of the proponent / management, commercial, technical and financial appraisal. Appraisal of credit facilities would comprise two distinct segments:
Appraising the acceptability of the customer.
Assessment of the customer's credit needs.

2.Both the aspects need to be examined simultaneously at the time of the initial entry of a customer to the company as also subsequent periodic renewals. The appraisal would be different in respect of:

a) Commercial vehicles, machineries
b) Loans to Micro, Small and Medium Enterprises
c) Credit facilities to firms, corporates and others for business / trade /industry.
d) Clean loans (Demand Loans/Call loans)
e) Loans against Properties
f) Personal consumer loans

## Background of the applicant/management

The identification of the borrower needs to be done properly through scrutiny of his antecedents, experience, competence, integrity, initiative etc. This may be done by obtaining status reports from previous bankers or meaningful assessment of his dealings with us, if dealing with us. In case of corporate, the management structure, the background of the top management, needs to be scrutinized. While finalizing the identification, it should be verified and ensured that the names of prospective borrowers / promoters do not appear in the list of defaulters published by RBI/ ECGC etc. or in any other list of undesirable customers. To strengthen the credit appraisal further details of the status report received from another institutional lenders may be ascertained by the appraising officer by personally visiting his counterpart in the other company. The gist of such oral discussion may be recorded in the file of the borrower and brought out in the proposal.

A Bio Data report (Credit Report ) of the applicant/ guarantor capturing the details of immovable / movable properties, other assets and liabilities will be compiled and the genuineness of the information cross verified without offending the applicants and confidentially. A standard format for compilation of the report will be operationailsed by the Director (operations)

Credit scores of the applicant / guarantor must be generated and the scores must be within the acceptable Risk category

## Willful defaulters

In case of borrowers/promoters who have been identified as willful defaulters by the company and advised by RBI are not to be considered for any credit facilities.

## Commercial appraisal

The nature of the product, demand for the same, the existing and perceived competition in the segment, ability of the proponents to withstand the same, government policies governing the industry, etc. need to be taken into consideration. The trade practices in respect of the product should be thoroughly understood.

## Technical appraisal

Technical Evaluation / Appraisal of the project needs may be carried out in-house by officers having the technical expertise for the same or by an outside agency as determined by the appropriate authority. The Director (operations) will have the discretion to order such studies where ever needed. Where technical appraisal is carried out by outside agencies the cost of such study to be borne by the applicant and such study will be commissioned after obtaining the consent of the applicant.

## Financial appraisal

Analysis of financial parameters / ratios should be done. Aspects like (i) Balance sheet strength, (ii) Growth in TNW, sales, PAT etc. (iii) Borrower's ability to service the principal and interest, meet the cash flow requirement in respect of payments, absorb additional burden due to escalation of raw material cost etc., (iv) Position of receivables/inventory etc. should be looked into.

The following parameters /ratios may be computed:

1. TNW with reconciliation of change in TNW
2. Current Ratio
3. Total outside liabilities/equity(DER)
4. Profit before interest, depreciation, taxes, appropriation (PBIDTA / EBIDTA)
5. Profit After Tax/Net sales
6. Inventory + receivables/Sales ratio
7. DSCR

8. Capital Employed
9. PAT/Capital employed
10. Investments
11. Segmental Revenue if applicable
12. Brief consolidated results if applicable

For undertaking financial analysis as above, the borrower must be encouraged to submit audited /provisional financials i.e. balance sheet, Profit & Loss account and cash flow statement.

Risks associated with borrower accounts like critical inputs risk, operational risk, production process risk, marketing and labor risk are to be analyzed and taken into account in the assessment.

In the case of term loans for vehicles the appraisal must take into account the cost of the equipment , its market value,/ depreciated value, economic life, acceptability, availability of the service logistics must be the guiding parameters.

The Director (operations) may standardize an appraisal memorandum to be made use for various type of loans and put into use.

## SECURITY:

I A . FOR HYPOTHECATION

1.Primary:

a. Hypothecation :

The assets created out of the loan will be the primary security for all loans where there will be a tangible primary asset.

In the case of loans to corporate entities, our charge must be registered with Registrar of companies

2. Mortgage:

Where the primary security itself will be the immovable asset (eg, factory buildings, sheds, landed properties etc.,) such security will be mortgaged as primary security.

b. Collateral

i. For Limits upto Rs 10 Lacs

1. Where the loans are secured by hypothecation of assets, the sanctioning authority may waive obtention of collateral securities upto loan limits of Rs 10 (Ten Lacs).

ii. For limits above Rs 10 Lacs

2. The company will obtain collateral securities for a realizable value of atleast 150 percent of the amount of advance. In the case of immovable properties, the properties must have a clear, marketable title and may be secured either by equitable or by Registered mortgage.
3. Pledge of machineries embedded to earth and or warehouse receipts issued by registered warehouse could also be accepted as collateral security, provided the realisable value of such assets are more than 150 percent of the amount of the loan.
4. Personal Guarantees of the individuals of adequate worth could also be obtained besides the securities mentioned under 3 above.
5. In the case of partnership firms, personal guarantees of all partners must be obtained with out fail.
6. In the case of corporate entities, the personal guarantees of the Directors will also be obtained.

7. In the case of women borrower(s) for limits above Rs 1 Lac, a male personal guarantee either of the spouse or the parent/ ward may be obtained.
8. The Managing Director will have the powers to waive partly or fully the abstention of collateral securities upon the recommendations of the Director (operations) for limits to be sanctioned by Director (Operations)
9. In the case of limits to be sanctioned by The Managing Director, The authority to permit such deviations will be the Board of Directors.

I. B .MORTGAGE LOANS

Primary: Hypothecation of assets created (provided such assets are moveable and definable )

Collateral:

1. The Realisable Value of the Collateral securities must be at least equivalent to two hundred percent of the amount of advance. The properties must have a clear marketable title and must be charged by way of Regd or Equitable mortgage.

2. 2 All other terms and conditions mentioned above under ii.(2 to 8)will be applicable.

II.CLEAN LOANS (DEMAND /CALL LOANS)

Primary Security: NIL

Collateral:

3. The Realisable Value of the Collateral securities must be at least equivalent to two hundred percent of the amount of advance. The properties must have a clear marketable title and must be charged by way of Regd or Equitable mortgage.
4. The company may permit waiverof collateral for clean loans upto a maximum of 10 lacs and the sanctioning authority is empowered to waive such security requirement which will be post facto reported to the next higher authority for noting.
5. All other terms and conditions mentioned above under ii.(2 to 8)will be applicable.

III.LOANS FOR CONSUMER DURABLES:

(The maximum Loan under this category will be restricted to Rs 10 lacs per individual)
a. Primary:

Hypothecation of the assets purchased

1. Collateral: Personal Guarantee of a minimum of two persons having a net income (excluding personal repayment obligations if any) equivalent to twice the Proposed EMI for the loan.
2. Equitable / Registered Mortgage may also be obtained where the value of the property will not be less than 150 percent of the amount of advance in lieu of personal guarantee
3. For women borrowers a male guarantee of a blood relative to be obtained in addition to the above.

IV. Advances to Employees of the company / companies which will undertake salary check off.

(The maximum Loan under this category will be restricted to Rs 10 lacs per individual)

Security

a. Primary: Assets created out of the finance if any

b. Collateral: Waived

c. Salary Check Off / Lien on employee's contribution of the PF compulsory

**MARGIN:**

a. For Hypothecation/ Mortgage Loans / Loans for consumer durables
   i. The minimum Capital contribution by an applicant in any venture should be atleast 10 percent of the total cost of the project.
   ii. In the case of financing second hand vehicles/ used machineries the minimum margin requirement would be twenty five percent.
   iii. The margin for clean demand loans will be NIL.
   iv. The margin for staff loans will also be nil.

The sanctioning authority may insist for a higher margin where ever required.

Deviations to lower down the prescribed margin partially or fully will be vested with the Managing Director for the loans to be sanctioned by Director (operations) and the Board for loans to be sanctioned by the Managing Director.
The loan component in any venture has to be released along with the margin (to be recovered) from the borrower or after the sanctioning authority satisfying fully that the borrower has already invested the margin component in the venture.

**PERIOD OF LOAN:**

1. Term Loans / Instalment loans:

In the case of loans which are repayable in monthly/ quarterly instalments, the normal loan period will be 48 months. The period will also include moratorium /holiday periods and in any case will not be beyond the economic life of the asset acquired out of the finance.

2. Clean Loans (Demand / Call Loans)

The maximum loan period will be twelve months and in cases where the interest is serviced periodically on monthly / quarterly basis without fail, the company may consider roll over /renewal after the expiry of the twelve months. Such roll overs will be done before the expiry of the currency of the current loan period after due appraisal and against borrower's written request.

3. Loans against consumer durables.

The maximum loan period will be thirty six months.

4. Staff loans /salary check off loans

   a. Clean loans: 12 months
   b. Hypothecation loans: 36 months

Deviations to enhance the loan period upto a maximum of twelve months will be vested with the Managing Director for the loans to be sanctioned by Director (operations) and the Board for loans to be sanctioned by the Managing Director.

All such deviations will be reported to the ALM committee of the Board for their post facto approval.

## AGE OF VEHICLE/ MACHINERY IN FINANCING:

Normally age of the vehicle and machinery should be within 7 years. However in deserving cases deviation in age norms of the vehicle can be permitted by the competent authority, viz., the Managing Director or the Board ie., by an authority one step above the sanctioning authority.

All such deviations must be reported to the Risk management committee of the Board for their noting.

## CREATION OF MORTGAGES

Equitable mortgages of the property offered as Primary/Collateral will be created by title owners which will also be registered with the respective sub Registry.

The company may also opt for Registered Mortgage also where ever needed.

The company will arrange to obtain atitle clear certificate from an advocate of its choice by directing the applicant to make available all necessary documents for the said purpose.

The fee payable for such validations are to be borne by the applicants.

In the case of undivided properties / under mark acted properties, the extent of the share of the applicant alone will be mortgaged and more than abundant care will be exercised to protect the interest of the company.

Only the Original of the Documents will be accepted for creation of mortgages. In the case of Partition deeds / Gift deeds etc., where more than one copy would be available, it must be ensured that the relative copy that is to be possessed by the applicant / copy that conveys title to the schedule of property which will be offered as security alone must be obtained.

Where ever the original of the document could not be made available for creation of the mortgage, the company may accept certified copies subject to complying with precautions prescribed by the company advocate.

The current land Tax receipt, Building Tax receipt must be obtained after completion of every financial year and kept on record to ensure payment of crown dues and possession. In the case of nonpayment, the company may resort to such payments to the account of the borrower.

The company will also conduct a search/ take a fresh encumbrance certificate after creation of the mortgage to ensure that the company’s charge does appear in the books of the Sub Registry

The authorised officer of the Company for registering /discharging charges on behalf of the company will be the Director (operations).

However the Director (operations) may authorize a lower level functionary in the roles of the company to execute such documents on behalf of the company by a suitably worded authority letter duly countersigned by the Managing Director.

All mortgages (Equitable/Registered) will be periodically uploaded electronically to CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India). The borrower will be duly advised of such notification to CERSAI through sanction letters.

## PERSONAL GUARANTEE:

The company may require a co applicant or personal guarantee of minimum one /two personal guarantor having good means and source of income as stipulated under "Security". All such guarantees will be jointly and severally liable.

## INSURANCE

Vehicles financed are to be insured covering the value of vehicle in full and company's hypothecation on the vehicle generally should be noted in the insurance policy.

Other financed assets such as machinery, tradable stock of goods, movable and immovable assets etc should be insured for their market/ depreciated value.

Normally wherever properties are mortgaged the superstructure/building thereon should be insured covering the value of building.

Borrowers are responsible to keep the assets given as security insured at all times as above.

In the event of the failure of the borrower to produce copies of Insurance documents to the company well in time, the company on its own may arrange to insure the assets at the expense of the borrower which will however be not obligatory on the company.

The company may also request the life of the borrower to be insured to the extent of his liability to the company with an approved insurance company and premium payable on such policies could be part of the loan

## VALUATION

Vehicles and assets proposed for finance are normally valued by the officials or other delegated executives of the company. Finance value of the second hand vehicle will be based on its IDV (Insured Declared Value) or value certified by approved surveyors / Grid value prepared by the company. The company normally shall permit finance up to 100% of the IDV or 75% of the Surveyor Certified Value (SCV)/ 75% of valuation as per web sites approved by the company / 75% of the approved grid value for the vehicle / 75% value certified by the Company's authorized officials /. In the absence of the above values, the company shall in exceptional cases decide finance value based on market value of the vehicle for which finance will be restricted to 75% of the market value.

The second hand machineries to be financed / accepted as collateral will be also got valued by the company utilizing the services of the company officials or external agencies. The services of external agencies / approved valuers could be utilized for loans above Rupees Fifty Lacs. The expenses towards valuation to be borne by the applicant. Deviations in valuation could be permitted by an authority one step above the sanctioning authority.

A standard template for valuation by company officials will be approved by the Director (operations) and will be put into use.

In the case of new machineries, vehicles, equipment the invoice value of the reputed suppliers will be the reference value.

The Managing Director of the Company will be the authority to approve the websites for such references and all such approvals will be reported to the Risk management committee for noting.

Verification and valuation of vehicles are also conducted during the pendency of loan to ascertain its quality, condition and possession.

Stock of tradable goods under hypothecation shall be valued by company Officials concerned prior to sanction of loan and periodically thereafter. Valuation of stock shall be based on the invoice value and current market value whichever is less.

Property offered for mortgage shall be valued by company officials approved external valuers / specially nominated officials such as property valuers / Company Officials having experience in property valuation. The valuation of land will be based on the market value/'fair value' fixed and notified by Government and constructions on the basis of estimated cost of construction, depreciation as appropriate and replacement value. Where the value of the loan is Rupees Fifty Lacs and above, the properties will be got valued by the external valuers.

The expenses towards valuation to be borne by the applicant. Deviations in valuation could be permitted by an authority one step above the sanctioning authority.
For this purpose, the company may approve a panel of valuers who are reputed, having experience in the field and preferably retired officials of state Revenue department / Civil engineering dept and those who are in the approved panel of other lending institutions.

The Managing Director will be the appropriate authority to accord approvals which are to be reviewed annually and reported to Risk Management committee for noting.

The Director (operations) will approve and put in place a standard format for compiling valuation reports for properties.

## PROCESSING

The company assesses credit worthiness of the borrower / co-borrower / guarantor(s) and evaluates borrowers' financial requirements and conducts verification of assets where ever required immediately on receipt of application. Loan proposals are recommended by branches / officials of credit wing to Head Office for sanction. All loan applications will be processed by Credit Managers and loan proposals will be submitted to Director (operations) for recommendation / sanction.

The Director (operations) will standardize an appraisal memorandum which will contain comprehensive information for a credit decision. The Memorandum will be prepared by the credit officers with utmost care as such information forms the basis for accredit decision. Any wrong information intentional/unintentional will attract punitive accountable action against the concerned employee.

A scheme of delegation of powers for sanction of loans will be implemented as detailed below.

Sanctions are accorded as per the delegated power structure. The sanctioned loan proposals will be submitted to the next higher authority for noting and control.

## Documentation

The Company will advise sanction of loans and the terms and conditions thereof by a **'Sanction Letter'** which will be acknowledged by the borrower. Any change in the terms of sanction proposed later on will be duly notified to borrower and will have only prospective effect.

The borrowers and guarantors are required to execute hypothecation agreements, loan agreements and other security documents prior to disbursement of the loan.
The security documents will be executed in one set and a copy will be given to the applicant for records. For vehicle loans, company's lien is to be recorded on the Registration Certificate. In case of other loans to corporate, company's charge is to be noted with the Registrar of Companies. Documentation charge as applicable is payable by the applicant for loan.

**Interest Rate Policy:**

While fixing interest rates on Loans, the company shall be guided by the following factors
1. Cost of resources (funds) including opportunity costs
2. Operating costs
3. Market conditions
4. Return on capital
5. Risk associated with the proposition
6. Time value
7. Social responsibility
8. Rate of Return and gestation period
9. Annualised Yield
10. Prevailing Repo rates
11. Regulatory directives

The Director (operations) and Director (Technology) may put up recommendation to the Managing Director to approve a floor Rate of Interest and loan pricing will be linked to the Floor Rate.

The Floor rate may be periodically reviewed and adjusted to align the Repo Rates.

## RISK GRADATION OF THE BORROWERS

The Reserve Bank of India vide its Master directions **RBI/DBR/2015-16/18 Master Direction DBR. AML.BC.No.81/14.01.001/2015-16 dated Feb 15 2016** on Know Your Customers have mandated all reporting entities to risk categories the borrowers into Low, Medium and High Risk categories and accordingly the company has a Risk Matrix template compiled for each borrower.

Based on the Risk category of the borrower, the company may quote the interest rate for all loans .The Sanctioning authority , based on the facts placed before him may quote a lower interest rate applicable to the immediate lower risk category to the borrower

All interest rates will be quoted along with the corresponding Annualised Yield in all loan documents.

## DELAYED PERIOD INTEREST

The company may prescribe a delayed period interest for the delay in servicing the instalments, interest and principal. An Overdue interest for loans outstanding beyond the maturity period may also be prescribed.

All such additional interest will be duly indicated in the sanction memo and loan documents and got acknowledged.

The Delayed interest/ overdue interest will also be approved along with the Floor Rate as mentioned above

**CHARGES:**

The company is entitled to charge various charges like Cheque / NACH / ECS return charges, C.I.C charges, loan cancellation charge, cash transaction charge, Termination charges, Swap charges, statement charges, duplicate NOC charges, old record search charges, CERSAI charges, processing charge, property valuation charges. The charges may vary from time to time.

(Detailed list in Annexure -1)

The Sanctioning authority as per the scheme of delegation mentioned under Para 32 of the respective loan is authorized to waive partially or in full any of the charges prescribed in the annexure and all such waivers will be reported to the next higher authority for noting .

**PRUDENTIAL EXPOSURE NORMS:**

1. The exposure limit to a single borrowers are strictly restricted to 15% of Net owned funds of the company as per the Prudential exposure limits stipulated by the Reserve Bank of India.
2. In the case of a group or group of borrowers the exposure limit will be restricted to 25 percent of the NOF.
3. The exposure limit to related parties are strictly restricted to 10% of Net owned funds of the company as per the prudential exposure limits stipulated by the Reserve Bank of India.
4. For the purpose of reckoning NOF, The Net owned funds will be the audited figures of the immediate preceding financial year.

**SEGMENTAL EXPOSURE:**

As a Healthy Risk Management practice, the company will set the following upper cap for exposure to various sectors for the present. The Maximum percentage of exposures will be calculated based on the immediate previous calendar quarter's total advances.

1. Machinery / Vehicle Finance : 70percent
2. Gold Loans : 50 percent
3. .Clean loans : 10 percent

N 4 Mortgage loans
5Loans for consumer durables : 3 percent
6Staff loans : 2 percent

**DISBURSEMENT**

The loans will be disbursed directly to the suppliers of the vehicles, machineries along with the margin if any by electronic mode or by account payee cheques.

In the case of demand loans also such disbursements will be effected through the banking channels to the borrower's bank account.

Any cash payment will be subject to the provisions of Sec 269SS of Income Tax.

## POST SANCTION INSPECTION

Post Sanction inspection is to be undertaken to ensure end use of funds and creation of assets finance.

Obtaining Original Bill/Receipts.

Obtaining Insurance of Stocks / Plant and Machinery / Vehicle etc. and having Bank's charge noted.

All charges related to RTO/ROC/CERSAI/Mortgage/With Sub registrar office must be recorded as soon as possible.

At the time of rollover of limit to ensure to obtain fresh search of the property and should be inspected on each inspection of the unit and ensure to enquire about the owner ship of the property from the occupants.

Regular inspection of the unit by credit officials at least once in three months and file inspection reports

In case of SRTO/Vehicle finance Company must ensure to get the vehicle Registration Certificate direct from dealer / customer and preserve it with post sanction inspection report. In case of doubt get it verified from the concerned RTO.

Chassis Number Imprint, noting engine from the vehicle and comparing the same with available Bill's/Invoice, Noting present Meter reading.

During inspection purchase order, sale voucher / bills, transport receipt must be verified.
Officials should verify from the Warehouse authority about the genuineness of WH receipts issued.

Periodical inspection of the ware House must be carried out and assets must be verified/matched as per WHR.

Review of panel of Advocate/Valuer/Outsourcing agencies/vendors/supplier/ printers etc. must be reviewed by the Director (operations)

To obtain Latest Land record on the date of disbursement

To obtain land record periodically at least during/Renewal of account

## REPAYMENT:

Repayment period of loan normally varies from 12 months to 48 months depending on the type of loan.

Repayment schedule of loan will be provided to the borrower as per period of repayment opted and the borrowers are required to pay the instalments on due dates assigned by means of post dated cheques / NACH mandates.

Repayments in cash will be restricted and will be within the provisions of section 269S of the Income tax Act.

Repayment schemes with Installment(s) in advance and installment without advance will be available

Any default or delay in repayment will normally attract penal interest at 3% per month for the days of delay on defaulted instalments / amounts.

Apart from Equated Monthly Instalments the company also permits repayment in structured instalments scheme and Bullet payments suitable to the convenience of customers and needs of business.

## PRE-CLOSURE/CLOSURE/SATISFACTION

Loans are closed on payment of the loan amount with interest, charges and costs in full.

To compensate the loss on account of pre closure of accounts the company will charge 4% on the principal outstanding for the remaining months for the loans which are proposed to be closed before six months from the date of availing the loan and in case of pre closure after 6 months 2% on the principal outstanding for the remaining months will be charged.

The company shall release documents of all securities furnished by the borrower / co borrower / guarantor(s) for securing the loan such as title deeds, deposit receipts, assigned policies, shares, debentures etc soon after closure of the loan dues in full and latest within seven days of closure. In case of any right of set off proposed to be exercised by the company against the securities the borrowers shall be given notice with the particulars of the claim.

A termination charge of Rs.250/- + service tax applicable is payable by borrower for release of securities and issuing NOC for cancellation of hypothecation.

## WAIVER OF CHARGES / DELAYED PAYMENT INTEREST

The company may permit waiver of the above mentioned charges / delayed payment interest /overdue interest. All such waivers will be out of the future receivables for the respective account and will not be on the interest / charges received already.

The authority structure to offer such waiver will be as under

1. Director (operations ) : Upto Rs.One Lac per Borrower per instance per annum
2. Managing Director : Upto Rs.Five Lacs per Borrower per instance per annum
3. Board Of Directors : Full

All such waivers will be reported to the next higher authority for noting.

## REPOSSESSION

Repossession of vehicles of defaulted borrowers will be as per conditions agreed upon.
The company as a matter of policy refrains from use of force or muscle power for recovery of loans.

The company and its employees will stay away from unnecessary interference in the affairs of borrower except for the purposes provided in the loan agreement.

Any sale / auction of surrendered vehicle shall be only after giving a final chance to borrower for repayment of loan and taking back the vehicle. The sale will be done transparently by calling for competitive quotations /tenders or by auction with due information of the borrower.

The company will be strictly guided by the "Fair Practices Code" adopted by it .

## ASSET CLASSIFICATION AND INCOME RECOGNITION AND PROVISIONING

The company will follow the IRAC norms as prescribed by Reserve bank of India .All accounts will be classified Standard, SMA0, SMA1, and SMA 2 and thereafter as Sub standard and doubtful.

The company will now be classifying the accounts manually based on the reports generated by the software and the company will progressively migrate to automatic stamping and branding of NPAS and income reversal once the software stabilizes.

Income will be recognized on actual realization basis, except in the case of SMA accounts. In the event of any SMA account slipping into NPA category, such income will be reversed immediately on downgrading the status of the asset. Conversely upon upgrading the account, the income will be booked back to the revenue account.

Necessary Provision, including prudential provisions will be made for all assets in terms of the directives of RBI and will be held in a separate account

## DELINQUENT AND DEFAULTED LOANS

The borrowers will be periodically intimated of their monthly repayment obligations in advance either through ordinary notices, or by sending SMS in the given mobile numbers.

For those accounts which are into SMA0 category, an ordinary postal notice may be sent reminding the borrower of his obligations to service the instalment.

Similarly the company may issue registered notices to accounts which slip into SMA2 category.

The company representatives / branch functionaries will be personally meeting the borrower/co borrower and guarantor to exhort them for regularization of irregularity.

None of the above measures will be obligatory on the company and it will be the bounden responsibility of the borrower to adhere to the sanction terms as per the sanction memorandum and honor repayment obligations.

The company will resort to normal legal recovery measures of defaulted loans by reminder notices, legal actions and out of court settlements. Disputes with borrowers are normally referred to Arbitration as per provisions of The Arbitration and Conciliation Act 1996.

## TRANSFER/ TAKEOVER OF LOANS:

Any request of borrower to transfer their loan account will be duly considered and the transfer proceedings shall be transparent and in terms of contractual terms. Any objection on transfers will normally be conveyed within a period of 21 days from the date of receipt of transfer request.

## DELEGATION OF FINANACIAL POWERS

The following will be the powers for sanction of loans under various categories

1. Machinery / Vehicle Loans

| Maximum loan amount | Sanctioning Authority | Noting Authority |
|---|---|---|
| a. Rs.50 lacs | Director (operations) | Managing Director |
| b . Above Rs.50 lacs to Rs.150 lacs) | Managing Director | Board |
| c. Above Rs.150 lacs upto Rs.300 lacs | Board | |

2. Clean Loans AND Mortgage Loans

| Maximum loan amount | Sanctioning Authority | Noting Authority |
|---|---|---|
| a. Upto Rs.25 lacs | Director (operations) | Managing Director |
| b. Above Rs.25 lacs & Upto Rs.100 lacs | Managing Director | Board |
| c. Above Rs.100 lacs Upto Rs.300 lacs | Board | |

3. Loans to Consumer Durables

| Maximum loan amount | Sanctioning Authority | Noting Authority |
|---|---|---|
| a. Upto Rs.5 lacs | Director (operations) | Managing Director |
| b. Above Rs.5 lacs & Rs.10 lacs | Managing Director | Board |

4Loans to staff

| Maximum loan amount | Sanctioning Authority | Noting Authority |
|---|---|---|
| a. Upto Rs.5 lacs | Director (operations) | Managing Director |
| b. Above Rs.5 lacs & Rs.10 lacs | Managing Director | Board |

The above mentioned ceilings will be per borrower and the existing liabilities of the borrower will also be taken into account for determining the sanctioning authority. The repaid portion of the term loan/ instalment loan could be excluded to compute the total liability.

The Board may temporarily redesignate any other functionary to exercise the above powers.

The alternate authority for the Director (operations) will be the Director (Technology) and the Managing Director may authorize the alternate authority to exercise the powers, whenever needed.

## REPORTING OF INFORMATION TO CREDIT INFORMATION AGENCIES

The details of all loans sanctioned along with the current status, delinquency etc., will be reported to all four credit information agencies on the required intervals. The fact of reporting will be made known in the terms and condition letter to be got signed by the borrower at the time of sanction. The Details of the immovable properties mortgaged will be reported to CERSAI.

## WRITE OFF

The company may decide to write off a Non Performing asset after exhausting all recovery steps or before completion of the recovery process keeping in mind the time value of money and likely delay in recoveries.

Such write offs will be done only within the overall provisions already made and the amount written off must continue to be maintained in notional accounts for follow up and recovery. Securities if any must not be released with out a final decision by the competent authority on removing the account from the books of the company. While writing off only the principal portion will be written off against provisions and unrealized interest and charges would be dropped.

## POWERS FOR SACRIFICE AND WRITE OFF

| Maximum Amount (including the Unrealized interest/ charges) | Approving Authority | Noting Authority |
|---|---|---|
| 1. Upto Rs.5 Lacs | Director (operations) | |
| 2. Upto Rs.25 Lacs | Managing Director | Managing Director |
| 3. Above Rs. 25 Lacs | Board | Board |

## MARKETING/OUTSOURCING

The company may resort to entrust marketing, and out sourcing the mobilization of new business to outside agencies. The company may also entrust soft recoveries to agencies engaged in such activities. The Director (operations) is authorized to engage such service providers and enter into agreements with them for such services besides fixing the remuneration payable to them. All such approvals will be reported to Managing Director for noting.

## GRIEVIENCE REDRESSAL MECHANISM

The company will be Guided by the Directives of RBI with regard to The Fair Practices code as contained in RBI notification "RBI/2011-12/470 DNBS.CC.PD.No.266 /03.10.01/2011-12 March 26, 2012
The Company has a Grevience Redresssal officer appointed and his name contact details will be displayed in the notice Board of the branches.

In addition to this the Company will have a Nodal officer for the Purpose of "NBFC BANKING OMBUDSMAN SCHEME "as notified vide "CEPD. PRS. No. 3590 /13.01.004/2017-18 February 23, 2018 and his name, address, contact details will be displayed in the branch notice Boards.

The Name of the OMBUDSMAN, his contact details will also be published in the ranch Notice Boards.

The Board will conduct an annual review of the complaints received and redressed before the end of every financial year.

## RESTURUCTURING OF ADVANCES

The company may consider restructuring of stressed accounts subject to the guidelines of Reserve Bank of India in this regard. The authority to approve such restructuring will be one step above the sanctioning authority as defined under the scheme of Delegation of Financial powers defined in this policy.

The asset quality of such restructured advance would be upgraded provided the advance is serviced satisfactorily for the next twelve months from the date of restructuring including servicing the interest and instalment obligations.

## REVIEW OF THE POLICY

The Board will periodically review the policy to align with the operational requirements and in line with the directives of the RBI and other regulatory authorities.

The approved policy will be published in the company's website.

ANNEXURE I

## SCHEDULE OF CHARGES

| Other charges | Amount (Excl. GST) |
|---|---|
| Cheque/ NACH/ ECS Return charges | 750 |
| Termination charges | 500 |
| Swap charges | 500 |
| Statement charges | 500 |
| Duplicate NOC charges | 750 |
| Old record search charges (36 months and above) | 500 |
| Security interest registration fee (CERSAI) | |
| (a) Loan below Rs..5.00 lac | 50 |
| (b) Rs.5.00 lac and above | 100 |
| CIBIL Charges (Non-Individuals) | 1000 |
| Loan cancellation charge | 3000 |
| Cash Transaction charge | |
| Remittance of Re.1 to 999 | NIL |
| Remittance of Rs.1000 to 49999 | 50 |
| Rs.50000 to 199999 | 100 |