

Times Guaranty Limited

DEMAND & CALL LOAN POLICY

Information:

Document	Classification	Version	Status
Policy on Demand and Call Loan	Confidential	1.0	Approved

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1. Background:

Times Guaranty Limited (the “Company”) is a Base Layer Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and classified as an Investment and Credit Company (ICC). The Company is listed on both major stock exchanges and is committed to maintaining high standards of corporate governance.

The company primarily focuses on providing customized financial solutions to corporate clients to support their business growth, including structured credit products such as term loans with bullet repayment options that offer repayment flexibility. The Company may also extend credit facilities to individuals with a business or professional relationship, as per its internal policies and regulatory norms. Additionally, the company manages its surplus funds through investments in mutual funds and debt securities, aiming for optimal returns with prudent risk management, while maintaining a transparent, disciplined, and compliant approach in all its operations.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions [“RBI Regulations”] issued in this regard

2. Definitions:

The definitions provided hereunder are for reference only. Definitions provided by Reserve Bank of India, as amended from time to time, shall supersede the definitions provided hereunder:

- **Companies in the Group** – It includes an arrangement involving two or more entities related to each other through any of the following relationships:
Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.
- **Cut-off date**- it shall refer to a date specified in the loan/credit facility agreement within which the company shall demand the loan back or review the performance of the loan/credit facility within timeline as determined in the policy
- **Demand / Call Loan** – It means a loan/credit facility that a lender can require to be repaid in full at any time.
- **Stipulated Period** – It is the period within which the Demand / Call would be made for repayment.
- **Standard Asset** – It shall mean the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.
- **Non-Performing Asset (NPA)** – It shall mean:

- a. an asset, in respect of which, interest has remained overdue for a period of more than 90 days.
 - b. a term loan inclusive of unpaid interest, when the instalment is overdue for a period of more than 90 days or on which interest amount remained overdue for a period of more than 90 days.
 - c. a demand or call loan, which remained overdue for a period of more than 90 days from the date of demand or call or on which interest amount remained overdue for a period of more than 90 days.
 - d. a bill which remains overdue for a period of more than 90 days.
 - e. the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short-term loans/advances, which facility remained overdue for a period of more than 90 days.
 - f. any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of more than 90 days.
 - g. the lease rental and hire purchase instalment, which has become overdue for a period of more than 90 days
 - h. in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset.
- **Sub-Standard Asset** – It shall mean:
- a. an asset which has been classified as non-performing asset for a period not exceeding 18 months;
 - b. an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.
- **Doubtful Asset** – It shall mean:
- a. a term loan, or
 - b. a lease asset, or
 - c. a hire purchase asset, or
 - d. any other asset,
- which remains a sub-standard asset for a period exceeding 18 months.
- **Loss Asset** – It shall mean:
- a. an asset which has been identified as loss asset by the Company or its internal or external auditor or by RBI during the inspection of the Company, to the extent it is not written off; and
 - b. an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

3. Objectives:

The objective of this policy is to establish clear and transparent guidelines for granting, managing, and reviewing demand and call loans by the company. The policy ensures that all demand and call loans granted by the company are in line with the regulatory requirements set by the Reserve Bank of India (RBI) and other relevant authorities. Additionally, it aims to establish internal controls for loan approval, interest rates, repayments, periodic reviews, and renewals. This policy will also help mitigate risks related to liquidity and credit quality while maximizing operational efficiency and compliance.

4. Scope:

The objective of this policy is to lay down a broad framework for the Demand / Call Loans provided by the Company with respect to following specific parameters:

- Period of loan during
- Sanction authority
- Performance Review
- Roll-Over of the facility
- Terms of Repayment
- Income Recognition, Asset Classification & Provisioning
- Collaterals

A Detailed summary of the terms of the facility shall be provided in the Key Fact Statement ("KFS") / Sanction Letter and Agreement

5. Period

- The Demand / Call Loan shall be sanctioned for a minimum of 3 days and a maximum of 1 year as per cut-off date specified in the agreement or sanction document.
- For sanction of Demand / Call loans having maximum validity beyond 1 year, the Exceptions Handling clause of this policy shall be referred to.
- In case no Demand / Call is made prior to the expiry of stipulated period, the Loan shall be deemed to be demanded / called on such expiry/cut-off date. Necessary clauses empowering such demands / calls shall be incorporated in the Loan Agreements entered with borrowers

6. Sanctioning and Approval Process

- The sanctioning authority for demand or call loans will be clearly defined and authorized by the Board of Directors of the company. The authority to sanction loans will depend on the size and risk profile of the loan.
- At the time of sanctioning any demand or call loan, the sanctioning authority is required to document the rationale for setting the repayment cut-off date, especially if the date exceeds one year from the loan sanction date. This ensures that all decisions are backed by valid business justifications and maintain transparency.
- In cases where loans are sanctioned beyond the one-year cut-off, the designated authority will ensure that all terms and conditions of the loan, including the repayment date, are revisited periodically to ensure alignment with business objectives and liquidity considerations.
- Notwithstanding anything in this Policy, any form of Sanction to the Companies in the Group, related parties as per AS 18/Ind AS 24 shall require prior approval of the Board of Directors of the Company.

7. Cut-off Date

A specific cut-off date will be set for each demand or call loan, within which repayment must be requested or called. If the cut-off date exceeds one year, the sanctioning authority must provide detailed justification for the extension. The cut-off date will be aligned with the company's liquidity management framework to mitigate risk.

8. Interest Rate

- The interest rate on demand and call loans will be determined at the time of sanction based on market conditions, borrower risk profile, and the company's cost of funds.
- The rate of interest will be clearly documented in the loan agreement, sanction letter, and Key Fact Statement (KFS).
- Interest Payment Frequency: Interest shall be payable either monthly or quarterly, as agreed in the lending terms.
- Penal Charges: In case of delayed repayment, an additional rate will be charged from the date of demand until repayment.

9. Performance Review

All demand or call loans exceeding six months or falling under the same agreement must be reviewed at the end of the fifth month. The review process will include:

- Credit Risk Assessment: Evaluation of the borrower's creditworthiness and financial position.
- Collateral Valuation: Assessing the current value of the collateral and any risks associated with it.
- Liquidity Management: Ensuring that continued funding remains feasible and does not adversely impact the company's liquidity position.
- Actions Based on Review:
 - a. If performance is unsatisfactory, the company may decide to demand repayment or take corrective actions.
 - b. A satisfactory review is mandatory for any loan renewal or roll-over.

10. Roll over

At least [30] 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 Rolled-Over or Demanded / Called on end of expiry period.

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

The company shall extend the offered facility on receipt of request for renewal in writing (physically / digitally / extension option on app) from the borrower. The company shall refrain from enhancing the credit limit of the borrower without their information and consent.

On renewal, the Demand / Call loan shall be considered as new demand / call loan, although it may continue under same customer / loan account number. The 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.

11. Repayment Terms

- Repayment on Demand: The loan amount must be repaid upon demand by the company or at the end of the stipulated period.
- Discretionary Demand: The company may demand repayment at any time without giving reasons.
- Early Repayment: Borrowers may repay the loan before the stipulated period without penalty unless otherwise specified.
- Demand Procedure: The mode and authority for issuing repayment demands will be documented and followed consistently.
- Penal Charges: If repayment is not made within the stipulated timeline, an additional amount of penal charges will be applied.
- Prepayment Facility: Borrowers may prepay the loan, subject to charges outlined in the lending agreement or KFS.

12. Income Recognition, Asset Classification, and Provisioning

- Demand and call loans classified as Non-Performing Assets (NPA) will be accounted for on a receipt/realization basis.
- Asset Classification and Provisioning: This will be in accordance with RBI guidelines and the company's NPA policy.
- The company's Liquidity Risk Management system will treat NPAs as illiquid assets, impacting liquidity planning.

13. Exposure Limits

The Company / Management shall set out overall Exposure Limits for Loan portfolio, based on parameters which may include:

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

14. Collaterals

The Company shall ensure that adequate Collaterals have been taken for Secured Demand / Call Loans and necessary documentation / reporting has been affected before sanction / roll-over. The Company shall regularly monitor the collaterals in terms of minimum Asset Coverage ratio to be maintained, risks relating to volatility in its value, etc. The Company shall, on satisfactory repayment of loan, release the collaterals promptly as per the Fair Practice Code adopted.

15. Key Fact Statement

- The company shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format given by the RBI
- The company shall ensure that the KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.
- The KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.
- The KFS shall also include a computation sheet of annual percentage rate (APR), and the amortisation schedule of the loan over the loan tenor. APR will include all the charges which are levied by the company
- Charges recovered from the borrowers by the company on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the charge is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.
- Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by the company to the borrower at any stage during the term of the loan, without explicit consent of the borrower.
- The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

16. Exception Handling

The policy shall always be updated with extant regulatory provisions. However, in case of conflict between the Policy and regulations, the regulatory provisions shall always supersede the policy.

The updated policy shall be adhered at all the times and exceptions if any to the policy shall be approved by the Board of Directors after recording a reason in writing.

17. Adoption, Effective Date and Review

This policy has been adopted vide resolution of the Board of Directors of the Company dated 11th June 2025. This policy shall be applicable organization wide with effect from 11th June 2025. This policy shall be reviewed by the Board of Directors on at least an Annual basis.

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