

KOGTA FINANCIAL (INDIA) LIMITED

POLICY DOCUMENT ON LOANS AND ADVANCES

Version History		
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1. Introduction

Kogta Financial (India) Limited ('the Company' or 'KFL') is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

2. Preamble

One of the important functions of the Banking System is to lend money to the needful to achieve economic objectives. The Reserve Bank of India is empowered to issue licenses to Non-Banking Finance Companies (NBFC) and further to issue directives/advices on loans and advances and other aspects regarding conduct of loan accounts from time to time. With liberalization in the financial system and deregulation of interest rates, NBFCs are now free to formulate loan products within the broad guidelines issued by RBI.

RBI directives can be studied in detail in various Master Circulars issued from time to time.

3. About the Policy

This policy document on loans and advances outlines the guiding principles in respect of formulation of various products offered by the company and terms and conditions governing the conduct of the account. It is expected that this document will impart greater transparency in dealing with the individual customers and create awareness among customers. The ultimate objective is that the customer will get services they are rightfully entitled to receive without demand.

4. Asset Financing Activities

As per distinct RBI guidelines, KFL can finance any physical asset supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines.

KFL is currently disbursing loans in the States of Rajasthan, Gujarat, Maharashtra, Madhya Pradesh, Delhi NCR, Haryana, Uttar Pradesh, Chandigarh and Punjab of which major portfolio is in the rural and semi-urban parts of these States.

Loans provided by the company are segregated in segments like: -

- (i) Loans to automobile sector: Includes Car loan, Multi-Utility Vehicle ('MUV') loan, Light Commercial Vehicle ('LCV') loan, Heavy Commercial Vehicle ('HCV') loan, Small Commercial Vehicle ('SCV') loans, Agriculture Vehicle loan (Tractors) and Two-wheeler loan;
- (ii) Loan Against Property, Micro Small and Medium Enterprises ('MSME') loans;
- (iii) Other Loans: Include Industrial Machinery and Construction Equipment loan, Agriculture Machinery loan, Household Durables loan, Data Processing/Office Automation loan, unsecured loans and short term loans.

(iv) Top up/Additional loan provided to existing borrowers.

The loans mentioned above may be sanctioned as refinance facility, purchase of underlying asset or any other purpose clearly stated in the field investigation & credit remarks.

The customers are segmented as first time users ('FTU'), first time borrowers ('FTB'), single vehicle owners, fleet owners, income proof, non-income proof and the use of vehicle or asset financed is segmented as captive and non-captive use.

The customer profile includes agriculture based profiles, small road transporters, taxi operators, commercial vehicle owners, rural passenger vehicle profiles, first time borrowers, weaker sections, small scale industry and enterprises, small mining operators, retail traders, small school owners, rural and urban car owners.

The company is planning to expand its business to the remaining part of area of current operations and shall be further guided by the business plan approved by the board.

5. Know Your Customer ('KYC') And Anti-Money Laundering ('AML') Guidelines

KFL has formulated its KYC and AML policy and is following the same during the disbursements of the loans and advances. All KYC documents like identity proof, address proof etc. which needs to be collected from borrowers, co borrowers and guarantors of loans and advances are prescribed in the said policy and obtained accordingly.

6. Restrictions On Funding

There are no specific restrictions on the funding of loans and advances with regard to the customer profile, area/address/type of the borrower or guarantor, etc. However, general prudence is to be observed during the field investigation and enquiry about the customer. KFL shall insist on, but not stick to, lower funding and lower repayment tenure for loans and advances.

7. Gradation of Risk

The risk premium attached with a customer shall be assessed inter-alia based on the following factors:

- i) profile and market reputation of the borrower;
- ii) Historical performance of similar homogenous pools of borrowers;
- iii) Profile, strength, experience, income/earnings of the borrower;
- iv) Length of relationship with the borrower, repayment track record of existing borrower, credit history as revealed from available sources;
- v) type of asset being financed, end use of the loan represented by the underlying asset;
- vi) nature and value of primary and secondary collateral / security;
- vii) overall customer yield, repayment capacity based on cash flows and other financial commitments of the borrower, mode of payment;
- viii) RBI Policies on credit flow;
- ix) offerings by competitors;
- x) external ratings etc.
- xi) and any other factors that may be relevant in a particular case.

8. Interest Rates

The management understands that considering the higher cost of borrowing and the risk profile of the customer, it has to maintain adequate margins to cover the operational and delinquency risk. The company has formulated an interest rate policy which clearly entails the factors on which the company shall decide the interest rates. Thus, it is decided to fund the loans and advances between 13% to 36% p.a. to be charged on annualized rate of interest basis for the entire tenure. Further, at their own sole discretion, Directors and CEO can approve the interest rate for any loan/advance outside the range above.

9. Charges and Rebates

KFL shall levy various charges on the customers as per the operations of the account and certain standard charges as applicable. List of such charges and quantum is as follows:

1)	Stamp Duty	As per Applicable State Law
2)	Late Payment Interest Rate	36% p.a. compounded monthly
3)	Bank Charges	As per actual
4)	Cheque Bounce/ECH or ACH dishonor Charges	Rs. 750/- per instance and Rs. 500/- in two wheeler loans
5)	Cheque/ACH/ECH Collection Charges	Rs. 500/- per instance
6)	Cheque Swap/Replacement charges	Rs. 500/- per instance
7)	Foreclosure Pre-Termination Charges	5% (in Loan against property, MSME loans, unsecured loans), 7% (in vehicle loans including industrial machinery loans) and NIL in short term loans
8)	Foreclosure Value Statement Charges	Rs. 500/- per instance
9)	Amortization Table Charge	Rs. 500/- per instance
10)	Reimbursement of Collection/Traveling/Legal/Recovery/Parking /Repossession/Other Charge	As Per Actual expenditure
11)	Collection follow up Tele Calling fees	Rs. 100/- per instance
12)	Field Visit fees for Collection follow up	Rs. 500/- per instance
13)	Collection Communication Letter fees	Rs. 200/- per instance
14)	Cash Collection Charge	Rs. 500/- per instance
15)	Duplicate/Additional NOC	Rs. 500/- per instance
16)	Duplicate Repayment Schedule	Rs. 500/- per instance
17)	EMI Default Charges	Rs. 250/- per EMI for each completed month
18)	Processing Fees	As per product & borrower Profile
19)	Loan Reschedulement Charge	As Applicable

Further, all of above charges, duties & fees are exclusive of all type of taxes charged by the Central Government, State Government, Semi-Government or any other concerned authorities. The Company has sole discretion to make any subsequent changes and/or modification in any or all charges mentioned above, from time to time, as per the Company policy and it is sole discretion of the management of KFL to reduce, increase or waive all or any of the charges so applied considering the best interest of the customer.

If needed, CEO has the power to levy or introduce any other charges for the services rendered other than mentioned in the above list and to decide the amount thereon.

Furthermore, the management has all powers to even give rebate of interest to the valuable

customers at their best judgement.

10. Credit Information Companies

In compliance with the RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Company has obtained the membership of all four Credit Information Companies (CICs) viz. Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited and the company is submitting data to all above CICs on regular intervals. This would help KFL to share the financial details of irregular customers with other financial institutions who are also member of CICs.

The company verifies credit history of the potential customers during loan sanctioning process and identifies CIBIL status as per the internal CIBIL policy. The CIBIL policy will be integrated into the system and same will be subject to review and revision from time to time by CEO/COO. Though KFL shall not reject any customers merely because of negative credit report or credit profile received from CIBIL.

11. Charge Creation to ROC

The Borrower shall create charge over the security provided to the company in respect of the loan sanctioned. Further the charge shall be created in favour of the company within the timelines as specified in the Companies Act, 2013 and Rules made thereunder in this regard.

12. Additional Loan/ Top Up Loan

Additional Loan or top up on existing loan shall be granted to existing customers only. These loans are generally sanctioned to meet the short term funds requirement of the customer. The credit personnel as per approval authority shall record the specific reasons in writing regarding the purpose and requirement of additional loan or top up loan. The rate of interest is applicable either as per the finance scheme of the original loan contract or shall be decided by the company. In case of bullet repayment, the credit head shall provide a cutoff date within which the repayment of the loan shall be demanded.

13. Individual product note

The company has made individual policies of all products offered by the Company, which is an integral part of this policy. Further the sectorial caps in respect of the product segments and geographical concentration are as under: -

13.1 Sectorial Caps: -

Preferred market Segment	Sectoral outflows (Ceiling Limit as % of Disbursement)	Sectoral Exposure (Ceiling Limit as % of outstanding AUM)
Commercial Vehicle	65%	65%
Tractor	20%	20%
Car	25%	25%
Loan against property & MSME	30%	35%
Others	10%	5%

The above ceiling limit shall be determined and applicable on yearly disbursement and AUM numbers, however the same shall be reviewed on quarterly basis.

13.2 Geographical concentration: -

The following state level ceiling limits has been herewith determined & prescribed for geographical concentration with respect to total AUM of the Company: -

State	Ceiling limit as % of Total AUM
Rajasthan	50%
Gujarat	30%
Maharashtra	30%
Delhi NCR & Uttar Pradesh	20%
Madhya Pradesh	15%
Punjab & Haryana	10%
Other	5%

Further, the future growth targets and preferred direction of growth in terms of geography and products are part of the annual business plan of the company and shall be guided & monitored by that.

14. Grievances / Complaints

All the customers, employees, investors and third party service providers may approach Grievance Redressal Officer nominated at the designated Offices of the Company for complaints relating to services offered by the company and also lodged their complain on customer care call center.

The telephone numbers, complete address and email address etc. will be prominently displayed on the KFL website for ease of contact by the customers of the Company and same is also reproduce hereunder: -

The Grievance Redressal Officer,
Kogta Financial (India) Limited,
Corporate: S-1, Gopal Bari, Near Ajmer Pulia, Opp. Metro Pillar No. 143, Jaipur-302001, Rajasthan
Registered Ofc: 'KOGTA HOUSE' Azad Mohalla, Near Rly. Station, Bijainagar Rajasthan 305624

Contact us: +91 141 – 6767067
Email: complaints@kogta.in & customercare@kogta.in

15. Review

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severely, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.