

**BERAR FINANCE LIMITED**

**LENDING POLICY**

**RECORD OF REVIEW:**

Document Number	1
Revision Number	02
Document Classification	Internal
Released	May 19, 2021
Created by	CS. Deepali Balpande
Reviewed by	Board of Directors
Authorized by	Board of Directors
Approval/Modification Date	May 19, 2021

Version No	Created/Modified Date	Created/Modified by	Approved by
1	July 27, 2020	Secretarial Department	Board of Directors
2	May 19, 2021	Secretarial Department	Board of Directors

Note: **Revised at the Board Meeting dated May 19, 2021**

1. Background

Berar Finance Limited (“BFL” or “Company”) is a public limited company incorporated under the Companies Act, 1956 and registered with the Reserve Bank of India (“RBI”) as a deposit taking non-banking finance company (“NBFC”).

As per the RBI guidelines, NBFCs are required to frame a lending policy and implement adequate safeguards in order to ensure that the lending activities, undertaken by them, are run on sound, prudent and profitable lines. Accordingly, the Board of Directors (“Board”) of the Company has adopted a Lending Policy (“Policy”) to be followed while disbursing loans.

2. Objectives of the Policy

The Policy aims to lay down the guidelines and procedures to be followed to ensure sound lending of the Company’s funds and to facilitate good returns, efficient recovery and minimum delinquency by customers.

3. Pre-requisites for Loan Approval

All borrowers and guarantors seeking a loan will be required to produce and comply with the below for completing the loan approval process:

• Loan Application Form

A duly filled and signed application form needs to be submitted by the customer while seeking a loan.

• Know Your Customer (“KYC”) Compliance

The customer will be required to produce the following documents specified by RBI for completing the KYC formalities.

Particulars	Eligible Documents
Identity Proof	<ul style="list-style-type: none"><li>• Passport;</li><li>• PAN Card;</li><li>• Driving License;</li><li>• Voter ID Card;</li><li>• Ration Card;</li><li>• Aadhar Card or any other identity card issued by a Government Authority, PSU, or Nationalized Bank, containing the photograph of the customer</li></ul>
Address proof	<ul style="list-style-type: none"><li>• If any of the documents taken as identity proof also contain the address of the borrower, no separate address proof will be required.</li><li>• In other cases, the borrower can provide any of the following documents:<ul style="list-style-type: none"><li>○ Ration Card;</li><li>○ Latest Electricity Bill;</li><li>○ Latest Landline Telephone Bill;</li><li>○ Latest Gas Connection Bill;</li><li>○ Bank Passbook;</li><li>○ Rental Agreement / Sale Deed / Property Purchase Agreement or any other documents issued by a Government Authority, PSU, or</li></ul></li></ul>

	Nationalized Bank, containing the address of the customer.
Income proof	As proof of income, the borrower will need to provide any of the following documents: <ul style="list-style-type: none"> <li>• Last 3 months Salary Slip;</li> <li>• Latest Form 16;</li> <li>• Latest Income Tax Return (“<b>ITR</b>”);</li> <li>• Latest 3 months Bank Statement.</li> </ul>

• **Credit Bureau Verification**

The Company will obtain a report from one of the credit bureaus - Credit Information Bureau (India) Limited (“CIBIL”), CRIF Highmark, or Experian. Unless otherwise approved, a report from CIBIL shall be obtained by the credit team. The credit bureau report from CIBIL shall be obtained for both the borrower and/or guarantor to check for any previous defaults and reasons for the same. For customers to be eligible for a loan, the report from CIBIL should be clean without any default. In case there is any default in the CIBIL report, the credit team shall ascertain the reasons. In the case of a default, once the credit officer at the Branch is convinced that the default was on account of specific unavoidable reasons, it will refer such application to the credit department at head office for approval or rejection of the application.

• **Telephonic and Field Verification**

The Company will undertake a telephonic verification to determine the accuracy of the information provided by the borrower as part of the credit appraisal process. If required by the Branch Head, a field investigation will also be conducted by the credit staff or a third party service provider. The field investigation will be conducted for loan applications which have ambiguity in submitted documents, self-employed/ business customers who do not have documented income proof (e.g. bank statement) and applicants who are staying in rented accommodation. In certain cases, after taking into consideration the area of residence or profile of the customer, the Branch Head may require a field investigation to be conducted.

If the outcome of the above processes is satisfactory the Company will then proceed towards loan disbursement (based on the loan approval matrix in Section 4 and subject to the following terms:

• **Pricing and Other Charges**

Interest charges to be levied shall be governed by the Interest Rate Policy adopted by the Board. The Board and the Asset Liability Committee (“**ALCO**”) shall review the interest rates periodically and make necessary revisions as per the business requirements. Any revision in interest shall only be with prospective effect.

In addition to the interest, the Company may levy other charges as may be specified in the loan document including but not limited to:

- loan processing fees, origination fees;
- documentation charges;
- pre-payment charges;
- penalty on non-payment or late payment;
- rescheduling charges;
- pre-payment charges;
- foreclosure charges;
- security swap charges;
- cheque bounce charges;

- penal interest;
- collection charges;
- Stamp duty;
- GST and other cess.

Any revision in these charges would be implemented prospective basis with due communication to customers. The quantum of such charges would be decided upon by the respective Business/ Function heads in consultation with Operations, Finance, Compliance and Legal heads and communicated by way of circulars to the team.

- **Post Dated Cheques (“PDCs”) and National Automated Clearing House (“NACH”) mandate**

The Company may collect PDCs or NACH (physical or electronic) mandate from the borrowers/co-borrowers/ guarantors for such period or amount as it may consider necessary.

- **Stamp Duty**

The borrower is liable to pay stamp duty on the loan agreement at actuals as levied by the respective State Governments.

#### **4. Guidelines for Loan Sanction by Product**

##### **A. Two-Wheeler Loans**

- **Purpose**

The Company provides loans for purchasing new 2-Wheelers (“2W”).

- **Eligibility of customers**

The following categories of borrowers are eligible to apply for a new vehicle loan:

- Salaried or self-employed individual who satisfy the following criteria;
  - Individuals who are a minimum of 18 years of age at the time of applying for a loan; and
  - Individuals who have been residing at the given residence for a minimum of 1 year (in case of less than 1 year at the current location, relevant documents will be provided to the Company during loan approval stage).
- Proprietary firm, partnership firm, private limited or public limited companies.

- **Quantum of finance**

The quantum of finance will be decided mainly on the basis of the borrower’s repaying capacity, credit history and the value of security provided.

- **Tenure of loan**

Depending on the resale value of vehicle and the earning stability of the customers, the Company will grant new vehicle loans for a period between 6 to 36 months.

- **Interest rate**

The rate of interest shall be determined by the ALCO committee from time to time and notified to the branches and sales teams. The interest rates will be determined based on multiple factors and will among others include factors like borrower risk profile, cost of funds, cost of collection and operations, nature of security, market dynamics etc. and may differ for different schemes and different categories of borrowers.

- **Loan-to-value (“LTV”)**

The Branch Head can provide loans with a maximum LTV of up to 90% on the basis of the customer’s risk profile. It may allow a higher LTV only in exceptional cases which will require the approval of the credit department at Head Office.

- **Security / Collateral**

For the purpose of extending a new vehicle loan, the Company requires 1 (one) guarantor, hypothecation of vehicle, PDCs/NACH/e-NACH from the borrower. In certain cases, the approving authority may also ask for PDCs/NACH/e-NACH from the co-borrower/ guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

Amount of Loan Sanctioned	Approving Authority
Up to INR 1 Lac	By Branch Head
Above INR 1 Lac and up to INR 3 Lacs	By Business Head
Above INR 3 Lacs and up to INR 5 Lacs	By Managing Director
Above INR 5 Lacs and up to INR 10 Lacs	By Executive Chairman
Above INR 10 Lacs	Jointly by Executive Chairman and Managing Director

**B. Vehicle Refinance**

- **Purpose**

The Company will provide refinance loans (both 2-wheeler and 4-wheeler) as a top-up personal loan to existing customers of the Company with no history of default in loan repayment to the Company.

- **Eligibility of customers**

Vehicle refinance loan is granted only to existing customers who have settled their last 12 instalments for the existing new vehicle loan from the Company without any default.

- **Quantum of finance**

The quantum of finance will be decided mainly on the basis of the borrowers’ repaying capacity and the value of security provided.

- **Tenure of loan**

Depending on the resale value of vehicle and the earning stability of the customers, the Company will grant vehicle refinance loans for a period of 6 to 36 months.

- **Interest rate**

The rate of interest will be determined by the ALCO committee from time to time and notified to the branches and sales teams. The interest rates will be determined based on multiple factors including borrower risk profile, cost of funds, cost of operations & collection, vehicle brand, age of vehicle, market dynamics etc. and may differ for different schemes and different categories of borrowers.

- **Loan-to-value**

The Branch Head can provide loans with a maximum LTV of up to 90% on the basis of the customer’s risk profile. It may allow a higher LTV only in exceptional cases which will require the approval of the Business Head.

- **Security / Collateral**

For the purpose of extending vehicle refinance loan, the Company requires 1 (one) Guarantor, hypothecation of vehicle, PDCs from the borrower and, if required, PDCs from the co-borrower/guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

Amount of Loan Sanctioned	Approving Authority
Up to INR 2 Lacs	By Business / Refinance Head
Above INR 2 Lacs and up to INR 5 Lacs	By Managing Director
Above INR 5 Lacs and up to INR 10 Lacs	By Executive Chairman
Above INR 10 Lacs	Jointly by Executive Chairman and Managing Director

**C. Four-Wheeler Loans (Used Cars and New Cars)**

- **Purpose**

The Company provides loans for purchasing pre-owned/ used cars as well as new cars.

- **Eligibility of customers**

The following people are eligible to apply for a loan under this category:

- A salaried or self-employed individual who is minimum of 18 years of age at the time of applying for a loan;
- Proprietary firm, partnership firm, private limited or public limited companies.

- **Quantum of finance**

The quantum of finance will be decided primarily on the basis of the borrowers' repaying capacity and the value of security provided.

- **Tenure of loan**

Depending on the resale value of vehicle and the earning stability of the customers, the Company will grant four-wheeler loans for a period of 24 to 60 months.

- **Interest rate**

The rate of interest will be determined by the ALCO committee from time to time and notified to the branches and sales teams. The interest rates will be determined based on multiple factors including borrower risk profile, cost of funds, cost of operations & collection, vehicle brand, age of vehicle, market dynamics etc. and may differ for different schemes and different categories of borrowers.

- **Loan-to-value**

The Company can provide loans with a maximum LTV of up to 75% on the basis of the customer's risk profile. It may allow a higher LTV only in exceptional cases which will require the approval of the Managing Director.

- **Security / Collateral**

For the purpose of extending a used car loan, the Company requires 1 (one) Guarantor, hypothecation of vehicle, PDCs from the borrower and, if required, PDCs from the co-borrower/ guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

Amount of Loan Sanctioned	Approving Authority
Up to INR 5 Lacs	By Managing Director
Above INR 5 Lacs and up to INR 10 Lacs	By Executive Chairman
Above INR 10 Lacs	Jointly by Executive Chairman and Managing Director



**D. Agri-equipment Loans**

- **Purpose**

The Company will provide farmers with loans to purchase farming equipment such as tractors, trolleys (new and used), threshers, rotavators, water pumps, tilling machines, etc.

- **Eligibility of customers**

This loan shall be given to farmers having a minimum of 5 acres land holding in the family as shown by land holding records.

- **Quantum of finance**

The quantum of finance will be decided mainly on the basis of the borrowers’ repaying capacity and the value of security provided.

- **Tenure of loan**

Depending on the resale value of the equipment and the earning stability of the customers, the Company will grant agri-equipment loans for a period of 12 to 36 months and tractor loans for a period of 12 to 60 months.

- **Interest rate**

The rate of interest will be determined by the ALCO committee from time to time and notified to the branches and sales teams. The interest rates will be determined based on multiple factors including borrower risk profile, cost of funds, cost of operations & collection, nature of underlying asset, market dynamics etc. and may differ for different schemes and different categories of borrowers.

- **Loan-to-value**

The Company can provide loans with a maximum LTV of up to 75% for loans against tractors and 60% for other types of loans after taking into account the customer’s risk profile. It may allow a higher LTV only in exceptional cases which will require the approval of the credit department at the head office of the Company.

- **Security / Collateral**

For the purpose of extending agri-equipment loans, the Company requires 1 (one) Guarantor, hypothecation of farming equipment, PDCs from the borrower and, if required, PDCs from the co-borrower/guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

Amount of Loan Sanctioned	Approving Authority
Up to INR 5 Lacs	By ManagingDirector
Above INR 5 Lacs and up to INR 10 Lacs	By Executive Chairman

Above INR 10 Lacs	Jointly by Executive Chairman and Managing Director
-------------------	---

**E. Personal Loans**

- **Purpose**

The Company will provide unsecured loans to individuals for meeting any financial needs / purposes.

- **Eligibility of customers**

Loans will be granted to individuals only after the Company is satisfied with the credit worthiness, integrity, local standing and repayment capacity of each borrower. Such loans are to be provided only to customers with strong credit profile.

The following categories of customers will be eligible for personal loans by the Company if they meet other pre-requisites:

- Government / Semi-Government permanent employees;
- Employees in school, college and institutions (aided and unaided);
- Employees of reputed public and private sector undertakings;
- Existing customers with clean repayment track-record; and
- Businessmen / Owners of Small Businesses / Vendors with strong credit profile.

- **Quantum of finance**

The quantum of finance will be decided mainly on the basis of the borrower’s repaying capacity and income levels. On an average, the Company will issue personal loans with a ticket size between INR 20,000 to INR 3,00,000.

- **Tenure of Loan**

Depending on the earning stability of the customers, the Company will grant personal loans for a period of 6 to 36 months.

- **Interest rate**

The rate of interest will be determined by the ALCO committee from time to time and notified to the branches and sales teams. Interest rates will be fixed on the basis of risk assessment, cost of funds, cost of operations & collection, etc. and may differ for different schemes and different categories of borrowers.

- **Security / Collateral**

For the purpose of extending personal loans, the Company requires assignment of LIC policy in the name of the borrower, 1 (one) Guarantor or Co-borrower, PDCs from the borrower and, if required, PDCs from the co-borrower/guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

Amount of Loan Sanctioned	Approving Authority
Up to INR 2 Lacs	By Business / Refinance Head
Above INR 2 Lacs and up to INR 5 Lacs	By ManagingDirector
Above INR 5 Lacs and up to INR 10 Lacs	By Executive Chairman
Above INR 10 Lacs	Jointly by Executive Chairman and Managing Director

**F. Demand Loans**

- **Purpose**

The Company can provide demand loans to existing depositors and employees of the Company for the purpose of marriage, higher education, construction/ purchase of a house and medical emergencies.

- **Terms and Conditions for Depositors**

As per the RBI guidelines, the Company will grant loans to the Depositors on the basis of the following terms and conditions:

- Maximum LTV of up to 75% of the deposit amount;
- Interest to be charged at 200 basis points over and above the interest rate offered on deposits;
- Tenure up to residual term to deposit maturity; and
- Regular repayments or squaring up at maturity are allowed.

- **Terms and Conditions for Employees**

As per the guidelines framed by the Company, the following terms and conditions will be followed while granting loans to employees:

- Employee has completed continuous full service of three years;
- Loan amount limits will be determined on the basis of service period and last drawn salary (Basic and HRA) of the employee as follows:

Service Period	Maximum Loan Amount
Above 3 and up to 5 years	3 times of salary
Above 5 and up to 10 years	4 times of salary
Above 10 and up to 25 years	5 times of salary
Above 25 years	6 times of salary

- Rate of interest will be determined by the ALCO committee from time to time;
- Maximum tenure of such loans shall not exceed 36 months;
- Such loan shall be granted once in a block of 5 years and a new loan will be granted only after the full repayment of previous loan;
- The employee needs to produce adequate supporting documents for the purpose of the loan; and
- Regular repayments through adjustment of EMI from monthly salary of the employee. In case the borrower ceases to be an employee of the Company

during the tenure of the loan, then such employee has to fully repay the outstanding loan prior to being released by the Company.

- **Approving Authority**

All loans will be approved by the Accounts Head. Loans exceeding the maximum LTV and/ or maximum loan amount will be subject to the approval of the Managing Director.

## **G. Loans to Group Company/ Related Parties**

Loans to any group company/ related party will need to be approved by the Board and subject to the terms and conditions as the Board may consider necessary.

## **H. Small Business Loans**

- **Purpose**

The Company can provide unsecured loans to small business owners to run their day-to-day business operations.

- **Eligibility of customers**

Loans will be granted to small businesses only after the Company is satisfied with the credit worthiness, integrity, local standing and repayment capacity of each borrower. Such loans are to be provided only to customers with a strong credit profile.

- **Quantum of finance**

The quantum of finance will be decided mainly on the basis of the borrower's repaying capacity and income levels. On an average, the Company will issue small business loans with a maximum ticket size of INR 3,00,000.

- **Tenure of Loan**

Depending on the earning stability of the customers, the Company will grant small business loans for a maximum period of 36 months.

- **Interest rate**

The rate of interest will be determined by the ALCO committee from time to time and notified to the branches and sales teams. Interest rates will be fixed on the basis of risk assessment, cost of funds, cost of operations & collection, etc. and may differ for different schemes and different categories of borrowers.

- **Security / Collateral**

For the purpose of extending small business loans, the Company requires 1 (one) Guarantor or Co-borrower, PDCs from the borrower and, if required, PDCs from the co-borrower/guarantor for such number of instalments as it may consider prudent from a risk perceptive.

- **Approving Authority**

All loans will be approved by the Managing Director.

The list of documents required for each of the loan products is provided in **Annexure 1** to this Policy.

**5. Negative Profile**

The Company will not lend to any business or person engaged in any activity/ fulfils any condition mentioned in **Annexure 2** to this Policy.

**6. Review of the Policy**

The Policy shall be revised as and when necessary. Further, the Policy shall also be reviewed by the Board at the first meeting of the Board of Directors of each financial year.

\*\*\*

**Annexure 1 – Documents Required for Loan Application**

Loan Category	Documentation Requirements
<b>Two-Wheeler Loans</b>	
Salaried or Self-employed individuals	<ul style="list-style-type: none"> <li>• Age, address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> </ul>
Proprietorship or Partnership Firm	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Partnership deed with declaration for Partnership Firm</li> <li>• Photocopy of vehicle RC book and Insurance Certificate</li> </ul>
Private or Public Limited Company	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Photocopy of vehicle RC book and Insurance Certificate</li> <li>• Certified true copy of Memorandum of Association and Articles of Association with Board resolution</li> </ul>
<b>4-Wheeler Loans/ Vehicle Refinance</b>	
Salaried or Self-employed individuals	<ul style="list-style-type: none"> <li>• Age, address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Photocopy of vehicle RC book and Insurance Certificate</li> </ul>
Proprietorship or Partnership Firm	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Partnership deed with declaration for Partnership Firm</li> <li>• Photocopy of vehicle RC book and Insurance Certificate</li> </ul>
Private or Public Limited Company	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Photocopy of vehicle RC book and Insurance Certificate</li> <li>• Certified true copy of Memorandum of Association and Articles of Association with Board resolution</li> </ul>
<b>Agri-equipment Loans</b>	
Individual agriculturists	<ul style="list-style-type: none"> <li>• Age, address, ID and signature proof</li> <li>• Land holding records</li> </ul>

<b>Personal Loans</b>	
Salaried or Self-employed individuals	<ul style="list-style-type: none"> <li>• Age, address, ID and signature proof</li> <li>• Income document (salary slip/ Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> </ul>
Proprietorship or Partnership Firm	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Partnership deed with declaration for Partnership Firm</li> </ul>
Private or Public Limited Company	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Certified true copy of Memorandum of Association and Articles of Association with Board resolution</li> </ul>
<b>Small Business Loans</b>	
Proprietorship or Partnership Firm	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Partnership deed with declaration for Partnership Firm</li> </ul>
Private or Public Limited Company	<ul style="list-style-type: none"> <li>• Address, ID and signature proof</li> <li>• Income document (Form 16/ ITR with computation of income)</li> <li>• Bank statement</li> <li>• Certified true copy of Memorandum of Association and Articles of Association with Board resolution</li> </ul>

In addition to the above documents, the Company may require the applicant to provide any other documents as it may require for the purpose of loan appraisal.

## Annexure 2 – Exclusion List

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, wildlife or products regulated under Convention of International Trade in Endangered Species.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Production or activities involving harmful or exploitative forms of forced labor/harmful child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Any applicant who had previously availed any loan facility from BFL and such loan had been classified as a non-performing asset at the time of new loan.
- Classified as a wilful defaulter.
- Any person with a criminal track record or convicted of a criminal offence.
- Subject of sanctions regulations including Office of Foreign Assets Control (“**OFAC**”) Specially Designated Nationals (“**SDN**”) and Blocked Persons, Foreign Sanctions Evaders List, Non-SDN and Non-OFAC sanctions; European Union Sanctions; UK HM Treasury Sanctions Lists, UN Sanctions or Reserve Bank of India’s Sanctions Notices.
- Listed on the RBI fraud list.
- Subject of any Serious Fraud Investigation Office (“**SFIO**”) investigation.
- Listed in any terrorist group including UK Home Office list of Proscribed Terrorist Groups.