



Edel Finance Company Limited

Demand / Call Loan Policy

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Version No.	11	
Previous versions and dates of approval	Version No.	Date of approval
	1	May 12, 2011
	2	April 2, 2012
	3	April 17, 2013
	4	April 22, 2014
	5	April 28, 2015
	6	May 12, 2016
	7	May 8, 2017
	8	April 30, 2018
	9	November 11, 2019
	10	November 8, 2022

1) Purpose

Edel Finance Company Limited ('Company') is a Core Investment Company [CIC] registered under the relevant provisions with the Reserve Bank of India (RBI). The primary objective of the Company is to hold make investments in and provide loans to the subsidiaries and Group Companies in accordance with the Guidelines issued by the RBI in this regard from time to time.

2) Policy

The objective of this Policy is to provide guidance for making loans to the Group Companies.

The Policy shall be updated as and when necessary to take into account the change in the market environment and adherence to any Regulatory requirements.

3) Nature of Loan

The Company being CIC, shall provide loan(s) to the subsidiaries/Group Companies which shall be repayable at any time on or before maturity.

- **Tenor:** The loans provided to the subsidiaries shall be unsecured and shall be provided for a term of one year (or such period as may be deemed fit while providing the loan) and can be renewed/ rolled over for such period as may be deemed fit by the sanctioning authority.
- **Interest:** The sanctioning authority shall determine the rate of interest chargeable on the Loans and the periodicity of payment of interest i.e. at monthly, quarterly or yearly rests or other period. The sanctioning authority shall record the specific reasons in writing at the time of sanctioning the Loans, if no interest is stipulated or a moratorium is granted for any period.
- **Credit appraisal:** Prior to approving the loans to the subsidiaries and Group companies, the sanctioning authority shall undertake credit appraisal of the subsidiaries and Group companies to whom loan is provided as per format attach in Annexure 1.
- **Review:** Sanctioning authority shall review the performance of such loans at such periodicity as may be deemed fit.

- **Expected Credit Loss (ECL):** ECL shall be computed in such manner as may be specified by the Board from time to time and shall be governed as per the ECL policy.

4) Deviation

Any deviation to the Policy will be placed before the Board with sufficient justifications and shall be subject to the approval/ratification by the Board.

5) Classification and measurement of loans:

The Company classifies its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The Company measures debt financial assets that meet the following conditions at amortised cost:-

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):-

- the financial asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

6) Review of the Policy:

The Policy shall be reviewed by the Board as and when necessary or at least once in two years.

Credit Appraisal, Monitoring & Liquidation

▪ Documents Checklist:

All documents are required to be in the name of borrower and self-attested.

1. Duly filled Loan Request Format /e-mail loan request
2. Profile of the Borrower
3. List of Directors wherever applicable
4. Directors and borrowing company's (ID and address proof) wherever applicable
5. Shareholding Pattern wherever applicable
6. Profit & Loss Account and Balance Sheet certified by a Chartered Accountant for last two years.
7. Audited/Unaudited Financials/ Annual Report for such number of years as may be deemed necessary by the Credit
8. Provisional financials for Current Period, if relevant
9. Any other document which Board/such person as may be authorized by the Board from time to time may feel necessary for credit appraisal.

All documents are required to be in the name of borrower/guarantor, as the case may be, and self-attested/attested by the authorized signatory.

Disclaimer: If required, on case to case basis the Board/such person as may be authorized by the Board from time to time is authorized to ask for any other additional documents over and above mentioned above.

Analysis of Credit Risk:

Credit risk analysis begins with the clear and careful identification of risk factors such as:

1. Background of the borrower
2. Account Conduct Analysis with EW Group (If any)
3. Purpose of the loan
4. Source of repayment
5. Value of guarantee(s), if any
6. Cash flow and financial strength of borrower and guarantor(s)

Investment Memorandum:

The Investment Memorandum (IM) incorporates Detailed Information & Analysis related to the Proposed Deal Structure. The Investment Memorandum is the Core

Document prepared for Appraisal and Approval from Board/such person as may be authorized by the Board from time to time. The IM comprises of the following:

- **The Executive Summary:**

It summarizes essential information for review by the Board/such person as may be authorised by the Board from time to time.

- a. It gives a comprehensive Snapshot of the Proposal under Consideration. It contains brief details of Group, purpose, source of repayment, commercials, liquidity, and historical financial performance of Borrower/Security Company.
- b. Analytical Findings and Key Risk factors are summarized as Key Decision Points. Anyone should be able to look at this summary and understand the nature of the transaction, the risk factors involved and why the risks are acceptable.

- **Borrower Company Analysis:**

Provides detailed analysis on the Borrower including the following:

- a) Describe the main business activity and a brief history (when and where founded).
- b) Ownership and Management in terms of shareholding/ Beneficial Control on borrower entity.
- c) Detailed Financial Analysis of the Borrower
- d) Repayment Capability of the Borrower

- **Security/ Security Company Analysis:**

Provides Detailed Analysis on the Underlying Security Company including the following:

- 1. Historical Performance & Ratios – Detailed Financial Analysis including Balance Sheet, P&L, Cash Flows & Ratio Analysis
 - a) Detailed analysis of key revenue drivers and profitability.
 - b) Balance Sheet Analysis
 - c) Key ratios
- 2. Analysis of Current Performance (Quarterly Financials - QoQ & Y-o-Y) – Also Provide justification on any notable change in the financial profile of Borrower/Security Company.

- **Shareholding Pattern & Trend Analysis of change in Shareholding:**

Details of Promoter Holding and Encumbrance, Change in Public Holding More than 1% etc.

- **Detailed Term Sheet:**

Should capture all relevant details including in the Investment Memorandum so that all the clauses can be incorporated in it to safeguard the Company's interest.

- **Approval Process:**

Each proposal is evaluated by the Board/such person as may be authorized by the Board from time to time.

Issue of Sanction Letter:

On the basis of the Investment Memorandum, the Company shall prepare and forward the sanction letter to the borrower. The sanction letter will include all relevant clauses of approval which need to be communicated to the borrower.

Disbursement Controls:

Following strict norms to be adhered for disbursement:

- 1) Acceptance of sanctioned terms and condition by borrower
- 2) Execution of Legal Documents
- 3) Calculation of Drawing Power and recommending disbursement
- 4) Signing of disbursement memo & disbursement

Post Disbursement Risk Management:

The Demand Loan accounts shall be reviewed every six months or such other period as may be deemed fit to review compliance of terms of sanction by the borrowers.

Liquidation Policy:

Trigger for Liquidation:

The occurrence of Delay / Non receipt of Interest or Principal amount on respective due date would trigger Liquidation Policy.