QRG Investments and Holdings Limited
Loan & Credit Policy

Version 2.0

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1. Introduction

The Company extends inter corporate loan and finance to Individuals, HNIs, HUFs, Partnership Firms and Corporates, both secured and unsecured, to eligible borrowers, based on internal credit approvals.

The Demand / Call Loans can be extended under Trade Advances, Loan against Shares or Securities and any other tangible assets or unsecured etc. This would be reviewed from time to time by Asset Liability Cum Executive Committee (ALCO).

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 Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016' dated 01st September' 2016 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.

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:

2. Aims and Objective

The aim of this demand loan policy is to lay down in clear terms on loan tenure (if applicable), interest, margin, repayment, renewal, etc.

3. 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 Risk Management Committee.

4. Credit Policy Norms

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.

- 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.

c) Limit is set after reviewing client's financial background.

d) Credit Appraisal Memo shall be prepared for every new client and same shall be taken into consideration at the time of finalising limit.

e) 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

f) Risk Categorisation shall be done on the basis of financial limit.

g) Un-dated cheques (UDCs) shall be collected for security purpose, if required, in case of default by the client.

h) Periodic 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.

i) Enhancement shall be done only after reviewing client's past history which includes interest repayment on timely basis.

5. Sanction Process

For availing the sanction facility, borrower shall execute the Loan Agreement and other documents, declarations, Power of Attorney, KYC documents as may be required in respect of the sanctioned facility. The ALCO will consider the proposal which will be sanctioned if deemed fit as per the sanction process outlined in the Risk Management policy.

6. 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 ALCO 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. 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.

7. 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 periodic basis. Generally the interest should be serviced on periodic basis. The interest may be collected at the option of the company on Monthly / quarterly/Annual 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 periodic compounding / Simple Interest Basis.

d) 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.

e) 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.

f) 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.

8. 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 NBFSPL.

b) TDS credit is given to client on the basis of credit received in 26AS.

9. Review or Renewal of Loans

a) The loan facility would be due for renewal at the expiry of the loan tenure or annual 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 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 be 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.

10. 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.

11. 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 three 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.

12. Overall Exposure Limit

Pursuant to the Scale Based regulation as applicable on Middle Layer NBFCs, the following Exposure limit will be applicable on the Investments / Loans:

a) Single Borrower limit: 25% of Tier 1 Capital
b) Group Exposure Limit: 40% of Tier 1 capital

13. Industry/Security specific exposure limit

a) Ceiling on IPO Funding – There shall be a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO).

b) For loan against shares, maximum LTV allowed is 50%.

c) Exposure to sensitive sector will not be more than 15% of Tier 1 Capital.

d) Within SSE, exposure to Commercial Real Estate will not be more than 10% of Tier 1 Capital.

e) Within CRE, exposure for financing land acquisition will not be more than 7% of Tier 1 Capital.

f) While appraising loan proposals involving real estate, NBFCs shall ensure that the borrowers have obtained prior permission from government / local governments other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals could be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the government authorities.

g) Loans and advances to Directors - Unless sanctioned by the Board of Directors/ Committee of Directors, the Company shall not grant loans and advances aggregating Rupees five crores and above to - i) their directors (including the Chairman/ Whole Time Director) or relatives of directors. ii) any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor. iii) any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor. Provided that a director or her relatives shall be deemed to be interested in a company, being the subsidiary or holding company, if she is a major shareholder or is in control of the respective holding or subsidiary company.

h) Loans and advances to Senior Officers of the Company- the Company shall abide by the following when granting loans and advances to their senior officers: i) Loans and advances sanctioned to senior officers of the Company shall be reported to the Board. ii) No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

14. Loan agreement with override policy

a) This policy will 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.

b) 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.

c) 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.

15. Document Management

a) This policy will be reviewed every two years.

b) This procedure replaces any other procedure issued earlier by the Company to the extent specifically covered here. This policy should be followed both in letter and spirit.

c) The Company is committed to continuously reviewing and updating policies and procedures-based on the Company's risk assessment and incorporating any regulatory requirement as maybe required.

Any amendment to this procedure or issue of any guidance or circular etc. under this procedure has to be approved in writing by the approving authority.

16. Penal Charges

a) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.

b) There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

c) The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.

d) The quantum of penal charges shall be maximum of 2% for non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.

e) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to nonindividual borrowers for similar non-compliance of material terms and conditions.

f) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of the Company under Interest rates and Service Charges.

g) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

17. Release of movable/immovable property documents on repayment/ settlement of personal loans

a) The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.

b) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the Company office where the loan account was serviced or any other office of the Company where the documents are available, as per her/his preference.

c) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters.

d) In case of the contingent event of demise of the sole borrower or joint borrowers, The Company shall return the original movable/immovable property documents in the following manner

I. to the authorized persons declared at the time of loan documentation/sanction,
II. in case no authorized persons was declared at the time of loan documentation/sanction then to the legal heir as per the will/inheritance documents of the deceased the sole borrower or joint borrowers.
III. In case above mentioned clause (I) and (II) are not applicable then the documents shall be released as per court order

18. Validity and Document Management

a) This updated policy is effective from the date of approval of the Board. This policy will be reviewed as and when required by the Board.
b) Any amendment to this procedure or issue of any guidance or circular etc. under this procedure has to be incorporated in the policy on an ongoing basis by Shri Ramesh Kumar Sharma.
c) If compliance with the policy ever conflicts with the applicable law, regulation and directives issued by the statutory and or regulatory authority, then such law, regulation and directives as may be applicable will take precedence over this policy.

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