

**Avon Mercantile Limited**  
**(CIN:U6712UP1988PTC009622)**

**(Adopted/Reviewed and Approved by the Board as on 30th May, 2023)**

**CREDIT POLICY & PROCESS MANUAL FOR CORPORATE LOANS**

Following credit policy document provides framework for corporate segment and appraisal norms in line with Portfolio mix and cap defined for the Company as mentioned below

| <b>S. No</b>  | <b>Loan type</b> | <b>Overall CAP</b>                                |
|---|------------------|---|
| <b>Basis Security</b>   |                  |   |
| i)  | Secured          | 50%   |
| ii)   | Unsecured        | 50%   |
| <b>Basis Geographical</b>   |                  |   |
| i)  | North zone       | Individual contribution of Zone not to exceed 50% |
| ii)   | South zone       |   |
| iii)  | East Zone        |   |
| iv)   | West Zone        |   |
| <b>Basis Sector</b>   |                  |   |
| Individual contribution of any Sector i.e. Commercial Real Estate (CRE), Capital Market, Textile and Garments, Agriculture, Automobiles etc., shall not exceed 50% of the AUM |                  |   |

**Note:** The above may be changed basis prevailing market conditions and the management's business strategy.

## Corporate loans

### Product Feature/ Definition:

Corporate loans are defined as large ticket loans extended to business entities including developers of residential projects, corporates, and other high net worth individuals. These loans are for Working capital/Capital expenditure/Business Expansion/Other personal purpose etc. are assessed on multiple Parameters like past relationship, standing of guarantor, earnings, future prospects, expected cash flows of project being undertaken, promoter experience, business sustainability and strength of the underlying collateral (wherever applicable). The business being large ticket in nature is subject to all transactions structured under the guidance of the Credit Committee. Funding may be extended under Project finance, Lease Rental discounting, Loan against Property, Business Loan (secured or unsecured), Loan against Shares towards working capital/Business Expansion/Capital Expenditure.

### Guiding Philosophy:

The core lending philosophy is guided by factors like execution track record, customer's standing, reference check, financials (as applicable) etc. there are situations where some of these norms will be relaxed by the Credit Committee on the basis of compelling reasons for the same.

All these loans will be approved by the organization level Credit Committee. The composition and authority of the committee is approved and notified by the Company board from time to time.

| Parameters                  | Features  |
|-----------------------------|---|
| <b>Type of Loan</b>         | <ul style="list-style-type: none"> <li>• Term Loans               <ul style="list-style-type: none"> <li>- Monthly installment loans</li> <li>- Quarterly/ Half yearly installment loans</li> <li>- Project loans with moratorium for initial period and repayments matching the cash flows</li> <li>- Bullet servicing at end of the tenor</li> </ul> </li> <li>• Overdraft</li> <li>• Secured or unsecured</li> </ul>   |
| <b>Tenor of Loans</b>       | <ul style="list-style-type: none"> <li>• Tenor of loan to be maintained in line with expected cash flows of the project</li> <li>• Maximum tenor to be 180 months at the time of sanction</li> <li>• Any exception to be approved by Credit committee</li> </ul>  |
| <b>End Use of Loan</b>      | <ul style="list-style-type: none"> <li>• Construction/ development/Working capital for residential projects and townships</li> <li>• Acquisition of residential property/project of the Borrower</li> <li>• Loan against property/General Corporate Purpose</li> <li>• Balance transfer of existing loans</li> <li>• Other purposes</li> </ul> <p>Customer to declare the end use via an end use undertaking and provide documents supporting the same.</p>   |
| <b>Collateral/ Security</b> | <p>The collateral security (wherever applicable) for the loan can be the following:</p> <ul style="list-style-type: none"> <li>• Project land &amp; rights related to development</li> <li>• Residential/ Commercial property</li> <li>• Non-Agricultural approved land.</li> <li>• Corporate Guarantee of key promoter group entities/Key stakeholders/promoters</li> <li>• Any other security</li> </ul> <p>Additionally depending on the nature of transaction following additional securities can be taken as part of the overall security structure:</p> <ul style="list-style-type: none"> <li>• Pledge on shares of the SPV or key operating entity of the promoter group</li> </ul> |

|  |  |
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|  | <ul style="list-style-type: none"> <li>• Personal Guarantee of the promoters</li> <li>• Hypothecation of project receivables</li> <li>• Hypothecation of other current and fixed assets of the borrower.</li> </ul> <p>Note: These norms may be relaxed by the Credit Committee</p>  |
| <b>Maximum Loan Amount</b>                         | <p>Maximum loan amount will be governed by the Single Borrower Limit (SBL) &amp; Group Borrower Limit (GBL) The current applicable SBL &amp; GBL limits are as below:</p> <p>SBL – 15% of Net Owned Funds<br/>GBL – 25% of Net Owned Funds.</p> <p>The SBL &amp; GBL limits are linked to the net worth of the company hence SBL &amp; GBL calculation is to be done on a quarterly basis in discussion with the finance team.</p> |
| <b>Rate of Interest (ROI) &amp; Processing Fee</b> | <ul style="list-style-type: none"> <li>• ROI and Fee for the transaction will be decided by the credit committee considering the nature of transaction (residential construction finance/ LAP/ LRD/ secured/unsecured)</li> <li>• Fixed / Floating linked to a benchmark</li> </ul>  |
| <b>Prepayment</b>                                  | Borrowers are allowed to prepay the loans ahead of schedule by paying applicable pre-payment charges which are clearly mentioned in the sanction letter and loan agreement.  |
| <b>Approved Locations</b>                          | All metros and mini metros   |
| <b>Sanction Authority</b>                          | Crédit Commette.   |

#### Process/program for CC Loans

| Parameters                       | Particulars  |
|----------------------------------|--|
| <b>Due Diligence</b>             | <p>Post login of the file the following due diligence steps should be conducted before moving the file forward:</p> <ul style="list-style-type: none"> <li>• Name clearance with senior management for the applicant/ promoter group</li> <li>• Existing repayment check (if applicable)</li> <li>• Client meeting by the authorised person of the Company to understand the requirement</li> <li>• Other checks as per case specific requirement including financial assessment, security, bureau etc.</li> </ul>   |
| <b>LRD Cases (as applicable)</b> | <p>LRD loans are typically structured against Prime/ Grade A commercial building in metros. Such buildings typically have large and known local corporates/ MNC as tenants thus providing additional comfort on the cash flows. While doing LRD loans following due diligences need to be done</p> <ul style="list-style-type: none"> <li>• Review tenor of leases and clauses on exit, escalation etc.</li> <li>• Understand the quality of tenant – Should be known company/ MNC</li> <li>• Assess the micro market in terms of prevailing lease rates, availability of similar quality commercial space and vacancy rates.</li> </ul> |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>Actual requirement may vary based on the nature of transaction.</li> </ul>   |
| <b>Committee Sanction &amp; Term Sheet Issuance</b> | <ul style="list-style-type: none"> <li>Post due diligence all proposals are put up for Credit Committee discussion.</li> <li>The committee deliberates on various aspects of the proposal like credit risk, collateral, risk reward, pricing etc. and agreement of the final structure of the transactions in terms of the amount to be offered, collateral and interest rate.</li> <li>Based on Credit Committee inputs a final term sheet on the proposal is prepared.</li> <li>The term sheet prepared is shared with the client for acceptance, in situations where the client requests for a change in structure the same is put up for discussion with the Credit Committee members.</li> <li>Any deviation in the proposal is approved by credit committee as per delegation.</li> </ul>   |
| <b>Sanction Letter</b>                              | Post finalisation of term sheet and acceptance of the same by client a sanction letter is prepared in the pre-defined format which captures all the key aspects of the transaction approved including loan amount, rate of interest, fee, loan tenor, repayment terms, collateral requirement, conditions precedent to disbursement and post disbursement covenants.  |
| <b>Post disbursal monitoring</b>                    | <p>Post disbursal, periodic monitoring is done basis customer visit/repayment track and includes following:</p> <ul style="list-style-type: none"> <li>Periodic meeting with management to understand business plans</li> <li>Tracking news items related to borrower</li> <li>Valuation of security wherever applicable</li> <li>Tracking escrow accounts for sales velocity wherever applicable</li> <li>Vetting of fund utilization through circumstantial evidence e.g. Contract order copies/bills/invoices/ utilization certificate/statement of account/Bank Statement etc., Visit to Customer Place by employee/designated agency checking record and establishing end use or a Utilization certificate by CA to be taken</li> </ul> <p>The use of funds should be for legitimate and non -speculative purposes and in event of any observation on usage of funds not allowed under various regulations, the Loan may get recalled as per the terms of loan agreement. Any weakness identified during the health check exercise should be immediately brought to the attention of Credit Committee and deliberations should take place in order to decide on proactive corrective action.</p> |

#### DOCUMENTATION FOR DISBURSEMENT

| Parameters  | Features  |
|---|---|
| <b>Loan Documentation (all borrowers to sign)</b> | <ul style="list-style-type: none"> <li>Loan Agreement (stamped as per local state laws)</li> <li>Declaration (stamped as per local state laws)</li> <li>Demand Promissory Note (DPN) with Revenue Stamp of Rs. 1/-</li> <li>DPN Revival Letter with Revenue Stamp of Rs. 1/-</li> </ul> |

| Parameters               | Features  |
|--------------------------|---|
| <b>Documentation Kit</b> | <ul style="list-style-type: none"> <li>Request for Disbursal Form (RFD)</li> <li>NACH/DD mandate Form</li> <li>Acknowledgement of Sanction Letter</li> <li>End use letter - as applicable</li> <li>Vernacular declaration (stamped as per local state laws) -as applicable</li> <li>Undertaking cum Indemnity (stamped as per local state laws) - as applicable</li> <li>We can accept the Request for disbursal by applicant from his/her Email id registered in our records. In such cases, physical signing of disbursal request will not be required</li> <li>Request for Disbursement (RFD) can be signed by any one of the applicants.</li> </ul> |

#### REPAYMENT MODE NORMS

| Parameters                   | Features   |
|------------------------------|--|
| <b>Repayment Types</b>       | <ul style="list-style-type: none"> <li>Pre-EMI (PEMI)</li> <li>EMI</li> </ul>  |
| <b>Repayment Modes</b>       | <ul style="list-style-type: none"> <li>NACH (National Automated Clearing House)</li> <li>Direct Debit (DD)</li> <li>Escrow as applicable</li> </ul>  |
| <b>Repayment Cycle</b>       | <ul style="list-style-type: none"> <li>Pre-EMI: Only last day of the month</li> <li>EMI due date: Case to case as decided in the sanction note</li> </ul>  |
| <b>Preferred Instruments</b> | <ul style="list-style-type: none"> <li>NACH / DD not applicable in Escrow / DAS repayments</li> <li>NACH to be the preferred Mode of repayment in other than Escrow and DAS repayments</li> <li>Where NACH facility not available, DD (with select Banks) option to be the next preferred mode of repayment</li> </ul> |
| <b>DD/ NACH repayment</b>    | <ul style="list-style-type: none"> <li>- DD /NACH Mandate</li> <li>- In case DD/NACH not registered. Cheque for the pre-EMI/first EMI wherever applicable</li> </ul>   |

#### Credit committee Authorities delegation Matrix

| Designation          | Authority (Rs in Lacs) | Level |
|----------------------|------------------------|-------|
| CEO and any Director | Any Amount             | NA    |

Note: Credit Committee may make any subsequent changes in authority, policy program and deviations as deem appropriate based on portfolio buildup.

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