

DEALER CREDIT POLICY

Ref CR-DLR-01 · Version 1.0 (Draft for approval) · Confidential — Internal · Owner: Finance / Credit Control

IN SHORT

A new dealer starts with ₹1,00,000 of credit, to be paid in 30 days. The dealer can buy more by giving a cheque dated 15 days from the bill, or buy any amount by paying in advance. If the dealer pays on time, the credit limit grows every three months — up to ₹5,00,000. For a limit higher than that, the dealer needs an outside credit check and Board approval.

1. What this policy covers

This policy explains how much credit we give a dealer, how a dealer can buy more, and how the limit grows or is reduced. It is made to work even when a new dealer will not share financial papers or pay a deposit. There are two types of dealers: Category 1 (normal dealers, who earn credit over time) and Category 2 (dealers who want a bigger limit, which needs an outside credit check). This credit is only for blades and consumables. Machines are sold on advance payment or by special arrangement, not on this credit.

2. Key terms (in plain words)

- **Open Limit** — the amount a dealer can buy on credit and pay back in 30 days. It grows over time.
- **PDC Top-up** — extra goods a dealer can take above the Open Limit, by giving a cheque dated 15 days from the bill.
- **Advance / Proforma** — when a dealer pays first and then takes the goods. There is no limit on this.
- **Total Exposure** — the total amount a dealer owes us at any time (Open Limit + PDC Top-up). Advance payments are not counted here.

3. The two types of dealers

Type	How it works
Category 1 Standard	For most dealers. No financial papers or deposit needed to start. Credit begins small and grows every three months if the dealer pays on time, up to a maximum. It is backed by cheques and a personal guarantee.
Category 2 Appraised	For dealers who want a limit higher than the Category 1 maximum. They must get a credit check from an outside agency, and the Board approves the limit.

4. Category 1 —Normal Dealer Credit Works

Phase	Open Limit (Credit without cheque)	PDC Top-Up (Extra, with cheque)	Cheque Terms	Duration
Month 1 / Quarter 1 (Months 1–3)	₹1,00,000 (fixed throughout Q1) Payable within 30 days	Up to ₹1,00,000 (100% of Open Limit)	Post-dated cheque 15 days from date of invoice Submit to Accounts Dept	3 months
Post Q1 — Each subsequent quarter	Reset every quarter = Avg. monthly sales of previous quarter (capped at ₹5,00,000)	Up to 50% of the new Open Limit	Post-dated cheque 15 days from date of invoice Submit to Accounts Dept	Reviewed every quarter
Maximum ceiling	₹5,00,000 (no further increase beyond this)	Up to ₹2,50,000 (50% of ₹5,00,000)	—	Permanent cap

How the credit limit is reviewed each quarter

Step	What happens
1. End of each quarter	Calculate the dealer's average monthly purchases during that quarter.

2. New Open Limit	New Open Limit = average monthly sales of the previous quarter (rounded to nearest ₹10,000).
3. PDC Top-Up allowed	Dealer may procure up to 50% more than the Open Limit by submitting a PDC (15 days from invoice date) to the Accounts Dept.
4. Cap	Open Limit will never exceed ₹5,00,000, regardless of sales volume. Once this ceiling is reached, no further upward revision is made.
5. Beyond Open Limit + PDC	Dealer must pay against a Proforma Invoice (advance payment) before goods are dispatched. No limit on quantity.
6. Downgrade clause	If the dealer's turnover in any quarter falls significantly below the previous quarter, management reserves the right to reduce the Open Limit accordingly.

5. Category 2 — bigger credit limits

If a dealer wants more than ₹5,00,000, they move to Category 2. The dealer gets a credit check from an outside agency — a commercial credit report (such as Dun & Bradstreet India, CRIF Highmark, CIBIL Commercial, or Experian) or an SME rating (such as NSIC-CRISIL). Based on that report and how much the dealer expects to buy, our Finance team prepares a proposal and the Board approves the limit. We also take security to match the risk (such as a deposit, bank guarantee, or guarantee). We review this limit at least once a year.

6. How we protect the credit

- **Cheques:** one cheque for each delivery, dated 15 days from the bill, from the dealer's own current account. We clear the oldest bills first.
- **Advance orders:** for advance orders, we send the goods only after the money is actually in our account.
- **If payment is missed:** if a cheque bounces or a bill is overdue, we stop all further deliveries until it is paid and management approves.
- **Watching the account:** we track each dealer's unpaid amount and how long they take to pay, and review every dealer regularly.

7. Who approves credit limits

Credit amount	Type	Who approves
Up to ₹5,00,000	Category 1	Finance Head / Credit Manager
₹5,00,001 – ₹25,00,000	Category 2	Finance Head + Director
Above ₹25,00,000	Category 2	Board of Directors

8. Adoption & Sign-off

Prepared by	Reviewed by	Approved by (Board)
Name / Signature / Date	Name / Signature / Date	Name / Signature / Date