



Avon Mercantile Limited

Loan Policy

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PART - 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.

This policy document on Loans & Advances outlines the guiding principles in respect of formulation of various products offered by the Company, 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 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.

PART - II

COMPANY PROFILE

Avon Mercantile Finance Limited (AML) is registered as a Non-Banking Financial Institution on -11th September, 2007 in terms of the provisions of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

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

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

The Company gives loans against shares / liquid securities, promoter funding, short/medium/long term corporate loans to SME and Mid-size corporates with or

without security.

The lending culture of the Company 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.

PART- 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.

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

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 the Company 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

TYPES OF LOAN

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

A. Capital Markets Products:

- Loan against Shares#/ 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

C. Business Funding for

- Advertising
- Equipment
- Inventory
- Taxes
- Expansion
- Working Capital
- Renovation

D. Working Capital by Business Type

- Automotive Business Financing
- Fast food Financing
- Pet Store Financing
- Beauty Salon Financing
- Florist Shop Financing
- Poor Credit Financing
- Book Store Financing
- Franchise Financing
- Restaurant Financing
- Any other business activities as identified by the Committee from time to time.

#: Loans against shares of the Company is prohibited

PART - V

POLICY ON KYC / STANDARDS OF THE COMPANY

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/the Company procedures

All documents like identity proof, address proof, TAN No., PAN No., IT Returns, -, Financial Statements, KYC documents of Authorised Signatories, etc. are to be collected from borrowers and guarantors while considering the loan application.

PART- 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 quarterly/annually rest (*as applicable*). 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, the Company 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.

PART- VII

LOAN SANCTION COMMITTEE

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

Composition

The Credit Committee shall consist of following:

1. Mr. Rakesh Kumar Bhatnagar : Chairman & Member
2. Mr Vikas Kapoor : Member
3. Mr. Rajesh Kumar _____ : Member
4. Ms. Jyoti Manchanda: Member

Quorum:

Any 2 (two) members will constitute the quorum.

PART - VIII

SANCTIONING AUTHORITY

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

Limits	Sanctioning Authority
Upto 5 Crore	Manager/CFO
Above Rs. 5 Crore to 10 Crore	Credit Committee

Above Rs. 10 Crore	Board of Directors

PART- 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 lender's 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.
4. Loan Repayment for demand loans:
 1. 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

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

PART - X

DOCUMENTATION AND SECURITY CREATION

The documentation and security creation for the loan will be done through advisors/consultants as engaged by the Company from time to time.

PART - XI

RESTRICTION ON FUNDING

There are no specific restrictions on funding of loans & advances. But general prudence

is to be observed during assessment / sanction of proposal.

PART - XII

ASSETS CLASSIFICATION

The Company shall after take 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; and
- (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

PART - XIII

COLLECTION OF DUES

- a) Whenever the Company give loans, the Company will explain to the borrower the repayment schedule viz. amount, tenure and periodicity of repayment. However, if you do not adhere to the repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues.
- b) The Company will have its Board approved policy for Collection of Dues and Security Repossession as also appointment of Recovery Agents.
- c) All relevant laws, regulations, guidelines and conditions of approval, licensing or registration will be taken into account while appointing Recovery Agents.
- d) The Company will ensure that its Recovery Agents are properly trained to handle their responsibilities with care and sensitivity. The Company will also ensure that they do not exceed their brief.

- e) The collection policy of the Company is built on courtesy, fair treatment and persuasion. The Company believe in fostering customer confidence and long-term relationship.
- f) The Company will provide the borrower with all the information regarding your dues and will endeavour to give sufficient notice for payment of dues.
- g) The Company will have a system of checks before passing on a default case to recovery agencies so that the borrower is not inconvenienced on account of lapses on part the Company.
- h) The Company will write to the borrower when the Company initiate recovery proceedings against the borrower and will inform you of the name of the recovery agency / agent, to whom your case has been assigned as also their address and telephone numbers.
- i) The Company will provide details of the recovery agency firms / companies as engaged by the Company on its website, if appointed.
- j) The Company will also make available, on request, details of the recovery agency firms / companies relevant to the borrower at the branch of the Company
- k) The staff of the Company or any person authorized to represent the Company in collection of dues and / or security repossession will identify himself / herself and produce the authority letter issued by the Company and upon request of the borrower.
- l) All the staff or any person authorised to represent the Company in collection and/ or security repossession would follow the guidelines set out below:
 - (i) The borrower would be contacted ordinarily at the place of choice of the Company and in the absence of any specified place at the place of residence/office of the borrower and if unavailable at tis residence, at the place of business / occupation.
 - (ii) Their identity and authority to represent us would be made known to the borrower.
 - (iii) The privacy of the borrower would be respected.
 - (iv) Interaction with the borrower would be in a civil manner.
 - (v) Normally representatives of the Company will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstances of business or occupation of the borrower require otherwise.
 - (vi) Time and number of calls and contents of conversation would be

documented.

- (vii) All assistance would be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
 - (viii) During visits to place of the borrower for dues collection, decency and decorum would be maintained. the officials / agents of the Company will not resort to intimidation or harassment of any kind, either verbal or physical against any person, including acts intended to humiliate publicly or intrude the privacy of the family members, referees and friends of the Borrower, making threatening and anonymous calls or making false and misleading representations.
 - (ix) However, it is responsibility of the borrower to keep updating its contact details. In case the bank is unable to contact you at the details provided, the bank will access information available from public sources and approach friends / relatives of the borrower to trace.
- M) The Company will investigate any complaint from you about unfair practices of our recovery agents.

Collection of Dues and Security Repossession Policy

The Company will follow collection of dues and security repossession policy in consonance with the law. The policy will be displayed on our website and a copy of the same will be made available at office of the Company for perusal.

PART - XIV

Loan Recall

The Company reserves its right to recall the outstanding loan on the basis of non-compliance of conditions of the loan agreement and/or other allied documents executed by the borrower with notice of 30 days in writing.

PART - XV

AMENDMENTS

The Board may amend the provisions of this Policy as it may deem fit 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

