SPOTLIGHT VANIJYA LIMITED

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Demand Call Loan Policy

The Chairman informed the Board that Reserve Bank of India in their guidelines mentioned that an Demand call loan Policy should be instituted by the Company for which already a Committee has been formed.

After some discussions, it was

"Resolved that the draft Demand call loan Policy as placed before the Board be and is hereby adopted, approved and initiated by the Chairman for identification thereof."

Resolved further that a certified true copy of the resolution be forwarded to Reserve Bank of India for their information and record

Certified true copy
For Spotlight Vanijya Limited

N.D. Maheshwari
Director

POLICY ON DEMAND / CALL LOAN

The Company extends inter corporate loan finance to Corporates, both secured and unsecured, to eligible Companies, based on their pre-validation by the Board. There has been keen competition amongst the many players in this market and products are dovetailed to the customer requirements and benchmarked to offering by the competition. Presently the products are offered with specific repayment schedules as bullet repayments. The tenure and rate of interest vary with the Corporates concerned. This also depends upon the risk profile of the customer. Thus the loans are considered on fixed repayment period basis and the commencement of the repayment is also crystallized at the time of sanctioning the loan. Although the loans can be repaid either in part or in whole prior to the scheduled time frame, the customer had to bear some cost in such cases. The foreclosure charges are imposed as a strategy to deter such prepayments and also to compensate the cost of funds management issues arise out of such sudden inflows.

The option for annulling and repayment of the loan before the term is only with the customer and the company as a lender may not have any such option to call for early repayment except where default exists and recalling option is exercised. Demand/Call loans offer better mobility to both customer and lender in handling the credit requirements. For customers whose requirements for funds are for short term and temporary, but frequent in nature demand loans are better option as it would meet their purpose. For the company as a lender it would help in meeting the customer requirements, help in deploying surplus funds for short term and also to plan its funds flow in a seamless way. Further in case of any sudden and upward movement in cost of funds, it would offer an exit option for both the borrower and lender. RBI in its Master Circular- Non banking Financial (Non deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007 dated July 1, 2007 advised that 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.
Keeping the benefits in view and in order to exploit the business opportunities the demand loans may open up, a policy on extending demand / call loans is detailed out as under:
1. Demand / Call loans would be considered by the company both under Secured loan as well as unsecured loan segments.

2. The demand / call loans can be considered under business loans, trade advances, inventory funding, loans against shares & securities etc. This would be reviewed from time to time by an empowered Committee (Risk Management Committee of the Board).

3. Maximum Period for a demand / call loan would be 12 months from the date of sanction of such loan (i.e. the period within which the demand/ call would be made for repayment- termed as stipulated period). For each case, such "stipulated period" needs to be decided and specified in the sanction memorandum/ advice.

4. A Log of due dates for cut off dates each of the demand / call loans to be maintained.

5. 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 otherwise agreed.

6. Suitable clause empowering such demands/ calls made for repayment would be incorporated in the loan agreements.

7. The mode and authority of making the demand or call for repayment of the loan would be as decided, documented and adhered to.

8. The interest would be applied on monthly basis unless otherwise agreed. Generally the interest should be serviced on monthly basis. The interest may be at the option of the company collected on quarterly payment basis which shall be specified in the approval.

9. Demand / call loans may be considered on fixed interest or fluctuating interest rate basis pegged to any anchor rate as may be agreed upon. Interest rate would be decided on case to case basis.

10. Either side would 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.

11. All the demand / call loans having stipulated period beyond 6 months shall be subjected review of performance at the end of 6 months.

12. At least 15 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. In case the loan is renewed, then it should be considered as a new demand / call loan although the same may continue under same customer/ loan account number. Necessary renewal papers would be obtained.

48

13. 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 demand is made for any particular loan.

14. 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 Risk Management Committee.

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.

N8