

DEMAND/CALL LOAN POLICY

KRA LEASING LIMITED

The Reserve Bank of India in its Master Circular - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016 advised that the Board of Directors of every applicable NBFC granting / intending to grant demand/call loans shall frame a policy for the Company and implement the same.

Kra Leasing Limited is engaged in the investment activities and long-term loans. Presently, the Company is not granting/intending to grant demand/call loans. However, keeping in view the future activities of this nature, the Board of Directors framed a Demand/Call Loan Policy as enumerated below:

Credit Policy Guidelines:

- 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 English or vernacular language or a language as understood by the borrower (provided a declaration has been obtained from the borrower at the time of application) by means of the sanction letter or otherwise the amount of loan sanctioned by physical/digital means of communication. 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 make available a copy of the loan agreement on the Company's dashboard under the personalized login of the client, along with a copy of all enclosures quoted in the loan agreement to the borrower at the time of requisition by borrower or brief terms should be made part of sanction letter. The Loan Agreements are also to be sent to the borrowers through email. 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. The borrower will be also provided with a Key Fact Statement at each time of grant of loan facility/renewal/roll over/changes therewith containing essential features of the facility at that point in time.

- d. Limit is set after reviewing client's financial background, client's holdings in his Depository Participant account, a credit score and a credit report from one of the 4 Credit Bureaus / Credit Information Company's in India, and such other financial documentation proof provided by the client. Information from his KYC Application will also be used which is received during onboarding of the client. The KYC / AML Policy shall always be in line with this Demand Call Policy, and both will be subject to change from time to time.
- e. Credit appraisal memo shall be prepared for every new client and same shall be taken into consideration at the time of finalizing limit.
- f. For a prospective client, the Company shall do a diligence with respect to Credit Information Companies or any such other watch out Investors lists provided by RBI, any Government Authority or any other institution of which the Company may be a member of, the Company will at its sole discretion decide whether to provide a loan or not.
- g. Risk Categorization shall be done based on financial documents provided, depository participant account holdings and any such other assets owned by clients. The Risk Categorization shall also be done based on the Credit Limit received by the client based under the points under Point "d" above. The KYC/AML Policy shall always be in line with this Demand/Call Loan Policy.
- h. 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.
- i. Enhancement shall be done only after reviewing client's past history which includes interest repayment on timely basis and shall be extended only on explicit consent from the client.
- j. For renewal of the facility/additional drawdown the client shall be provided with a fresh KFS containing the details of the interest rate (whether same as previous or a higher/lower rate), Tenure, Amount, Annual Percentage Rate, Penal Charges, Other Charges, etc. provided the validity of the Agreement as entered initially has not expired.
- k. Disbursement shall be made only in the bank account submitted for at the time of opening of Demat and trading account. If the borrower requests to change the bank account it can be done but only after the new Bank Account is KYC compliant.

Sanction Process

For availing the demand/call loan, the borrower shall execute the KYC documents, declarations and other documents as may be required in respect of the loan facility/ or any enhancement thereof. The credit team will carry out the credit appraisal of documents and then facility will be sanctioned by the Director of the Company.

Tenure and Call back of loans:

- a. The demand/call loan will be sanctioned for a period of one year from the date of sanction of the loan or as per the terms agreed between the Company and borrower.
- b. The loan amount including other dues will become payable on the expiry of the loan term or as and when demanded by the Company.
- c. In case no call/demand is made prior to the expiry of stipulated period, then the loan shall be deemed to be called up/demanded on such expiry date and shall be repaid accordingly.
- d. Suitable clause empowering such demands/calls made for repayment shall be incorporated in the loan agreements.
- e. The mode and authority of making the demand or call for repayment of the loan shall be as decided, documented and adhered to.
- f. Loan agreement shall give 7 working days' notice to the other side for intended repayment/demanding/calling for repayment. During these 7 days period no additional interest/penal interest would accrue. In case the repayment is not made within 7 days, then additional rate of interest of 1% over and above the original rate would be collected from the 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.

Rate of Interest:

- a. The 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 services on monthly basis. The interest may be collected at the option of the Company on monthly/quarterly/annually basis which shall be specified in the terms and conditions of the loan agreement.
- c. In case of fluctuating amount loan, the interest is calculated on the amount utilized on monthly compounding/simple interest basis.
- d. Demand/call loans may be considered on fixed interest or fluctuating interest rate basis. Interest rate shall be decided on case-to-case basis.
- e. Any variation in the rate of interest will be notified to the borrowers from time to time and shall be effective from such date as may be intimated by the Company.
- f. Applicable rate of interest will be on annualized basis.
- g. Necessary TDS on interest has to be deducted by the client and paid to the Treasury of the Government and certificate to be issued to the Company for the TDS deducted.

Guarantee: The Company will also make efforts to take the guarantee wherever it is available from the borrower to make the loan more secure.

Review or renewal of Loans:

- a) The demand loan facility would be due for renewal at the expiry of the loan tenure or at any time as per the application of the client 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 terms and conditions at the given date.
- c) At least 7 (Seven) 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 customer/ loan account number. Necessary renewal papers would be obtained.
- e) The automatic renewal shall be made for one successive loan tenure. Once, automatic renewal made for the loan, such outstanding loan amount shall be repaid before grant of any further loan. The automatic loan renewal is only applicable to the earlier clients. In case the loan has not been repaid or closed even after following due procedure and sufficient warnings post the expiry of the loan term, with the grace period of 30 days given to the borrower and if not the lender shall be entitled to invoke the pledge/collateral.

Loan Repayment:

- a. Maximum amount for each of the demand/ call loan and the aggregate amount of the demand / call loan would be determined by the Credit Appraisal and Sanctioning authority.
- 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 and no pre-payment charges shall be applicable.

- d. The notice giving requirement for both the Company as well as the Borrower shall be a minimum of 3 days (Notice Period) for intended repayment / demanding / calling for repayment. During the notice period, no penal charges shall be levied.
- e. In case the repayment is not made within the above stated notice period, then Penal charges as determined by the board and communicated in KFS shall be charged, over and above the original interest rate, shall be levied and collected from date of demand / call till its repayment.

Performance Review

All the Demand / Call loans having stipulated period beyond 6 months shall be subjected to review of performance at the end of 5 months. The review shall include parameters as may be laid down by the Company, but must include:

- Credit Risk pertaining to the Borrower
- Collateral value and attached risks to valuation
- Continued feasibility of funding, in terms of Liquidity Management

Exception Handling

Any exceptions to this policy shall only be with the prior approval of the Board of Directors of the Company.