GILADA FINANCE & INVESTMENTS LTD.

CREDIT/ LOAN POLICY :

1. Scope & Objectives
2. Tenure
3. Authority for Ratification & Amendment
4. Over-riding effect of Statutory & Regulatory guidelines
5. Prudential Norms for Exposure
6. Loan Products
7. Empowerment for according Sanction
8. Pricing of Loan Products
9. Loan Disbursal
10. Due Diligence on KYC Parameters of Applicants/ Borrowers
11. Loan Application & Pre-sanction Appraisal
12. Communication of Sanction
13. Execution of Security Documents
14. Follow-up & Recovery
15. Generation/ Compilation of MIS Reports
16. Irregular/ Delinquent Accounts
17. Asset Classification/ NPAs; Income Recognition/ De-recognition ; Provisioning.
18. NPA Accounts, Settlement & Write-off.
19. Appendix.

1. **Scope & Objectives** : This Loan Policy covers the entire business of lending of the company across categories and and across products. Once laid down and accepted (by the BOD); this holds good for all loan transactions and employees across hierarchy.

   It tries to establish systems & procedures to promote the broad objectives of the company; not compromising on ethical standards, principles of transparency and fair practices.

   Aiming for a 100% level of compliance to statutory & regulatory guidelines; it aims at attaining :

   - A high Risk-adjusted return on it's aggregate portfolio of Lending;
   - A healthy, long-term, sustainable growth in the business volume;
   - Without compromising on the quality of Loan assets;
   - Maintaining the principles of corporate governance and transparency;
   - With utmost overall social responsibility.

2. **Tenure** : Once accepted and put into effect, the Policy remains effective for a period of 2 (two) years; unless the Board in it's wisdom decides to revise/ replace it in the interest of the company before expiry of two years; however not in any situation, before completion of at least one year.

3. **Authority for Ratification & Amendment** : There should ideally be no deviations from the Policy, once accepted and put into effect. However, in case of occurrence of any deviation(s) in emergent circumstances; only the BOD is empowered to ratify such action/ deviation.

   Only the BOD is empowered for effecting any amendment to any of the provisions/ clauses of the Policy.

4. **Over-riding effect of Statutory & Regulatory guidelines** : The policy aims at 100% compliance with all directives/ guidelines issued by such statutory/ regulatory bodies; such as, Reserve Bank of India, SEBI, ROC, Income Tax Authorities etc.. In case of a conflict with the provisions of this policy, the guideline, as stipulated by the regulatory body would prevail.

5. **Prudential Norms for Exposure** : The BOD through it's empowered Credit Committee would fix Exposure Ceilings/ Limits as applicable to different classes of Borrowers/ Sectors or Product classes.

   Such limits/ sub-limits should bear a quantitative co-relation (generally in percentage) with the company's Net-owned Fund (NOF), Gross Loans &

Advances or any such parameter as identified and fixed by the empowered committee and approved by the Board of Directors for every Financial Year well in advance.

Such Exposure limits may be stipulated for Individual Borrower/ Entity Borrower and Group of (related) Borrowers; for overall Sectoral deployment (like Real Estate or Capital Market etc.) or even Product-wise deployment of loans/ credit. (Pl. refer Appendix)

6. **<u>Loan Products</u>** : The Company/ BOD through it's empowered Credit Committee would specify in advance the Loan Products it would deal in. To impart certain degree of uniformity; it would endeavour to lay down the features, eligibility criteria and other parameters (like security coverage, margin, rate of interest, repayment tenure etc.) pertaining to a class of product (such as Vehicle Loan, Mortgage Loan, Personal Loan etc.) for a policy period.

   In line with the objectives of the company, it may add new products, phase out un-remunerative products; and classify existing products into focus (priority) or non-focus (non-priority) areas.

7. **<u>Empowerment for according Sanction</u>** : The company should have a clearly laid out policy of Delegated Power for approval and according sanction for various loans across hierarchy. This delegated powers should be specified in terms of amounts (Rs.) corresponding to different functionaries/ officials (like Branch Manager, General Manager, CEO, Managing Director etc.) discharging functions at different hierarchical levels (in Branches or HO).
   (Pl. refer Appendix)

   However, no sanction/ approval for disbursal of a loan should be accorded without the following :

   - A completed/ signed Application Form duly signed by the Applicant/ Prospective Borrower.
   - A proper recommendation by the recommending official/ Credit Committee.

     A recommendation by the recommending official should be preceded inter-alia by a due verification about the introduction, bonafideness of the Applicant/ Prospective Borrower including due compliance of the KYC requirements like Photograph, Identity Proof, Address Proof, PAN etc..

     The appraisal/ recommendation would also look into the aspects of viability/ sustainability of the proposed loan including, but not limited to

   - the security and valuation thereof;
   - the income/ earning potential of the borrower;
   - the repayment capability;
   - the credit track-record etc. etc..

8. **Pricing of Loan Products** : The Rate(s) of Interest chargeable for different products/ loans should be decided and approved by the BOD/ Credit Committee.

These rates/ bands of ROI should be decided on a "cost-plus" basis taking into account the Average Cost of Funds and adding a Risk Premium thereto.

The company should maintain absolute transparency and follow the Fair Practices Code in it's dealings/ disclosures with the customers.

9. **Loan Disbursal** : No loan/ amount should be disbursed to the Applicant/ Borrower without a proper/ valid sanction accorded by the appropriate and empowered authority.

The disbursing official should ensure the following before disbursal of the loan amount in question :

- There is a valid sanction by the appropriate authority;
- Pre-disbursement conditions, if any, as stipulated, are duly complied with;
- All documentation formalities are completed and security documents like Loan Agreement, Agreement of Guarantee, Pro-Note(s) are duly executed by the Borrower/ Guarantor.
- Disbursements are made directly in favour of Dealer(s)/ Supplier(s)/ Contractor(s), wherever applicable.
- In case of stipulation of disbursements in parts/ stages; only such part-amounts are disbursed.

10. **Due Diligence on KYC Parameters of Applicants/ Borrowers/ Guarantors** : As part of the verification/ appraisal process, the dealing/ recommending official should verify the genuineness of the applicant. The Loan Application should be verified along the KYC parameters like Identity, Address,. Occupation, PAN details etc.. This would constitute a necessary part of the pre-sanction appraisal process.

Such KYC documents including photographs are to be marked "verified" and kept on record for future reference and purposes of audit.

Introduction by known people of the locality and local enquiries about the reputation, credit worthiness of the Applicants/ Prospective Borrowers and Guarantors may be solicited for the purpose.

The company may outsource such services to known, approved agencies.

11. **Loan Application & Pre-sanction Appraisal** : All sanctions should be preceded by a pre-sanction appraisal, normally by the recommending official.

The Appraisal process should ensure submission of a completed and signed Application by the prospective borrower. In case of standardized Application Forms for loan products; all particulars specified should be furnished by the Applicant. In case of information specified, which are not relevant; such words as "Not Applicable" should be filled in.

The recommending official should make proper enquiry about the reputation, creditworthiness, track-record of the Applicant/ Borrower and Guarantor. The loan official may solicit "Confidential Report" (CRs) from existing Lenders/ Banks etc..

Besides the above, the recommending official/ loan official should go into such aspects as :

i. Security & valuation thereof ;
ii. Earning potential & repayment capability of the prospective borrower;
iii. Existing Indebtedness of the Applicant etc. etc..

The above directions are only indicative and not exhaustive. It is expected that the officials would exercise their prudence and acumen in the interest of the company in conducting such appraisals.

12. **Communication of Sanction** : As part of maintenance of a high ethical standard and transparency in dealings with customers; the policy stipulates communication of all sanctions with all associated terms and conditions to the Applicant/ Prospective Borrower.

The above should include such terms as the Rate of Interest, Margin, Repayment Tenure, Moratorium (if any), EMI etc..

Such letter of sanction should be accepted by the Borrower and kept on record for future retrieval and reference.

13. **Execution of Security Documents** : The loan officials should ensure execution of proper and applicable security loan documents like Demand Pro-notes, Loan Agreement, Hypothecation Agreement, Letter of Guarantee, Letter of Authority (Purpose-specific), Letter of Indemnity, Letter of Intent etc. as applicable for the purpose in hand.

Care must be taken that the documents are adequately stamped (or appropriate NJS of required value is taken). Wherever applicable, the agreements should be suitably witnessed. These caveats are necessary to make them legally enforceable, in case of an ultimate legal recourse.

Officials may take the guidance/ services of approved and empanelled legal practitioners of the area for the purpose.

14. **Monitoring A/Cs, Follow-up & Recovery** : The dealing officials should scan and review accounts periodically through the Statement of Transactions and other Reports generated by the System.

In case of Debit Authorities, PDCs (Post-Dated Cheques); it should be ensured that they are invoked/ presented well in time.

In case of Irregular/ Delinquent A/Cs, the official should

- Send Due Date Notices/ Reminders in advance;
- Go for personal visits & follow-ups;
- May utilize the services of approved Agencies, outsourced.

The monitoring & follow-up exercise should be geared more towards preventive measures aimed at avoiding slippage of A/Cs to Irregular/ Delinquent or NPA category.

The assigned Loan Official/ Manager should generate/ compile Reports of Irregular/ Defaulting/ Likely NPA Accounts for placing before the Senior Management for discussing ways & means and action plans to regularize them through more vigorous recovery and avoiding slippage to NPA category.

15. **Generation/ Compilation of MIS Reports** : Loan official(s)/ Manager(s) should be assigned to generate/ compile crucial Reports at different periodicities, as identified by the Credit Committee/ Senior Management. These reports are to be placed before the CEO/ Director/ MD as part of MIS and devising suitable strategies towards future course of action ; i.e., for business growth, arresting unwarranted trends like higher percentage of Irregularity, Low Recovery and Probability of slippage to NPA category. These Reports would include, but would not be limited to the following :

- Weekly Exception Transaction Report;
- Monthly Report of Loan(s) sanctioned/ Disbursed;
- Monthly Report of Irregular A/Cs with Overdue;
- Monthly/ Qrly. Recovery Statement;
- Quarterly Report on Non-Interest Income;
- Quarterly Report on Maturity Profile of Lending cum Income Flow;
- Quarterly Report of Critical A/Cs/ Likely Slippage to NPA category;
- Quarterly/ H.Yrly. Report on Asset Classification;
- Quarterly/ H.Yly. Report on Income Recognition/ De-recognition;
- Quarterly/ H.Yly. Report on Provisioning;

16. **Irregular/ Delinquent Accounts** : These accounts should be identified early and depending on their criticality, they should be categorized to "Casual" or "Chronic" categories necessitating different types of handling and treatment.

The chronic Irregular A/Cs should require review/ monitoring at more frequent periodicities. Follow-ups should be more intense and tactical through reminders, personal visits and prompt reporting to CICs.

These accounts should be discussed individually (with emphasis on high-value A/Cs) with Senior Management to devise out suitable strategies.

Anyway, the focus point should be to ensure a higher base of Regular/ Standard Accounts with a high and consistent rate of recovery.

17. **<u>Asset Classification/ NPAs; Income Recognition/ De-recognition ; & Provisioning</u>** : Our company emphasizes on absolute transparency and a high standard of corporate governance. In line with this objective, we should endeavour to maintain the Books of Accounts in a transparent form on an ongoing basis.

    Our systems accordingly should support in reflecting the irregularity and the extent of overdue in an Account at any given point of time.

    The parameterization towards slippage of A/C to NPA category, classification into Sub-standard, Doubtful or Loss category should be flawless and in line with extant guidelines as laid down by RBI.

    Similarly, the system should be parameterized to de-recognise income, already booked, once an account slips to NPA/ Sub-standard category, unless the same is realized/ recovered.

    The provisioning for different categories of assets also should be as per extant guidelines as laid down by RBI.

18. **<u>NPA Accounts, Settlement & Write-off</u>** : The company should have a prudent and pragmatic approach in bringing the chronic defaulting borrowers (in the NPA category) to the negotiating table for a one-time settlement.

    This would be transacted more on a case to case basis and the approach should be more pragmatic; i.e. aiming at recovering some sizeable amount rather than carrying the whole amount in the books; mostly as unrecoverable with locked-up resources in the form of sizeable provisions.

However, the following aspects may be taken into consideration before striking the deal in the interest of the company :

- Whether the Loan is secured or unsecured/ extent of security;
- General financial well-being/ earnings of the borrower;
- Extent of sacrifice by the company in case of OTS/ partial write-off (Interest waiver & Principal write-off);
- Unlocking of resources by the company through release of Provisions.

Accepted by the Board of Directors in its meeting held on Tuesday, 9th August, 2016 at the registered office at #105 R R Takt, 37 Bhoopasandra Main Road, Bangalore- 560094.

Rajgopal Gilada
(Managing Director)

Date: 09/08/2016
Place: Bangalore

APPENDIX TO THE LOAN POLICY

DELEGATED POWER RECOMMENDED BY THE CREDIT COMMITTEE FOR SANCTION OF LOANS
: Refer Item No. 7 of the Loan Policy :

Sl. No.	Sanctioning Authority	Category of Loan/ Advance	Delegated Power (In Lacs : Rs.)	Remarks
1.	BM at Branches	Across Products/ Categories	NIL	
2.	CEO at Admin. Office	- Do -	5.00	To be ratified by Credit Committee
3.	Executive Director at Admin. Office	- Do -	15.00	To be ratified by Credit Committee
4.	Managing Director	- Do -	25.00	To be ratified by Credit Committee
5.	Board of Directors	- Do -	>25.00	As recommendeded by Credit Committee

PRUDENTIAL NORMS FOR EXPOSURE :

Refer Item No. 5 of the Loan Policy :

Sl. No.	Class of Borrower	Ceiling in Exposure	CAP in Amount (Rs. Lacs)
1.	Individual/ HUF	2.5% of Company's NOF	15.00
2.	Firm (Proprietorship)	5 % of Compan's NOF	30.00
3.	Firm (Partnership including LLP)	7.5% of Company's NOF	50.00
4.	Company (Pvt. Ltd.)	10 % of Company's NOF	75.00
5.	Company (Public Ltd.)	12.5% of Company's NOF	125.00
6.	Group Exposure (Overall for Related/ Associate Entities)	20% of Company's NOF	180.00

Note : NOF (Net Owned Fund) determined on the basis of Last FY's Audited Annual Report. (NOF as on 31.03.2015 – Rs.695.03 Lacs)

Any deviation from the above can only be with prior approval of the Board of Directors.