

LARK TRADING AND FINANCE LIMITED

LOAN POLICY

INTRODUCTION AND OBJECTIVE

The purpose of granting loans is to earn income from interest earnings and / or avail benefit of capital appreciation or both, on case to case basis.

In terms of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 updated as on November 10, 2023 and various other directions / circulars issued by the Reserve Bank of India (“RBI”) from time to time, Non-Banking Financial Companies (“NBFCs”) are expected to exercise due diligence and care in all its lending decisions.

In accordance with the above, the Board of Directors of Lark Trading and Finance Limited (herein after referred to as “the Company” or “LTFL”) framed broad guidelines which shall be considered while taking decisions for granting loan as well as to inculcate the operational efficiency.

The objective of the Company to make loans is to get reasonably good returns on the basis of sound lending decisions.

The objectives of this Policy are as below:

- a. To articulate a set of standardized principles, evaluation criteria and procedures for the lending activities of LTFL.
- b. To institute due diligence for mitigating level of credit risks and improve credit quality.
- c. To define overall credit risk appetite.
- d. To establish underwriting framework- including maximum credit limits, risk limits, etc.
- e. To ensure thorough loan appraisal, validity of purpose, documentation requirements, disbursement arrangements, follow-up and monitoring and closure of loan accounts. This includes both, supervision of outstanding loans as well as recovery of overdue loans.

This Loan policy provides an overall description of all stages of the lending process.

REGULATORY REGIME

During the course of its operations, the Company shall strictly adhere to various guidelines as may be stipulated from time to time, by the RBI. These guidelines will include:.

- Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 updated as on November 10, 2023 [“Master Directions”]
- Adherence to Anti Money Laundering Standards (“AML”) – Prevention of Money Laundering Act, 2002 as amended, read with the relevant rules and obligations of NBFCs
- Guidelines on Fair Practices Code for NBFCs

- Circulars, Guidelines and Clarifications as may be issued from time to time by RBI

Pursuant to any subsequent amendments or any statutory modifications or re- enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act / regulation will have overriding effect on the parameter(s).

REGULATORY RESTRICTIONS ON LOANS AND ADVANCES

I. Loans and advances to Directors

Unless sanctioned by the Board of Directors/ Committee of Directors, the Company shall not grant any loans and advances aggregating Rupees Five crores and above to –

- its Directors (including the Chairman/ Managing Director, if any) or relatives of the directors;
- any firm in which any of the Directors of the Company or their relatives are interested as a partner, manager, employee or guarantor; and
- any company in which any of the Directors of the Company, or their relatives are interested as a major shareholder, director, manager, employee or guarantor.

Provided that Director or his/her relatives shall be deemed to be interested in a Company, being the subsidiary or holding company, if they are major shareholder or in control of the respective holding or subsidiary company.

Provided that the Director who is directly or indirectly concerned or interested in any proposal should disclose the nature of their interest to the Board of Directors/the Committee when any such proposal is discussed. They should recuse themselves from the meeting unless their presence is required by the other directors for the purpose of eliciting information and the Director so required to be present shall not vote on any such proposal.

The proposals for credit facilities of an amount less than Rupees Five crore to the borrowers may be sanctioned by the Sanctioning Authority in the Company under powers vested in such authority, but the matter should be reported to the Board of Directors of the Company.

II. Loans and advances to Senior Officers of the Company

The Company shall abide by the following when granting loans and advances to their Senior Officers:

- Loans and advances sanctioned to the Senior Officers of the Company shall be reported to the Board of Directors of the Company.
- No Senior Officer or any Committee comprising, *inter alia*, a Senior Officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that Senior Officer. Such a facility shall be sanctioned by the next higher Sanctioning Authority under the delegation of powers.

III. In respect of grant of aforementioned loans mentioned at para I and II above

- The Company shall obtain a declaration from the borrower giving details of the relationship of the borrower with the directors/ senior officers of the Company for loans and advances aggregating Rupees Five crore and above. The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.
- These guidelines shall be duly brought to the notice of all directors and placed before the Company's Board of Directors.
- The Company shall disclose in its Annual Financial Statement, aggregate amount of such sanctioned loans and advances.

The above norms as mentioned at para I, II and III will equally apply to awarding of contracts.

IV. Explanations:

For the purpose application of regulatory restrictions on grant of Loans and Advances in paras I to III above, the term 'loans and advances' excludes such advances granted against Government securities, Life insurance policies, Fixed deposits, Stocks and shares, Housing loans, car advances, etc. granted to an employee of the LTFL under any scheme applicable generally to employees subject to the Company's interest/lien being appropriately marked with legal enforceability. While other terms such as 'control', 'relative' and 'senior officer' shall have the meanings assigned to them under the Companies Act, 2013, the term 'major shareholder' shall mean a person holding 10% or more of the paid up equity capital or five crore rupees in paid up shares, whichever is lower.

V. Loans and advances to Real Estate Sector

While appraising loan proposals involving real estate, the Company shall ensure that the borrowers have obtained prior permission from Government/ local Government/other statutory authorities for the project, wherever required. To ensure that the loan approval process is not hampered on account of this, while the proposals may be sanctioned in normal course, the disbursements shall be made only after the borrower has obtained requisite clearances from the Government/ their statutory authorities.

TERMS & CONDITIONS GOVERNING THE GRANTING OF LOANS PURPOSE:

The purpose of the Company to grant loans is to earn income from interest earnings or avail benefit of capital appreciation or both, on case to case basis.

Borrower:

The Company may give loan to any Body Corporate(s), Firm(s), Individuals, etc., subject to the regulatory prescriptions and / or restrictions on the specific sector or category of borrowers, as may be stipulated by RBI from time to time.

Credit analysis of the Borrower:

The Company shall sanction the loan after reviewing the financial strength of the borrower and taking into account any regulatory advices. The repayment capacity of the borrower will be assessed based on its past performance as well as its future plans and projections. The Company will be taking the CIBIL score at least once a year and certainly at the time of any adverse credit event in respect of all borrowers including in the case of Group Companies.

Sanctioning Authority:

The Board of Directors or the authorised officers as per the authority delegated by the Board of Directors as the case may be, shall be the Sanctioning Authority. The Sanctioning Authority may approve the proposal of any sector on case to case basis covering the entire spectrum of aspects viz. purpose, size, interest rate, term, repayment terms, risk factors, security required and any other conditions.

- The sanctions accorded by the authorised officers as per the authority delegated by the Board of Directors shall be placed before the Board of Directors in their ensuing meeting for the purpose of review and noting.
- If the authorised officers decides that any particular loan or any other feature of a program need to be placed before the Board of Directors, the same shall be placed before the Board of Directors for approval Term:

The Company shall make short-term loans including inter corporate deposits for a period not exceeding one year. The maximum period of term deposit or other credit facilities shall not exceed Twenty-Five years from the date of disbursement of the loan.

Nature:

The loan to be made may be secured or unsecured. The loan could be in the form of discounting of receivables or bill discounting, in consonance with the RBI norms and best practice in the market.

Request from the Borrower:

The borrower desirous of availing loan shall make a request in writing to the Company. The Company may at its sole discretion either accept or reject the request. Wherever felt necessary, the Company may enter into an agreement to grant loan on such terms and conditions as are within the ambit of this policy. The Company may extend the term of inter corporate deposit for a further period not exceeding in aggregate the period of one year. The loans sanctioned by other than the Board of Directors shall be placed before the Board of Directors for its noting, in the immediately ensuing meeting of the Board.

Interest:

The rate of interest on loans, where applicable, will depend on the market conditions, availability of surplus funds with the Company and other circumstantial factors.

The Interest on the loan amount shall accrue and will become due and payable on monthly or quarterly basis depending upon case to case.

The Sanctioning Authority shall record specific reasons in writing at the time of sanctioning loans, in case no interest is stipulated or a moratorium for principal or interest is granted for any period.

Pre and post disbursement monitoring of the loans:

The Company shall procure from the Borrowers, other than group companies, end use certificates, if applicable and prescribed in sanction letter, duly certified by Chartered Accountants.

Repayment:

The Loan may be repayable in one or more installments as per the terms agreed upon. However, the cut-off date for repayment may be extended by the Sanctioning Authority for any particular case. Where such cut-off date for repayment is extended beyond a period of one year from the due date, the Sanctioning Authority shall record specific reasons in writing for such extension.

Security:

For secured loans, the borrower shall, in consideration of the loan given, create such security in favour of the Company as stipulated by the Company, including a demand promissory note, wherever applicable.

Collaterals:

In case it is felt necessary to strengthen the credit worthiness of the borrower, a co-borrower / guarantor may be considered.

Default:

In the event of any default made by the borrower, the Company shall have sole and absolute discretion to charge such additional interest on the amount due to the Company.

Review of Performance:

The Sanctioning Authority shall periodically review the performance of loans.

APPLICATIONS FOR LOANS AND THEIR PROCESSING

All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower.

The loan application form shall indicate the documents required to be submitted with the application form.

LTFL shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

LOAN APPRAISAL AND TERMS/ CONDITIONS

LTFL shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

As complaints received against the Company generally pertain to charging of high interest/penal charges, LTFL shall mention the penalties charged for late repayment in bold in the loan agreement.

Borrowers may not be fully aware of the terms and conditions of the loans including rate of interest at the time of sanction of loans, either because the Company does not provide details of the same or the borrower has no time to look into detailed agreement.

Not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the company and the borrower with regard to the terms and conditions.

LTFL shall furnish a copy of the loan agreement as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

PENAL CHARGES IN LOAN ACCOUNTS

Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

LTFL shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.

LTFL shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.

The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.

The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.

The quantum and reason for penal charges shall be clearly disclosed by LTFL to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of LTFL under Interest rates and Service Charges.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

LEGAL ENTITY IDENTIFIER FOR BORROWERS

A new amendment “Legal Entity Identifier for Borrowers” introduced by Master Direction – RBI (NBFC-SBR) Direction, 2023 for better risk management in financial transaction specially the post global financial crisis.

The Legal Entity Identifier (LEI) code is conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. LEI is a 20-digit unique code to identify parties to financial transactions worldwide. Accordingly, it is advised that non-individual borrowers enjoying aggregate exposure of ₹5 crore and above from banks and financial institutions (FIs) shall be required to obtain LEI codes as per the timeline given below

Total Exposure	LEI to be obtained on or before
Above ₹25 crore	April 30, 2023
Above ₹10 crore and up to ₹25 crore	April 30, 2024
₹5 crore and above and up to ₹10 crore	April 30, 2025

Note: “Exposure” for this purpose shall include all fund based and non-fund based (credit as well as investment) exposure of banks/FIs to the borrower. Aggregate sanctioned limit or outstanding balance, whichever is higher, shall be reckoned for the purpose. Lenders may ascertain the position of aggregate exposure based on information available either with them, or CRILC database or declaration obtained from the borrower.

Borrowers can obtain LEI from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF) – the entity tasked to support the implementation and use of LEI. In India, LEI code may be obtained from Legal Entity Identifier India Ltd (LEIIL), a subsidiary of the Clearing Corporation of India Limited (CCIL), which has been recognised by the Reserve Bank as issuer of LEI under the Payment and Settlement Systems Act, 2007 and is accredited by the GLEIF as the Local Operating Unit (LOU) in India for issuance and management of LEI. The rules, procedure and documentation requirements may be ascertained from LEIIL. After obtaining LEI code, The Company shall also ensure that borrowers renew the codes as per GLEIF guidelines.

Borrowers who fail to obtain LEI codes from an authorised LOU shall not be sanctioned any new exposure nor shall they be granted renewal/enhancement of any existing exposure. However, Departments/ Agencies of Central and State Governments (not Public Sector Undertakings registered under Companies Act or established as Corporation under the relevant statute) shall be exempted from this provision.

The Company shall encourage borrowers to obtain LEI for their parent entity as well as all subsidiaries and associates.

POLICY ON DEMAND LOANS:

Demand/Call loans offer flexibility to both customer and lender in handling the credit requirements. Within the framework of its loan policy, LTFL may grant short term demand loans for short term working capital or liquidity management purposes to corporates and MSMEs. These loans are repayable on demand or at short notices. The amount of loan and repayment tenor will be negotiated and agreed up front and communicated in writing to the borrower.

- All demand loans will be sanctioned by the Board or as delegated by the Board. All Demand loans under delegated powers shall be reported to the Board at the next meeting. Specific justification for the sanction shall be recorded in each case.
- All demand loans will be sanctioned with a repayment period of not more than one year. A demand loan may be called up or demanded by LTFL at its discretion at any time after sanction up to a period of one year. Demand loans may be renewed on maturity subject to satisfactory conduct and servicing.
- Subject to the interest rate policy of LTFL, interest on demand loans shall be payable at monthly or quarterly rests. Pre-payment penalty shall not be levied on Demand Loans.
- Demand or Call loans will be sanctioned on a fully secured basis.
- Sanctioned credit limits will be need based and asset backed and subject to limits under the Company's credit exposure norms.
- The performance of demand loans will be reviewed every six months. Demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction.

REPORTING REQUIREMENTS:

The Company shall adhere to the prescribed prudential norms and reporting requirements in the periodical returns, CERSAI, CRILC platform and in the annual financial statements.