

Alpha Alternatives Financial Services Private Limited  
(Formerly known as Provincial Finance and Leasing Co Private Limited)

Demand / Call Loan Policy

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**Applicable to: Alpha Alternatives Financial Services Private Limited (“AAFSPL”) (Formerly known as Provincial Finance and Leasing Co Private Limited) (“PFLCPL”)**

**1. Policy on Demand / Call Loans**

The Board of Directors of AAFSPL (“the Company”) being a non-banking financial company granting/ intending to grant demand/ call loans is required to frame a policy on demand /call loans in pursuance with the Notification The Reserve Bank of India (RBI) vide RBI/DNBR/2016-17/45 Master Direction DNBR.PD. PD.008/03.10.119/2016-17 dated September 01, 2016 (as amended) regarding " Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions,

**2. Objective of the Policy**

The objective of this policy is to comply with Direction 7 (1) of the RBI Circular dated July 1, 2015 (as updated on 11 April, 2016), as mentioned below: “The Board of Directors of every non-banking financial company granting/ intending to grant demand/ call loans shall frame a policy for the company and implement the same.” The aim of this policy is to lay down clear terms on loan tenure (if opted), interest, repayment, renewal etc relating to demand loan facility given to the borrower. It will be applied in conjunction with the Investment Policy , Fair Practices Code, and the Grievance Redressal policy, as applicable

**3. Policy guidelines**

These are as under:

**a. Pre-sanction Process**

- Counterparty due diligence - AAFSPL shall conduct a due diligence either through an internal team or by engaging a specialist on the creditworthiness of the borrower. The assessment would be in line with AAFSPL’s credit policies, norms and procedures in respect thereof. AAFSPL shall do a diligence with respect to Credit Information Companies or any such other watch out Investors lists provided by RBI, any Government Authority or any other institution of which AAFSPL may be a member of, AAFSPL will at it’s sole discretion decidewhether to provide a loan or not.
- Credit appraisal note shall be prepared for evaluation client and/or new transaction. Among other details, the credit appraisal note should include background of borrower, business model, rationale for Borrower asking for the loan, the collateral cover offered, risks involved in the transaction and any other material information relevant for assessment of the transaction
- **Security Detail of Loans:**
  - Loans provided by the institution may be secured against tangible assets such as property, equipment, or other valuable collateral. However, they can also be unsecured.
  - In the case of unsecured loans, the institution relies solely on the creditworthiness and financial stability of the borrower.
  - The decision to offer unsecured loans will be based on factors such as the borrower's credit history, income stability, and overall risk assessment.
- **Concentration Limits (25-40%):**
  - Concentration limits will be imposed on both secured and unsecured loans to manage risk exposure.
  - These limits will typically range between 25% to 40% of the institution's total loan portfolio, regardless of whether the loans are secured or unsecured.
  - Exceptions to these limits may be considered based on the borrower's credit profile and the institution's risk appetite.
- **Sectoral Caps:**
  - Sectoral caps will apply to both secured and unsecured loans to ensure diversification and

mitigate sector-specific risks.

- Investments in sectors exceeding the prescribed caps will require approval from the investment committee, irrespective of whether the loans are secured or unsecured.

b. Sanction Process and Documentation

o **Investment Committee Approval:**

- The investment committee will have the authority to approve loans exceeding certain thresholds or requiring exceptions to established policies, whether they are secured or unsecured.
  - Committee decisions will consider risk analysis, market trends, and potential impact on the institution's portfolio, regardless of the type of loan.
  - Loans exceeding 150 crores will also require approval from the board of directors in addition to the investment committee.
  - Slabs based on loan amounts may be established for both secured and unsecured loans to streamline the approval process.
  - These slabs will define the applicable interest rates, repayment terms, and approval procedures for loans falling within specific ranges, irrespective of their security status.
- o The borrower would be informed by means of Sanction letter or Term Sheet on the amount of loan sanctioned. The said letter shall contain the terms and conditions including the annualized rates of interest and method of application thereof and shall obtain an acceptance from the borrower on the said letter.
- o The Borrower shall execute all necessary documents, declarations, Power of Attorneys (if any) as may be required to avail disbursement of the loan. AAFSPL shall ensure that the loan agreements and enclosures furnished to all borrowers contain the terms and conditions and the rate of interest in the form of a term sheet, which shall be annexed to the loan agreement.
- o Physical instruments, such as undated cheques from the client's bank account, may be collected by AAFSPL from the borrower / client in advance for security purposes that can be utilized in case of any default.

**4. Interest Rate and other terms**

- o AAFSPL shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- o Interest rate will be charged based on multiple factors including but not limited to current borrowing rates in the market, cost of capital of AAFSPL, risks involved in the transaction, collateral cover available, borrower track record and profile, etc. Any variation in the rate of interest shall be notified to the customer from time to time and shall be effective from such date as may be intimated by AAFSPL.
- o There will be monthly or quarterly rests for charging interest as appropriate. The period for levying and collecting interests will be mentioned in the terms and conditions.
- o The demand/call loan will be sanctioned for a period of up to one year from the date of sanction of the loan in case of Demand Loan Facility or as per the terms agreed between AAFSPL and the borrower.
- o The sanction Committee shall record specific reasons in case the tenure of loan for any client is beyond the period of 12 months from the date of sanction.
- o 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;

- In case of non-payment of interests, appropriate action based on the terms and conditions of the transaction and other remedial measures available under the provision of law, including but not limited to treating such action as an “event of default”, shall be taken
- Suitable clause empowering such demands/ calls made for repayment would be incorporated in the loan agreements.
- Other standard terms as applicable.
- This policy will be not be overwriting any of the terms and conditions given in the agreement including schedule of terms. In case of any inconsistency, the terms given in the agreement will prevail.

**5. Review or Renewal of Loans**

- Review of performance of the loan, shall be done at the end of every quarter commencing from the date of sanction. The review can be done earlier in case of occurrence of a material event that may impact the repayment of loan.
- The demand 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 AAFSPL. Such demand or call loans shall not be renewed unless the periodical review has shown satisfactory compliance with the terms of sanction
- At least 7 (Seven) days prior to the end of the stipulated period, the loans would 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 same shall be documented.

Data confidentiality will be maintained. No client data shall be shared unless required by law.

This policy will be reviewed on periodical basis and revisions, if any, will be carried out after approval of Board of Directors / Committee authorized by it as the case may be.

This policy should always be read in conjunction with RBI guidelines, directives, and instructions. AAFSPL will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines. In case of conflicts, the RBI guidelines will have overriding effect.

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