



## **Ladderup Finance Limited**

# **Loan Policy**

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## **Chapter – I Preamble**

The Reserve Bank of India (RBI) vide Master Circular RBI/2015-16/23 DNBR (PD) CC.No.044/03.10.119/2015-16 dated July 01, 2015 (Updated as on April 11, 2016) has advised Boards of NBFCs to frame a appropriate loan policy for the company and implement the same. Accordingly we have formulated loan policy in August, 2017 which is being review now.

This policy document on Loans & Advances outlines the guiding principles in respect of formulation of various products offered by LFL, the terms and conditions governing the conduct of account, the delegated power to the committee/officials and other terms & conditions applicable to such loans. It is expected that this document will impart greater transparency in dealing with individual customer and create awareness among customers. The Company will apply best industry practices so long as such practice does not conflict or violate RBI guidelines.

## **Chapter - II Company Profile**

Ladderup Finance Limited (LFL) is registered as a Non-Banking Financial Institution on 24<sup>th</sup> February, 1998 in terms of the provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

LFL is categorized as a Non-Systematically Important Non-Deposit Accepting Non-Banking Financial Company.

LFL being a registered NBFC with RBI has been primarily engaged into (a) Investing in securities of listed and unlisted companies and (b) Lending activities.

The Policy guidelines governing the lending activity of LFL are brought out in the following chapters. The policy guidelines would be reviewed annually delineating the focus areas of the Company.

LFL gives loans against shares / liquid securities, promoter funding, short/medium/long term corporate loans to SME and Mid-size corporates with or without security.

LFL's lending culture would be guided by the 'Fair Practice Code' as approved by the Board of Directors as also the approved Risk Policy and Know Your Customer (KYC) Policy.

### **Chapter – III**

#### **Approach to Lending**

Subject to RBI guidelines applicable to NBFC-ND-NSI Loan Companies, the Board of Directors shall give directions relating to lending activity, policy, exposure limits to various segments of clients, IRAC norms and delegation of powers.

LFL would follow segmented approach to provide both market and customer focus for ensuring better business development, loan book growth, better capability building and best client satisfaction.

The main principles underlying the Lending Policy would be applicable to the exposures undertaken within the country or outside as the Board may decide from time to time.

#### Indicative Lending Architecture for LFL will be as under:

- i. Targeted Clients
- ii. Pre-screened Clients
- iii. Pre-sanction due diligence
- iv. Assessment of credit requirement
- v. Financial Analysis
- vi. Standardized documents and security creation
- vii. Delegation of powers
- viii. Reporting
- ix. Post-sanction credit monitoring
- x. Portfolio review / Account review
- xi. Credit Rating
- xii. Transparency in sanction
- xiii. Standard proposal formats
- xiv. Valuation, ROC search
- xv. Recovery action in the event of default
- xvi. Compliance with RBI / SEBI / internal guidelines

## Chapter – IV

### Types of Loan

The product profile of LFL will cover loans for short term upto 3 years and long term beyond 3 years. The lending products would be classified broadly in the following categories:

#### A. Capital Markets Products:

- Loan against Shares<sup>#</sup>/Mutual Fund Units/Bonds
- Promoter Funding against pledge of shares

#### B. Corporate Finance Products:

- Corporate Loan/Project Finance/Business Loan/ICDs
- Loan Against Property
- MSME Loan
- Unsecured Loans
- Bridge Loan

#: Loans against LFL's own shares prohibited

## Chapter – V

### Policy on KYC / AML Standards

#### 'Know Your Customer' Standards

The objective of KYC guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand its customers and its financial dealings better which in turn help it to manage its risks prudently. Thus, the KYC policy has been framed by the Company for the following purposes:

- To prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist activities;
- To enable the Company to know / understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently;
- To put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures and regulatory guidelines;
- To take necessary steps to ensure that the dealing staff is adequately trained in KYC/AML procedures

All documents like identity proof, address proof, TAN No., PAN No., IT Returns, CIBIL, etc. are to be collected from borrowers and guarantors while considering the loan application.

## **Chapter – VI**

### **Pricing of Credit Facilities**

The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. Accordingly the pricing on loans and advances would be decided taking into account the above factors on case to case basis and will be charged on reducing balance basis for the tenure of the loan.

The rate of such Loan shall be 9% to 24% p.a payable either on monthly/quarterly rest.

The Company may adopt discrete interest rate model whereby rate of interest for same product or tenor availed by the clients would not be standardized one but could be different for different customers depending upon various factors like profile of customer, tenor of loan, cost of borrowing funds, nature & value of collateral security, past track record, external rating etc.

### **Other Charges**

In line with market practices, LFL may also levy various other charges like upfront fees, penal charges, prepayment charges, commitment charges, loan documentation charges, cheque return charges, out of pocket expenses and review/renewal fees depending upon the nature of transactions on case to case basis.

**Chapter - VII**  
**Sanction Committee/Delegated Powers**

The Company has formed a committee which shall be known as the Credit Committee (“the Committee”)

**Composition of the Committee**

The Credit Committee shall consist of following directors as a member:

1. Mr. Sunil Goyal : Chairman & Member
2. Mr. Mangala Prabhu : Member
3. Mr. Saurabh Sarayan : Member

**Quorum:**

Any 2 (two) members will constitute the quorum.

**Chapter - VIII**  
**Sanctioning Authority**

The Board of Directors has delegated all the powers of credit decision within the limits specified as given below:

<b>Limits</b>	<b>Sanctioning Authority</b>
upto 5 Crore	Managing Director
Above 5 Crore to 10 Crore	Credit Committee
Above 10 Crore	Board of Directors

## **Chapter – IX**

### **Review and Renewal of Loans**

1. The 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.
2. 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.
3. In case the loan is renewed, then it should be considered as a new loan, although the same may continue under same customer/loan account number and necessary renewal papers would be obtain.

#### **Loan Repayment:**

1. 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
2. The loan shall be repayable as per the terms or unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.
3. The loan can also be repaid by the customer at any time before the expiry of the loan.

#### **Loan Repayment for demand loans:**

1. The demand loan shall become payable within 90 days (or such short period as decided by MD) from the date of call back by the lender.
2. The demand loan shall become payable on the expiry of three years from the date of sanction unless renewed before the expiry of three years
3. The demand loan shall be repayable unconditionally on demand at the lenders discretion and without giving any reasons whatsoever.

The loan can also be repaid by the customer at any time before the expiry of the loan.

## **Chapter – X**

### **Documentation and Security creation**

The documentation and security creation for the loan will be done through reputed Advocates/Legal Advisors or Firms.



## Chapter – XI

### Restrictions on Funding

There are no specific restrictions on funding of loans & advances. But general prudence is to be observed during assessment / sanction of proposal.

## Chapter – XII

### Assets Classification

The company shall after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- (i) Standard assets;
- (ii) Sub-standard assets;
- (iii) Doubtful assets; and
- (iv) Loss assets

“Standard asset” shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business

"sub-standard asset" shall mean:

- (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;
- (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms

"Doubtful asset" shall mean: a term loan, or a lease asset, or a hire purchase asset, or any other asset, which remains a sub-standard asset for a period exceeding 18 months;

“Loss asset” shall mean:

- (a) an asset which has been identified as loss asset by the non-banking financial company or its internal or external auditor or by the Bank during the inspection of the applicable NBFC, to the extent it is not written off by the applicable NBFC; and

- (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

“Non-Performing Asset” shall mean:

- (a) an asset, in respect of which, interest has remained overdue for a period of six months or more;
- (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;
- (c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;
- (d) a bill which remains overdue for a period of six months or more;
- (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans / advances, which facility remained overdue for a period of six months or more;
- (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;
- (g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;
- (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower / beneficiary when any of the above credit facilities becomes non-performing asset

### **Chapter – XIII AMENDMENTS**

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.