

CHARTERED FINANCE & LEASING LIMITED

POLICY ON DEMAND / CALL LOAN

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POLICY VERSION CONTROL:

VERSION NO.	APPROVED BY BOARD ON	REMARKS
1.0	07-Apr-2022	Policy adopted by the Board

1. Introduction

Chartered Finance & Leasing Limited (hereinafter referred to as '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, Loans 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 a 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 the short term and to plan its funds flow in a seamless way. Further in case of any sudden upward movement in the cost of funds, it would offer an exit option for both the borrower and lender.

In terms of paragraph 11, of Master Direction - Non- Banking Financial Company –Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016' dated 1st September' 2016, requires the Board of Directors of every non-banking financial company granting/ intending to grant demand/ call loans shall frame a policy on demand/ call loans for the company and implement the same.

Keeping the benefits in view and in order to explore the business opportunities of the demand / call loans may open up, the Board of Directors of the Company in their meeting held on 7th April 2022, approved this "Policy on Demand / Call Loan".

2. Aims and Objectives of the Policy:

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

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 Asset Liability Management Committee (ALCO).

4. Credit Policy and Approvals

The Company shall sanction the loan after reviewing the financial strength of the borrower and considering any regulatory advice. The repayment capacity of the borrower will be assessed based on its past performance as well as its future plans and projections. The 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 a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on the record of the Company.
- c) The Company shall ensure that the sanction letter, containing all agreed terms and condition is furnished to all borrowers.
- d) A limit shall be determined after evaluating the financial background of the borrowers.
- e) A Credit Appraisal Memo shall be prepared for every new borrower and same shall be taken into consideration at the time of finalising limit.
- f) For a prospective borrower, the Company shall check whether the borrower does not exist in the 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 purposes, if considered necessary, in case of default by the borrower.
- i) On a periodical basis, interest payment shall be traced to each borrower. 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 the borrower's history, which includes interest repayment on a timely basis.

5. Sanction Process:

For availing the sanction facility, the borrower shall submit the necessary documents, declarations, Power of Attorney, and KYC documents as required for the sanctioning of the facility. The credit and sanction authority will then conduct a credit appraisal of the submitted documents and assess the borrower's creditworthiness. Upon successful evaluation and approval, the facility will be sanctioned, and a sanction letter shall be issued to the borrower.

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 sanction authority shall record specific reasons in case the tenure of loan for any borrower 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) A suitable clause empowering such demands/ calls made for repayment would be incorporated in the sanction letter.
- d) Either party to the sanction facility would give 3 working days' notice to the other side for intended repayment / demanding / calling for repayment. During these 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.

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 periodically as defined in the sanction letter. 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 sanction letter.
- c) In case of fluctuating amount loan, interest is calculated on the amount utilized on monthly compounding / Simple interest basis.
- d) Interest runs will be done on a monthly basis.
- e) The monthly outstanding balance will be inclusive of interest.
- f) Posting of interest run is done on the Last day of the respective month / quarter.
- g) Demand / Call loans may be considered on a fixed interest basis pegged to any anchor rate as may be

agreed upon. Interest rate would be decided on a 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 borrower from time to time and shall be effective from such date as may be intimated by the company.
- i) The rationale for charging a 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. The applicable rate of interest will be on an 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 the applicable rate for the interest being paid to NBFSP.
- b) TDS credit is given to the borrower on the basis of credit received in 26AS.

9. Review or Renewal of Loans:

- a) The demand /call loan facility would be due for renewal at the expiry of the tenure as specified at the time of sanction. The renewal of the demand /call loan facility would be at the sole discretion of the lender.
- b) The renewal of the demand / call 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 continue under same borrower / loan account number. Necessary renewal papers would be obtained.
- e) The 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 on an annual basis, by ALCO.

10. Loan Repayment:

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

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 3 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. Margin:

The margin, including cash and/or collaterals, will be determined based on the agreed terms and conditions stated in the sanction letter.

13. Sanction Letter will override policy:

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

This policy will be reviewed on a periodical basis and revisions, if any, will be carried out after approval of Board of Directors / ALCO.

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