MASTER TRUST LIMITED
CREDIT POLICY
(As per RBI Guidelines and Master Directions)

MASTER TRUST LIMITED is a Non-Banking Financial Company – Non-Deposit Taking Non-Systemically Important (NBFC-ND-NSI) registered with the Reserve Bank of India.

OBJECTIVE OF THE CREDIT POLICY

The credit policy is the governing document for credit appraisal, approval, post-approval monitoring and enforcement. This should be the reference document on any issue related to credit approval or process connected to the same.

The policy will continue to be amended from time to time in the light of changing business and economic environment.

This policy outlines the requirements for establishing payment terms with the company's customers, as well as the monitoring of those terms.

As the Company business is, based on trust which derives from the timely fulfilment of the commitments with the stakeholders – clients as well as the lenders, maintaining sufficient liquidity, at all times is critical for the Company.

BASIS OF POLICY

Loan / finance shall be used by the Borrower for any one or more of the following purposes / end uses:

- For purchase / acquisition of securities through stock exchange(s) or through off market deals.
- For purchase / acquisition of securities through public offer, open offer, buy back offer, book building, private placement, initial / continuous offer for sale.

MASTER TRUST LIMITED LUDHIANA

- For meeting the margin requirements (including MTM loss) for Derivatives contracts.
- For making available margin (including MTM loss) for any of the above purposes with respect to Borrower's deals.
- For any other purpose / end use as the Lender may allow from time to time.

Eligibility:

The loan facility would be provided to the following category of clients namely:

a) Individuals including HNIs/ proprietors
b) Corporate
c) Registered partnership firms

Permissible Securities

a) Clients would be given funding in securities as approved by MTL.

b) This list will be subject to revisions made from time-to-time.

c) In case of securities being withdrawn from the permissible securities, clients will have to liquidate/replace/take deliveries of these securities. The Risk Management Team shall liquidate the securities to the extent of margin shortfalls in case necessary action is not initiated.

Margins

a) Loan facility will be provided only to those clients who would be providing an margin in cash (cheque, DD, PO) or equivalent value of securities after appropriate haircut as specified in point 1(b).

b) Margins (haircuts) at scrip level will be levied on the securities purchased/accepted as collateral. Margins levied would be in accordance with VaR margin as prescribed by exchange [VaR (value at risk) + ELM (Extreme loss margin)] or prescribed margins whichever is higher. This will mitigate risk involved in liquidating securities with limited liquidity.

Margin Collection

a) All Margin cheques received PAN India shall be deposited in designated bank account having at par facility.

b) Fresh exposures would be allowed on receipt and banking of the cheque.

c) Fresh exposure will be allowed on actual receipt of securities in the client's designated DP account in case of securities received as margins.

d) Any bank deposit/securities received from a third party account would not be accepted as margins and would be returned to the respective client's account

e) Any Bank drafts received towards margins should carry a declaration from the client that it has been purchased from his own funds.

Exposure Norms

a) Clients will be allowed to take exposure after ensuring availability of margins in the client's ledger.

b) The allowable exposure for the day will be calculated after considering previous day's positions. Clients would be restricted from taking fresh positions in case their allowable exposure is fully utilized.

KYC Details, Credit Appraisals and Approvals
KYC Information

The loan application form has been designed to capture all the relevant details as per the KYC norms laid down by RBI.

Documentation between MTL and client.

KNOW YOUR CLIENT (KYC)

Clients must furnish all authenticated documents necessary for completing the KYC process. This includes all charter and incorporation documents, proof of address and business, financial statements and also the KYC documents for important stakeholders and authorized signatories.

Clients would execute the following standard loan documents. A template containing the standard documentation process to be followed for execution of the documents would be circulated to branches.

Loan Application Form along with the KYC details as per internal policy

a) Master Loan Agreement
b) Letter of Continuity
c) Demand Promissory Note
d) Others formalities and prescribed forms updated from time to time.

Credit Appraisals

For ascertaining the creditworthiness of the client a copy of any of following documents would be collected along with the loan application form:-

a) Income Tax Returns or Net worth statement certified by CA
b) In case of salaried persons copy of Form 16
c) In case of corporate clients the last two years audited annual reports
d) DP Statement of the clients existing portfolio would be mandatory
e) Disclosure regarding sources of funds
f) Other investment proofs such as fixed deposit receipt, mutual fund policy, LIC policy, provident fund and national saving scheme (NSC) etc.
g) Permanent Account Number would be mandatory information.

The client's past track record in dealing with the designated broker and the value of the collaterals or cash provided as margins would form an important criterion for ascertaining the client's creditworthiness and sanctioning of limits.

Basis for sanctioning loans to clients:

The borrower has adequate assets in the balance-sheet to suggest that adequate cover will be available in line with the size of the loan being requested.

The borrower has adequate income/ profits as per income tax return or financials to service the loan. In case of inadequacy of profits alternate source of servicing to be disclosed by the applicant and the same has to be verified during the credit appraisal.

The company will extend credit to customers if they meet its terms of credit. The credit is granted against Shares, Loan against margin and credit balance for F&O/ unsecured loans. All terms are for maximum 12 Months, with no exceptions and if a longer payment term is requested it can be expanded with the approval of the Credit team.

The credit team will review the credit applications of all new customers to determine their worthiness to receive credit, and the amount of that credit. The credit level may be reduced if a customer has a low credit score on the credit report if it has been formed within the past two years.

The credit team will periodically review the repayment history of existing customers to determine whether their existing credit levels are reasonable, or need to be revised. This review shall also be conducted whenever business conditions warrant a general retraction or expansion of credit levels.

While sanctioning the loan facility to clients the approving authority would consider the following aspects:

KYC Completeness – The executives would ensure that all the mandatory documents are received from client and all supporting documents have been verified with the original documents.

Credit Appraisal – The appraiser would ascertain credit worthiness and repayment capacity of the client by scrutinizing the financial statements, existing debts and income of the client. The appraiser would also ensure that documents submitted by the clients are adequate to sanction the loan.

Legal & Compliance – All legal documents executed according to the legal requirements, are properly dated, duly notarized, necessary stamp duty and other charges are paid. In cases loans are sanctioned with some special terms and conditions whether necessary legal documents have been collected. For example in case the borrower's income is inadequate to sanction the loan – an individual/corporate can stand as guarantor for the borrower.

Risk Management – All mandatory documents, Income/profits mentioned in the financial statements are adequate to service the loan amount. Review the past track record of the client and number of years' experience in capital market. All statutory rules and regulations are being complied with while sanctioning loan.

Tenure & Pricing

(a) Period of loan and renewal of the said facility, if any, would be done with the client on mutual consent at terms and conditions applicable then.
(b) Interest rate is market driven and changes, if any would be communicated to the client from time- to-time.

Margin Calls shall be made:

"Margin call" means a demand made by the Lender to the Borrower to provide for additional fund/collateral/security.

Close out of Positions
The client's securities may be liquidated in the following circumstances, namely;

Failure to meet the margin call or when the client is in projected risk as defined above or Cheque deposited towards margin getting dishonoured or Securities withdrawn from the approved list. In such case client would be given reasonable time as may be determined by MTL to fulfil the margin requirement, failing which his positions would be squared off to bring him within the limits.

Interest Collection

Interest shall accrue from the date of disbursement of the loan and shall be computed on the basis of 365 days in a year. The interest would be calculated on the daily closing balance outstanding in the account of the client Interest will be charged monthly in client ledger account and recovered on a monthly basis or at such other interval as may be decided by mutual understanding.

Ongoing Client Engagement:

The credit team will conduct a detailed client discussion and review covering all issues that impact the client credit profile. Additionally, credit team must fulfil the following duties:

I. Ensure we receive audited and unaudited financials from the borrower as mandated in our agreements.

II. Analyse the said financials and related performance data and highlight major developments – positive and negative.

III. Loans will be added to the watch list in the case of any significant internal/external rating downgrade, significant payment delays or any other material news and an action such as increasing the collateral cover, accelerating the loan repayment, loan recall etc. may be taken.

Renewal Loan:

All sanctions provided to clients would be reviewed periodically. The renewal process would commence in advance so as to ensure that the facilities are either renewed/cancelled on or before the completion of a loan period.

The authorized officer will sign and execute the loan documents with the clients.