

# **Sattva Holding and Trading Private Limited**

## **Policy on Demand / Call Loans**

Version: 3.0

(Version Date: 11<sup>th</sup> February, 2022)

**Policy Custodian:**

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**Policy Version Control:**

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2	Version 2.0	24/01/2020
3	Version 3.0	11/02/2022

**Policy Governance:**

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<b>Approval Path</b>	Board of Directors

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## **1. Background**

The Reserve Bank of India [“RBI”] has, under the Reserve Bank of India Act, 1934 [“RBI Act”], issued the Core Investment Companies (Reserve Bank) Directions, 2016 [“the CIC Directions”]. The Directions have prescribed various requirements relating to Demand / Call Loans granted by a Systemically Important Non-Deposit Taking Core Investment Company [“CIC-ND-SI”], in order to regulate the deployment of funds in a prudent manner.

The Company, being a Core Investment Company registered U/s 45-IA of the RBI Act as a CIC-ND-SI, is engaged in investment and financing activities to its entities in the Group.

In view of above, this policy document lays down the policy of the Company and the guidelines to be adhered to while undertaking demand / call loan transactions.

## **2. Objectives**

The objective of this policy is to lay down a framework for determining terms and conditions for deployment of funds as demand / call loans to group companies.

## **3. Scope**

This policy document covers all transactions in the nature of Demand / Call Loans given by the Company.

Commitments outlined in this policy are applicable under normal operating environment. In the event of force majeure, the Company may not be able to fulfil the commitments under this policy.

In case of any discrepancy between this policy and any executed agreements, the terms and conditions of that agreement, insofar as they are distinct from this policy, shall supersede this policy.

Any directions issued by RBI and / or the applicable directions, as amended from time to time, shall supersede this policy.

## **4. Definitions**

- a. **Stipulated Period** means the period within which the demand/ call would be made for repayment
- b. **Eligible Borrower** means all such entities defined as Companies in the Group including the entities wherein the ultimate promoter of the Company is having any significant influence or controlling interest.

- c. Companies in the Group** means an arrangement involving two or more entities related to each other through any of the following relationships, viz.:
- i. Subsidiary – Parent (defined in terms of AS 21)
  - ii. Joint venture (defined in terms of AS 27)
  - iii. Associate (defined in terms of AS 23)
  - iv. Promoter-Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies
  - v. a Related Party (defined in terms of AS 18)
  - vi. Common brand name, and
  - vii. Investment in equity shares of 20% and above.

Words or expressions used and not defined in this policy but defined in the CIC Directions, shall have the meanings respectively assigned to them under the CIC Directions. Words or expressions used and not defined in the CIC Directions, but defined in the Master Directions issued by the Bank, shall have the meanings respectively assigned to them under that Act or Directions. Any words or expressions used and not defined in CIC directions or in the RBI Act or any of the Directions issued by RBI, shall have the meanings respectively assigned to them under the Companies Act, 2013.

## **5. Precursors to Demand / Call Loan Transactions**

While making the lending decisions, following indicative factors are to be considered and documented:

- i. Liquidity Risk and its Management as per the Company's Liquidity Risk Management Policy
- ii. Interest Rate Risk Management
- iii. Foreign Currency Fluctuation risk management, in case of cross-border loan transactions
- iv. Credit and other ratings
- v. Other market information available that may have a bearing on the decision-making process
- vi. All regulatory limits and requirements before and after making the proposed lending transaction

## **6. Sanction**

The Company may grant both secured and unsecured loans to the Eligible Borrowers as business loans, General corporate loan, working capital, trade advances, inventory funding, loans against shares & securities, credit facilities etc. for a period not exceeding one year from the date of sanction.

The Board of Directors of the Company are responsible for the lending function of the Company and therefore, are required to authorize all the lending transactions before undertaking them via a Board Resolution.

The management of the Company shall undertake all processes laid down and applicable under the KYC & PML Policy, while also considering necessary financial and other parameters as may be laid down to ensure the strategic and business interest of the Company, and adequately documenting it before sanction.

Sanction of loan, by whatever name called, shall be done only upon execution of Loan Agreement and receipt of KYC and other documents, as may be required in respect of the sanctioned facility and / or any enhancement and/or renewal thereof, and further review of all these documents.

## **7. Tenure of Loans**

- a. The demand/call loan shall be sanctioned for a maximum period of 12 months from the date of sanction of the loan in case of Demand Loan Facility or as per the terms agreed between the company and the borrower.
- b. The Company can renew the tenure of the loan for the further period of not exceeding 12 months by executing extension letter between the Company and the borrower.
- c. The Board of Directors shall, record specific reasons in writing at the time of sanctioning demand or call loan, if the cut-off date for demanding or calling up such loan is stipulated beyond a period of 12 months from the date of sanction.

## **8. Interest Rates**

- a. Interest rates shall be determined as per the trends prevailing in the market and as per the company's cost of borrowing and credit risk.
- b. The Company can issue an interest free loan to the entity which at the time of availing such loan is a wholly owned subsidiary. The sanctioning authority shall record relationship in writing at the time of sanctioning demand or call loan. Such loan shall carry an approval of the Board of Directors.
- c. The Company shall in certain special cases issue an interest free loan under which the sanctioning authority shall, record specific reasons in writing at the time of sanctioning demand or call loan, if no interest is stipulated or a moratorium is granted for any period. Such a loan shall carry an approval of the Board of Directors.
- d. The interest would be applied on monthly/quarterly/half-yearly/annual basis. The interest may be collected at the option of the Company on quarterly / half-yearly /annual payment basis which shall be specified in the terms and conditions of the agreement and all other documents.
- e. Demand / call loans may be considered on fixed interest rate basis pegged to any anchor rate as may be agreed upon. Interest rate would be decided on case

to case basis. Interest rate is subject to review on maturity or date of Put/Call whichever falls earlier. Any changes in the interest rates considered for calculation of interest amount shall be notified to the borrower immediately.

- f. Any variation in the rate of interest shall be notified to the borrower from time to time and shall be effective from such date as may be intimated by the company.
- g. The rationale for charging different rate of interest (i.e. premium/discount over the reference rate) shall depend on the risk gradation of the client, tenure of the loan and type of the loan. The approach for gradation of risk is based on factors such as borrower's profile, available security, client's reputation / positioning in the market, past track record, financial standing, etc. Applicable rate of the interest shall be on annualized basis and payable as per the agreed terms.
- h. Necessary TDS on interest may 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.
- i. The Company shall also, in certain special cases, issue an interest free demand / call loans, or grant moratorium, with the approval of the Board of Directors, with specific reasons clearly documented.

## **9. Call Back of Loans**

- a. In case no call / demand is made prior to the expiry of stipulated period, then the loan shall be deemed to be called/ demanded on such expiry date and shall be repaid accordingly. Suitable clause empowering such demands/calls made for repayment shall be incorporated in the loan agreements.
- b. The mode and authority of making the demand or call for repayment of the loan shall be decided, documented and adhered to.
- c. Either parties to the loan agreement shall give 3 working days' notice to the other side for intended repayment / demanding / calling for repayment. During this 3 days' period no additional interest / penal interest would accrue. In case the repayment is not made within the 3 days, then additional rate of interest of 2 % over and above the original rate would be collected from 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
- d. The borrower shall apply to the Company atleast 15 days in advance to the maturity date for renewal/rollover of existing loan. Same shall be renewed at the discretion of the management.

and based on any other criteria that management deems fit. The same will be included in the agreement.

#### **10. Review / Renewal of Loans**

- a. Demand / call loan shall be reviewed regularly as deemed fit by the management, and necessary enabling clauses are to be included in the Loan Agreement.
- b. Review of the loan shall take place at such frequency as the management may decide, but no later than 6 months from the date of sanction initially, and no later than 6 months from the date of last review.
- c. The demand loan facility would be due for renewal at the expiry of the loan tenor as specified at the time of loan sanction. The renewal of the loan facility would be at the sole discretion of the company.
- d. The renewal of the Demand Loan Facility as aforesaid shall be on the same terms and conditions unless otherwise agreed by agreeing to new terms and conditions.
- e. At least 15 days prior to the end of the stipulated period, the loans shall 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 decision of the same along with necessary supporting shall be documented. In case the loan is renewed, it shall be considered as a new demand / call loan although the same may continue under same customer / loan account number. Such renewal shall only be done if the periodical review has shown satisfactory compliance with the terms of sanction.

#### **11. Loan Repayment**

- a. The loan amount shall become payable on the expiry of the loan tenure or as demanded by the lender before the expiry of the tenure of loan or it can be renewed without any repayment with the existing borrower after taking into consideration of the views of reviewing authority of the Company through the relevant documents approved thereon.
- 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 repaid by the borrower at any time before the expiry of the loan period.



## **12. Classification and Reporting as NPA**

In case the interest is not serviced on due date or the loan is not paid off after being called up / demanded, then the loan would be treated as non-performing if such overdue status continue for more than 3 months from such date and would be provided for according to the policy of the company. The borrower wise NPA classification would also be applicable although no call or demand is made for any particular loan. The company shall classify its exposure in the following categories and provide such provision as required by the Directions from time to time:

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

Necessary reporting to Credit Information Companies, if required shall be done on regular basis.

## **13. Effective Date**

This policy version 1.0 has been adopted at the Company's Board of Directors meeting held on 24<sup>th</sup> January 2020, and shall stand applicable organization wide with effect from 27<sup>th</sup> January 2020.

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