DSP FINANCE PRIVATE LIMITED

(Formerly known as DSP Investment Managers Private Limited)

Demand / Call Loan Policy

1. Background:

As per Chapter IV Clause 28 – Policy on Demand / Call Loans of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("RBI MD – SBR), the Board of Directors ("the Board") of DSP Finance Private Limited ("the Company" or "DSP Finance") intending to offer demand / call loans are required to frame a policy for the Company and implement the same.

2. Purpose:

This policy intends to lay down a broad framework for the Demand / Call Loans provided by the Company with respect to following specific parameters loan tenure, sanction, performance review, interest, roll over, repayment, renewal, income recognition, asset classification, provisioning, margin/collaterals etc.

3. Policy:

DSP Finance may extend secured loans both long term or short term to eligible borrowers who could be Individuals, HNIs, Partnership Firms including LLPs and Corporates. On Demand or On Call loans are a type of lending instrument that offers liquidity support and flexibility to the borrowers in handling their credit requirements. These types of loans also allow the Lenders the option to call back the loan on demand. DSP Finance will offer Demand Loans under this policy which will be subject to review by the Credit Committee constituted under the authority of its Board of Directors.

Tenor and Call back of loans:

- The tenor of the demand/call loan will be as per the terms agreed between the Company and the borrower.
- The sanctioning authority shall record reasons in case the tenure of loan for any client is extended beyond the period of 12 months from the date of sanction.
- 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 (unless the contrary is put forth in the agreement agreed by the client and the company)
- Suitable clause empowering such demands / calls made for repayment would be incorporated in the loan agreements.
- The mode and authority of making the demand or call for repayment of the loan would be as decided, documented and adhered to in the agreement.
- Notices would be given to clients in the form of Emails AND/OR Mobile notifications / SMS's AND/OR web based online notifications in the client's login in the login platform of the client where he/she would avail the product of the Company. The time duration of each Notice would vary with each incident as prescribed under the Master Loan Agreement.
- The Penal Charges would amount to a rate as highlighted in the the KFS.
- The Company shall release the securities/ other assets held as collateral for the facility on repayment in full as per the terms stated in the Fair Practices Code and the internal policies of the company.

Sanction Process:

- For availing the sanction facility, borrower shall execute the Master Loan Agreement and other documents, declarations, KYC documents as may be required in respect of the sanctioned facility.
- The Credit and Sanction Authority will carry out the credit appraisal of documents and then facility will be sanctioned as per the sanction process outlined in the Credit and Risk policy.

Performance Review

All the Demand / Call loans having stipulated period beyond 6 months from the date of sanction shall be subjected to performance review covering parameters such as:
- Credit Risk pertaining to the Borrower
- Collateral value and attached risks to valuation
- Continued feasibility of funding, in terms of Liquidity Management

Interest Rates:

- Interest rates will be determined as per the trends prevailing in the market and as per the company's cost of borrowing.
- The interest would be accrued on daily basis on the end of day outstanding principal.
- The interest will be collected by the Company monthly which shall be specified in the terms and conditions of the agreement.
- Any amount collected above the interest amount would be adjusted towards the principal amount.
- Posting of the monthly interest will be done on the last day of the respective month which shall become due and payable by the 7th of the month following the respective month.
- Interest rate would be decided on a case-to-case basis. 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.
- 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 profile, available security, client's reputation/positioning in the market, past track record, financial standing, etc. Applicable rate of the interest will be on annualized basis and payable as per the agreed terms and as highlighted in the agreement.

Loan Repayment:

- The loan amount shall become payable on the expiry of the loan term or as demanded by the Company before the expiry of the term loan
- The loan shall be repayable unconditionally on demand at the Company's discretion and without giving any reasons whatsoever
- The loan can also be paid by the customer at any time before the expiry of the loan period.
- The notice giving requirement for both the Company as well as the Borrower shall be a minimum of 3 days (Notice Period) for intended repayment / demanding / calling for repayment.
- In case the repayment is not made within the above stated notice period, then Penal charges of 2% p.m., over and above the original interest rate, shall be levied and collected from date of demand / call till its repayment.

Review, Renewal / Roll over of Loans

- The demand loan facility would be due for renewal / roll over at the expiry of the loan tenure or at any time as per the application of the borrower as specified at the time of loan sanction.
- The renewal / roll over of the loan facility would be at the sole discretion of the Company.
- The renewal / roll over of the Demand Loan Facility as aforesaid shall be on the terms and conditions at the given date.
- At least 30 (Thirty) days prior to the end of the stipulated period, the Demand / Call loans shall be reviewed to decide on whether it should be fully / partially renewed / rolled over or Demanded / Called on end of expiry period.
- Renewal / Roll Over shall be offered only if
  - Interest payment has satisfactory performance
  - Collateral, if any, is sufficient
  - Credit Risk pertaining to the Borrower is low
  - Regular Performance Review has provided satisfactory result
- In case the loan is renewed / rolled over, then it should be considered as a new demand / call loan although the same may continue under same borrower / loan account number.
- The renewal / roll over shall require re-execution of fresh Loan Agreement and other documents, and mere addendum / amendment to the Loan Agreement shall not be undertaken.
- The automatic renewal / roll over shall be made for one successive loan tenure. Once, automatic renewal / roll over is made for the loan, such outstanding loan amount shall be repaid before grant of any further loan.
- In case the loan has not been repaid or closed even after following due procedure and sufficient warnings post 2 years from original date of grant of loan, the Company shall be entitled to invoke the pledge/collateral.
- Maximum amount for each of the demand/ call loan and the aggregate amount of the demand / call loan would be subjected to a review periodically, at least annual basis, by the Credit and Sanctioning Authority.

Margin

Margin shall comprise of collaterals, as per the Approval List / Group – 1 Securities after applying the haircut percentage as per the scrip category as per the Risk Policy of the Company or as per the special margin approved for the client. This Approved List of Group 1 Securities shall always be available on the website of the Company and is subject to change at the discretion of the Company from time to time. This list may be modified by the Company with prior notice which may be immediate and extremely short in nature due to the nature of the volatility of the markets.

Classification as Non-Performing Assets (NPA)

- In case the interest is not serviced on due date, or the loan is not paid off after being called up / demanded, for a period of more than 90 days, then the loan would be treated as Non-Performing Asset (NPA).
- On being classified as NPA, appropriate provisioning requirements will trigger 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 loan.
- Income Recognition, Asset Classification and Provisioning Demand / Call loans that are classified as NPA shall be accounted for on Receipt / Realization basis.
- Asset Classification & Provisioning shall be as per the requirements prescribed by Reserve Bank of India. However, the Company may adopt a more stringent Asset Classification & Provisioning mechanism based on expected risks.
- Further, the Company shall ensure that its Liquidity Risk Management system captures Non-Performing Assets as illiquid.

Tax deducted at source (TDS)

TDS is deductible on interest under Section 194A of the Income Tax Act 1961or such other applicable/ relevant section

- All borrowers who are liable to deduct the TDS must pay TDS as per applicable rate for the interest being paid to the Company.
- Once returns are filed, borrower must provide TDS certificates in Form16A generated from the income tax website via email to "accounts@dspfin.com".
- TDS credit is given to client on the basis of credit received in 26AS.
- Alternatively, digitally signed TDS certificates can be emailed to "accounts@dspfin.com".

Exposure Limits

The Company / Management may set out overall Exposure Limits as well as sub-limits for Demand / Call Loan portfolio, based on parameters which may include:

- Collateral Type / Unsecured
- Credit Risk
- Geography
- Borrower Demographics
- End-Use

Loan Agreement will override policy

- This policy will not be overriding 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.
- This policy will be reviewed on a periodical basis and revisions, if any, will be carried out after approval of the Board of Directors or such other person authorized by the Board as the case may be.
- This policy should always be read in conjunction with RBI guidelines, directives, and instructions.
- The company 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 the overriding effect.