V.6/3/23(10.03.23)

YOGAKSHEMAM LOANS LIMITED.

LOAN POLICY

Revision History

History	Adopted by	Date
Originally Adopted	Board Meeting	10.01.2015
1.Review &Amendment	By circulation	30.12.2016
2.Review & Amendment	Board meeting	17.05.2018
3.Review & Amendment	Board meeting	25.03.2019
4.Review & Amendment	Board Meeting	23.01.2021
5.Review & Amendment	Board Meeting	25.01.2022
6.Review & Amendment	Board Meeting	10.03.2023

Contents

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Reviewed in the BM 23.01.2021
No Changes proposed

1) INTRODUCTION

The Loan Policy shall act as a guiding post for the top management of the Company in conducting the business of lending within acceptable risk tolerances and thus ensure the evolution of a sustainable business model resulting in both long term profitability and value creation for its stake holders.

2) OBJECTIVES

The main objectives of the Lending Policy are to :

i) Ensure a healthy balance between loan levels, profits and quality of assets.

ii) Comply with the regulatory requirements / directives such as Capital Adequacy, LTV, Interest rates etc.

iii) Lay down controls for assumption and monitoring of large exposures.

iv) Develop and inculcate 'internal values' in the business of lending.

v) Facilitate sustained growth without deterioration in the asset quality.

vi) Lay down proper system & procedures, appraisal standards at various levels in the organization with sturdy internal controls.

vii) Adequately protect the collaterals pledged/ mortgaged/ hypothecated from any possible loss.

viii) Detail risk management practices and internal audit procedures into the Lending Policy

ix) Enable the Company to successfully and consistently cope up with competition.

x) Improve the capabilities and credit skills of the employees and officers connected with loan portfolio at various levels.

xi) Meet with the expectations on corporate social responsibility and actively participate in 'financial inclusion' program.

3) LENDABLE SEGMENTS

The long term objective of the company shall be to become a diversified lending institution capable of extending credit to different asset class and move towards this objective on the strength of gold loan, the core loan portfolio of the company at present. The company shall maintain an ideal proportion between gold and non-gold portfolio depending on the market scenario.To achieve this objective, the company may subject to such approvals from its board or regulatory requirements in this regard, lend in the whole sale (corporate) or retail. However, the focus shall be on building of retail loan portfolio of diversified asset segments which will constitute not less than

75**%** of its overall loan book at any point of time.

4) SECURED Vs. UNSECURED

i[1]) The company may, subject to such approvals from its board or regulatory requirements in this regard, sanction loans in the ordinary course of its business either on the security of valuable assets, moveable or immovable or loans which are not secured other than the personal guarantees including Micro credit. However, the proportion of un secured loans including microfinance shall not exceed **25%** of the overall loan book of the company as at the close of a financial year.

ii)[2] The Company may lent on its own book or in partnership with other banks or financial institutions under co-lending arrangement in compliance with regulatory requirement and the policies framed in this respect by the Board.

5) ASSET CLASS

The company may subject to such approvals from its board of directors or regulatory requirements in this regard give loans on the security of all or any of the following assets under secured lending;

I. Gold; gold ornaments or articles made of gold or predominantly of gold
II. Land & buildings; residential or commercial
III. Automobiles; four wheelers, three wheelers and two wheelers, commercial or private carriers, heavy vehicles, construction equipments, Agricultural and farm equipments including tractors, tillers, sowing and harvesting machines whether new or previously owned.
IV. Plant and machinery, electric generators whether new or previously owned; consumer durables, electronic items and gadgets of domestic use.

6) CUSOTEMER ON BOARDING

The company may directly identify lendable borrowers through its branches or employees or through online enquiries from its own websites, mobile applications or other technological mediums. The company may also make use of third party services like , Direct Sales Agents (DSAs), Loan Aggregators and Fin techs subject to compliance with the regulatory guidelines, if any, in force from time to time. Where the company opts to use the services of third parties including Fintech companies / platforms or loan aggregators, it shall carry out proper due diligence on the counter party including its key personnel. Outsourcing of such functions shall be in line with the outsourcing policy of the company.

7) LOAN PORTFOLIOS OF THE COMPANY
7.1.GOLD LOAN

i) Nature, type and tenor of loans

a) The Company will provide loans against the pledge of gold ornaments. It prefers to accept

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[1] Re-numbered

[2] Inserted in BM-10-03-2023

Household Used Jewellery as security since they are presumed to carry the invaluable 'emotional attachment' of the owner. New gold ornaments and articles made of gold also be selectively accepted, subject to laid down controls, provided there are no other adverse indications.

b) **Loan schemes:-** Depending on the market practices, competition and level of demand, the management is free to devise different schemes of loan products and price it differently. The schemes shall be devised in conformity with the Loan Policy of the Company and also the regulatory directives of RBI as applicable. Loan schemes and terms & conditions thereof shall keep in view the NPA / Income recognition classification norms laid down by the RBI.

c) Suitable norms, encompassing inherent / typical risk factors (e.g. restricted items, prohibited items, large number of similar items, large weight items etc.) should be devised, approved internally and periodically reviewed. Loans against coins, biscuits, bars etc. may not be granted in compliance with RBI directives. Suitable controls, both system (IT) based and otherwise , should be put in place and compliance to be monitored.

Gold Loans will be disbursed by way of single / one time debit to each account and which will then be monitored for interest servicing and final closure along with other accounts, if any, of the same borrower. Borrower wise exposure must be available at any point of time to the operating functionaries.

d) The tenure of the loans shall be decided by market practices and regulatory directives, as applicable. As a general rule the initial maturity of the gold loan shall be one year which may be extended by one more year upon satisfactory servicing of interest due during the initial one year period. However, management may develop schemes with shorter duration loans also targeting a minimum ticket size after assessing demand for such loans.

e) Loans against pledge of gold ornaments should be sanctioned immediately against acceptance of the gold ornaments as security. Accordingly, all loans shall be sanctioned and disbursed within a reasonable time the same day keeping in view the due diligence requirements , number / nature of items, quantum of loan etc. and also customer satisfaction benchmarks.

f) Interest rate and other charges on loans shall comply with the Interest Rate Policy and regulatory directives as may be applicable.

g) Terms and conditions of loans should be in compliance with the Fair Practices Code of the Company.

ii) Restriction, prohibition on lending to certain categories of customers / persons

a) Loans to categories of customers perceived having higher than normal risk shall be restricted as far as feasible keeping in balance business compulsions and the consequential risks emanating there from. For example, loans to goldsmiths, jewellers etc. shall be judiciously controlled and adequate credit risk assessments undertaken especially when exposure reaches high levels.

b) Loans to directors, their relatives and related entities shall not be sanctioned.

c) Gold Loans to staff members shall be restricted to Rs 50,000 per employee. Such loans shall be on the same terms and conditions applicable to the public. However, changes, if any, in the limit or terms and conditions may be approved by the Managing Director & CEO on the proposal submitted by the Marketing Department & HR Department jointly

d) Gold Loans to borrowers having a history of pledging spurious / low quality ornaments or stolen gold ornaments or those who have earlier deliberately put the company to material loss of any kind should not be entertained. Suitable limits defining 'material' loss should be defined internally and got approved by the Managing Director & CEO on the recommendations of the [3]VP CREDIT/EVP. Procedures for immediate "freezing / blocking" such Customer IDs must be implemented. The Company shall maintain an updated list of such 'blacklisted' / 'caution' customers.

e) Loans to persons of doubtful integrity (to the extent known), customers engaging in illegal/ unlawful business (to the extent known) etc. shall not be entertained even if the quality of the security offered is beyond doubt.

iii)**Loan application forms, loan sanction letter**

a) Loans shall be disbursed only against fully completed and properly signed loan application form which will be preprinted in a language understood by the customer. Separate loan application form must be obtained for each disbursal. Loan application forms and documentation requirements should comply with the Fair Practice Code and KYC Policy of the Company.

b) In case of online applications, the information provided by the applicants in the website of the company or third party service providers/ loan aggregators, will also be treated as a valid application. The format and content of such information to be approved by the company.

c) The various loan schemes (loan per gram, interest rate structure, penal interest, compounding if any, other charges etc.) should be provided to the prospective borrower and an appropriate scheme offered based on the borrower's needs / preferences.

d) Immediately upon sanction the loan sanction letter (pawn ticket) in duplicate should be given to the borrower for acceptance. The pawn ticket, which serves as a receipt for the gold ornaments delivered by the borrower, will also operate as a loan sanction letter incorporating the terms & conditions of the loan. The acknowledged copy of the pawn ticket should be carefully retained along with the loan application form for future verification and reference.

e) In case of online gold loans or gold loan provided at the place of the borrower, the role of

[3] Word CGM replaced with VP credit on 05.08.2020

the third party service providers, if any, in loan application, processing, disbursement or closing of loans shall be disclosed to the borrowers.

iv) Know your customer (kyc) , due diligence

a) In compliance with RBI directives all customers availing loan facility from the Company shall be required to submit suitable and acceptable evidences of Identity and Address commonly understood as KYC documents. Documents in support of KYC compliance need be normally submitted at the time of the first loan when the "Customer ID" (master) is created in the system. Loans should be sanctioned only after full compliance with the KYC policy as laid down by the Company.

b) *The company may also make use of electronic authentication of KYC documents of borrowers such as e-KYC facility provided by Unique Identification Authority of India, (UIDAI) or its affiliated agencies by way of Adhar based authentication, if available.

c) The Company shall strive to introduce a system of capturing the customer's photograph through a digital camera installed in the branches.

d) The system of capturing and confirming the mobile phone numbers across the counters should also be extended to cover maximum number of customers.

v) Ownership of gold

a) Adequate due diligence shall be ensured, to the extent feasible and desirable, before the loan is sanctioned. There should be no prima facie circumstances to indicate that the prospective borrower's title to the gold ornaments could be defective. The loan application form must also contain an undertaking of the borrower certifying his/her undisputed ownership/ right to pledge the gold ornaments.

b) A valid pledge and charge over the security shall be created only after ensuring the ownership of the gold, in line with the relevant regulatory norms. Towards this requirement, suitable clauses may be added in the loan documents and the same shall be mandatorily got signed by the Customer before disbursement of loans. The title of the gold ornaments will be satisfied with before the gold is accepted as security. However, in the case of gold ornaments it may not be easy to confirm "ownership" in a foolproof manner, as compared to say lending against property, vehicles etc. To tide over this issue and also to be in line with the relevant provisions as regards methods of establishment of ownershipp of gold , measures in the nature of obtaining undertaking of ownership in the loan application form, collection of other relevant documents regarding the ownership namely bills, receipts etc, and /or authorization to effect pledge on behalf of the rightful owner, ensuring proper KYC procedure, meaningful interaction with loan applicants and other prima facie checks will be made before the gold is accepted as security. However, in the process of interaction about personal details it will be ensured that no offence or embarrassment is caused to the loan applicant.

vi) Appraisal of security (gold), delegation of financial powers

a) Gold ornaments shall be accepted as security for loans only after proper appraisal by the staff or empanelled appraisers before the loans are sanctioned. Gold ornaments of purity below 70% shall not be accepted.

b) The Company already has laid down the appraisal techniques to be used by the operating staff such as nitric acid test, color, sound / smell test etc. observance of which should be ensured and monitored. Colored gold ornaments may not be accepted. Proper facilities for appraisal of gold must be provided at the branches.

c) Additionally, the existing risk graded system, related to the amount involved, for pre-disbursement verification of gold ornaments shall be continued – the guiding principle being that for larger loans more senior / experienced employee(s) should reconfirm the appraisal done by a junior / less experienced employee. Accordingly, for all loans atleast 2 employees at the branch should independently assess the purity as mentioned in the table below. In addition , all the underlying ornaments of the gold loans disbursed should be subjected to periodical audits by experienced inspectors at periodical intervals. Staffing structure and the accounting process at branches should facilitate implementation of controls.

vii) Loan to value (ltv) or loan per gram

a) The LTV should be in compliance with RBI directives in force from time to time. Flexibility in the fixation of differential LTV for specific customer categories, branches, areas / locations, periods etc. may be provided within the overall lending policy. As per the regulation presently in force, the LTV shall be fixed by the management which shall not exceed 75% of the 30 days average closing price of 22ct. Gold as published by Indian Bullion and Jewelers Association. The LTV shall be fixed on a daily basis. The management shall put in place proper internal process for ensuring the compliance to the norms.

b) The total eligible amount of the loan shall be calculated by the system (IT) based on the weight of the gold ornaments net of stone weight and subject to deductions for lower purity, wastages as applicable. Deductions applicable on account of purity, wastage, local variations etc. should be fixed by the management and suitable internal instructions to be put in place with the approval of Managing Director as reviewed by the Risk/ Compliance department.

c) Considering the risk gradation arising from differential rates, as a general rule, LTV and interest rate on the loan should be positively correlated i.e. a lower LTV loan shall get the benefit a lower rate of interest. However, exceptional deviations could be made to accommodate various contingencies such as competition, local issues, special / temporary offers etc. Such deviations shall be approved by the Managing Director & CEO based on the recommendations of the Executive Director on the proposal put up by the Head of the Marketing Dept.

viii) High / large value loans, maximum exposure per borrower

a) Undue reliance on high value loans to accelerate growth should be discouraged considering the inherent risks. Emphasis must be placed on acquisition of small / medium value loans considering the benefits arising from broad basing the customers.

b) High value loans to single customer (or closely connected group of individuals) should be controlled and monitored as such customers may fall under ‘high risk’ category. Limits up to which branches may sanction loans to a single borrower (including closely connected group of individuals) should be defined by means of internal instructions and reviewed periodically, the limit so fixed shall not exceed Rs. 10. Lacs. Borrowers with more than Rs.10.lacs of outstanding may be monitored as special customers and the sanctioning authority may fix the terms and conditions of such loans or allot a special scheme for meeting the requirements of such customers.

c) Such limits shall be got approved by the Managing Director & CEO on the recommendations of the VP CREDIT/EVP. Maximum lending limit may be linked to risk perception in different regions / states. Any exposure beyond the limit should be subject to sanction at Head Office by an empowered authority

d) A structured credit check /profiling format should be used for recommending limits higher than the maximum permissible at the branch level. Further, in all cases where the loan exposure to a borrower touches Rs 5 lakh address of the borrower must be verified. Due care in large value accounts would also be necessitated by the RBI provisions relating to Anti Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower.

e) The maximum credit exposure per customer shall be within prudential limits. For this purpose following the same norm as made applicable by RBI to the scheduled commercial banks the Company shall not take an exposure exceeding 15% of its capital funds on a single borrower.

f) Within the prudential limit mentioned in (d) above it shall be further ensured that the exposure taken on a single borrower does not exceed **Rs 3 cr** (Rupees three crores only). A single borrower shall include a family unit, a closely associated group such as employer-employee etc.* However, in deserving cases and for reasons to be recorded the above limit may be increased by not exceeding 10% for a temporary period up to six months on the approval of the credit committee.

g) As a measure of checking on the undesirable segments such as re financiers, pawn brokers, entering to our system, the company shall restrict customers with large number of accounts outstanding at any one point of time. The limit of 50 accounts in the preceding 365 days period shall be considered for this purpose and further exposure to this kind of borrowers shall be only allowed with the approval of the Managing Director and CEO on the recommendation of the VP CREDIT/EVP. The management may issue detailed instruction as to profiling of this type of customers to ensure that there is no gold loan exposure to un desirable/ restricted segments.

ix) Pricing of gold loan

Subject to the provisions of the interest rate policy, the management shall design different loan schemes and price the schemes differently. The pricing shall take into account cost of funds, operating expenses, cost of acquisition of customers, competition, reasonable return on investments and the risk associated with the lending.
The management may price the loan to different segment of customers based on market practices, competition customer acquisition cost etc.

x) Takeover of loans

Takeover of loans from other companies, banks etc. should not be freely permitted considering the risks involved. However, the Company may frame suitable instructions with proper internal controls for take over of loans and review them from time to time.

xi) Custody of gold, storage arrangements, security

a) As an internal control mechanism Gold ornaments and Cash shall be in the joint custody of the 2 senior most officials/ employees in the branch, normally designated as Branch Head / Manager and Assistant Branch Head so as to ensure that the same official / employee does not get custody of the 2 different keys even if at different points of time during posting at the branch. The duplicate keys shall be retained either in the Head Office or as per suitable arrangements made by Head Office for safe custody thereof.

b) A proper and systematic procedure should be laid down for handing over charge from one official to another arising from transfer, leave, resignation etc. so that accountability can be clearly fixed where required. No Branch Head should be normally relieved of charge unless the gold packets are subject to minimum verification (consisting of confirming intactness of the packing, affixation of security sticker, packet count and tare weight) by the reliever.

c) Overnight storage of pledged gold ornaments and cash shall be in burglar proof safes (non-strong room branches) or in steel almirahs / lockers (in strong room branches) with secure locking facility complying with high safety standards. Interim storage during transaction time at the counters should be kept to the bare minimum by quickly transferring the gold ornaments into the safes / strong room.

d) Security arrangements should be in tune with risk perception based on the location of the branch, working hours, business levels etc. Internal guidelines which are already in place must be periodically reviewed and improved as required. The use of technology through IP Based Cameras and IP Based Intruder Alarm System preferably with centralized monitoring capability and having a proper escalation mechanism should be adopted for greater effectiveness and to reduce costs.

e) All gold ornaments and cash whether in the safe room, at the counters or in transit must be adequately insured against various risks such as burglary, fidelity, transit etc. with a reputed insurance company. Keeping in view the Company's liability to compensate the borrower for any unforeseen loss the gold ornaments must be insured at 'replacement value' through adequate inclusion of 'making' charges along with the market value of the gold in the cover policy.

b) The service of third party service providers may be used wherever necessary for the purpose of transportation of gold between branches or branch and head office or from the place of the borrowers to the branches and vice versa in respect of online gold loans or generated through third party references/ service providers, provided adequate security measures are ensured and proper insurance cover to protect the interest of the company is also available in such cases.

xii) Recovery of loans, sending of notices, auction of security of gold

a) Going by the inherent nature of the security it may be reasonably expected that most borrowers will service the interest and repay the loan of their own accord. However, as a matter of good practice and measure of caution, monitoring repayments should be accorded close attention since there would be many borrowers who repay only after receiving reminders for interest dues, loan repayment etc. On the other hand there could be a few borrowers who pose challenges for smooth recovery.

b) Towards this end, the management may frame internal guidelines for sending notices/ reminders by means of letters/ sms/emails etc to the given address, mobile numbers of the borrowers. The cost of such letters/ notices may be recovered from the borrowers. The company may use the following methods for intimating the customers

1. SMS at periodic intervals to their registered mobiles
2. Ordinary letters
3. Registered letters

c) Auction of gold:- When the efforts of the company are not met with the desired results in pursuing the borrowers and closing the loans, the company may proceed to auction of gold kept as security with it after serving necessary notices and following the procedure under the auction policy and the guidelines issued by RBI in this respect.

xiii) Online gold loans

a) The company may make use of the technological advancement in the lending segment and offer customized services to the customers, loans at customer's place , provision of gold loans on line including mobile applications either on its own or through technology companies (Fintech) or loan aggregators (third parties).

b) The online gold loans offered by the company or through third parties shall ensure that such loans are provided subject to regulatory compliance and safety and security aspects in the following areas;

1.KYC

2.FPC

3. Safety and Security of gold collected as security including transit arrangements either on its own or through third parties.

4.Safe and secure payment options for disbursement and collections.

c) The company may enter into suitable agreements with the third parties/ service providers for providing such facilities.

7.2 LOANS TO MSME SECTOR/MORTGAGE LOANS

i) The MSME sector encompasses Micro Small and Medium Enterprises in the manufacturing trading and service Industries. The company may provide credit facilities to this sector.

ii) Security:-The loans sanctioned to this segment shall be secured by, gold, listed securities, land and building (both residential or commercial) new or used automobiles, plant and machinery,.

iii) Loan to Value Ratio:- The Loan to value of the security in respect of land and building shall not exceed 75% of the assessed value and in respect of other assets, other than gold and listed securities, the LTV shall not exceed 60% of the assessed value of the security. Where the loan is availed only on the collaterals of gold jeewellery the LTV shall be as applicable to Gold loans and in case it is offered as additional collateral, this restriction shall not be applicable. In respect of loans sanctioned on the primary security of listed shares, the LTV shall be subject to the guidelines issued by RBI in this regard. The company shall not sanction loans against the security of unlisted shares and its own shares.

iv) Tenure of loan:- The loans shall be sanctioned for a period not less than 12 months and not more than 60 months. However, the tenure of a loan can be rescheduled for a longer period subject to a maximum of 72 months. Loans sanctioned prior to the enforcement of this policy shall be governed by the terms and conditions agreed with the borrower.

v) Minimum and Maximum amount :- Secured loans to MSME borrowers shall be for a minimum of Rs. 2.lacs and maximum of Rs.30.lacs.

vi) Credit appraisal:- The management shall put in place necessary internal guidelines for profiling of customers, which shall include compliance with KYC requirements, documents for assessment of credit worthiness, risk gradation, minimum credit score, requirements as to legal opinion in respect of immovable properties etc. The instructions may also cover negative profiles to which the credit shall be restricted.

vii) Valuation of security:- The primary or collateral security offered for credit limits shall be valued by the authorized officers of the company as per the internal guidelines issued from time to time. However, in case of immovable properties accepted as security for a limit in excess of Rs. 10.lacs shall be valued by an officer of the company who shall be in the grade of a Chief Manager or above. Where the credit sanctioning authority feels it necessary, subject to internal guidelines, service of third party expert valuer can also be insisted and between the valuations of officers and of third party valuer, the least valuation shall be accepted. In case of listed shares, the valuation shall be in accordance with the extant guidelines issued by RBI .

viii) Pricing :- Subject to the Interest Rate Policy approve by the Board, the sanctioning authority shall fix the rate of interest chargeable to each loans taking into account the risk gradation, size of the loan, cost of servicing and customer acquisition etc. The management shall put in place internal guidelines in this respect.

ix) Collection and recovery:- The loans to the MSME segment can be repayable in Equated Monthly EMIs with or without moratorium or by way of Bullet payment of principal. In respect of bullet payment loans, the interest shall be served on a monthly or quarterly basis.

Where a moratorium is granted for repayment of principal, the interest shall be serviced on a monthly basis. At the option of the borrowers, the credit sanctioning authority, subject to compliance with internal guidelines in this respect, allow the repayment on a daily or weekly basis with or without cost of collection charged to the borrower.

x) Legal Opinions:- In respect of loans of Rs. 3.lacs and above on the security of immovable properties, the company shall obtain legal opinion establishing the clear and marketable title of the property offered as security from an empanelled lawyer of the company.

xi) Empanelment of Lawyers:- The company may select one or more Lawyers in its panel for providing various services, who have been practicing as an advocate in any courts in India for a period of note less than 3 years .

7.3) MSME LOANS- UNSECURED

i) The management shall put in place necessary internal instructions for advancing credit to micro enterprises within the local limits of the branches of the company without insisting for security as a measure of providing formal credit to the un banked or under banked segments in the society they are often exploited by local money lenders/ un regulated entities charging exorbitant interests . Local limits shall include a distance up to 5 Kms radius of the branch. The instructions shall also cover the eligibility criteria, documentation for profiling of customers, credit assessment etc.

ii) Minimum and maximum exposure:- These loans shall be sanctioned for a minimum of Rs.25000/- and up to a maximum of Rs.2.lacs.

iii) Tenure of Loan:- these loans shall be sanctioned for period ranging from 12 to 24 months on an equated monthly installment basis but the credit sanctioning authority may , subject to internal guidelines in this respect, facilitate the repayment by daily or weekly collections with or without cost of collection being charged to the borrower.

iv) Collection and recovery:- Since the loan is unsecured, the management shall put in place adequate mechanism for timely collection and recoveries including necessary covenants in the agreement for legal recourse through arbitration and guarantors/ co-obligants etc while sanctioning the credit.

v) Pricing:- Subject to the provisions of the board approved interest rate policy, the sanctioning authority may charge interest on such loans taking into account the internal instructions in this respect, the cost of acquisition of customers, risk profile of the borrowers, the unsecured nature and other relevant factors in respect of each borrower.

vi) [4]Special purpose loans

The Company may device suitable schemes for taping various opportunities of a temporary nature such as financing mobile application for students to enable them to use in their online learning. The Company can also lend short term loans which are repayable over a period less than 12 months but not less than 3 months in order to meet special needs of small and marginal traders to meet special/ temporary needs or to re start their business which has been affected by natural calamities or events that can be considered as *force majeure* like covid or lend small ticket short term loans through the plat form of loan aggregators considering the increased momentum in credit distribution digitally and through fintec platforms. In such cases, the minimum amount of

[4] Sub clause vii- Special purpose loans inserted on 05-08-2020

loan can be as low as Rs.2000/- subject to a maximum of Rs.3,00,000/- and the pricing shall be in accordance with the interest rate policy as applicable for un secured loans.

The management shall put in place suitable internal guidelines defining eligibility, documentations, credit assessment, pricing and collection and recovery.

7.4) VEHICLE LOAN

A) General

i) The company may provide loan for the purchase of vehicles, new and second hand, private carriers or commercial vehicles, passenger or goods carriers and two wheelers. It may also lend against the security of owned vehicles. Management shall issue detailed internal guidelines for eligibility, profiling of customers, credit assessment and requirement as to collateral securities etc.

ii) **Selection of Vehicles**:- The company shall advance credit against vehicles of reputed brands only as other vehicles may not fetch reasonable resale value. In respect of pre-owned vehicles, the age of the vehicle from the date of its registration including the loan repayment term shall not exceed 13 years.

iii) **Minimum and Maximum amount of loan**:- Vehicle loans shall be sanctioned for a minimum ticket size of Rs.50000/- and maximum of Rs.10.lakhs.

iv) **Tenure of loan**:- Loans shall be sanctioned for a minimum period of one year and the maximum shall be 60 months.

v) **Pricing:** - Subject to the Interest Rate Policy approve by the Board, the sanctioning authority shall fix the rate of interest chargeable to each loans taking into account the risk gradation, size of the loan, cost of servicing and customer acquisition etc. The management shall put in place internal guidelines in this respect.

B)Two wheeler finance vertical

a) The company may set up a special loan vertical for financing two wheelers by recruiting experienced people in this field.

b) Sourcing of loans:- Loans may be sourced through field executives, advertisements and sourcing arrangements with vehicle dealerships (Including sub-dealers).

c) **Minimum and maximum loan amount:-** the minimum loan amount shall be Rs.15,000.00 and the Maximum shall be Rs.200000.00. However, in view of the entry of super-premium bikes in th Indian market, higher amount of loan may be sanctioned by Managing Director and CEO on the recommendation of the Business Head- Two Wheeler Loans and VP CREDIT/ EVP.

d) Tenure of loan:- The loan tenure of loan shall be for a minimum period of 12 months and maximum of 48. Months.

e) Interest rate:- Subject to the Interest Rate Policy of the Company, the sanctioning authority shall fix the rate of interest chargeable to each loans taking into account the risk gradation, size of the loan, cost of servicing and customer acquisition etc. The management shall put in place internal guidelines in this respect. However, considering the nature of the loan and high chances of delinquencies in the 2 wheeler finance segment, the company shall structure the loan product in a manner ensuring an IRR of 24 % p.a. A lower rate can be considered for loan to employees of the company.

f) Customer acceptance:- The company shall extend loans to customers meeting its customer acceptance policy for each loan as per the internal instructions issued from time to time. The acceptance of customers shall be subject to proper KYC compliance, credit score, loan repayment capacity and availability of security. Detailed internal guidelines shall be issued in this respect by the management from time to time.

g) **Pre and post disbursement documentation and monitoring:-** Management shall put in place internal guidelines for pre and post disbursement documentation and monitoring such that the company's rights and title over the vehicle financed will not be compromised to its detriment.

h) NPA Threshold:- Currently the company is allowed to follow 180 days NPA norm. Considering the inherent nature of vehicle loans and the higher NPA levels, the company shall maintain an NPA threshold of 3% under the existing norm and it may allow up to 5% when the company will be bound to follow the 90 days NPA recognition norms as per the prudential norms of RBI.

i) **Recovery and Collection;**

(i)Proper mechanism for collection and recovery of the loan shall be put in place in line with the increase in number of loans. As a prudent and cost effective method of collection of installments, NACH mandates shall be obtained from borrowers and collections through the banking channels to be encouraged.

(ii) Service of recovery agents may be used wherever necessary for collection of EMIs. However, they shall be instructed not to interfere with the affairs of borrowers un necessarily and at inappropriate times in the efforts of recovery of dues.

(iii)Vehicles may be repossessed and sold in auction from the borrowers who have defaulted installments in a manner legally permitted and the disposal of assets and recovery shall be in line with the policies approved by the board in this respect.

C) Trade Finance

i) The company may sanction working capital credit to vehicle dealerships, including sub dealers (Commonly referred to as Trade Finance) as a reciprocal arrangement for sourcing of customers.

ii) The dealership' business may be carried on by Company, Limited liability Partnership, Partnership or proprietary of a sole proprietor. The management shall put in place necessary internal guidelines for credit appraisal and sanction of loan.

iii) Maximum amount of trade finance exposure to a single party shall not exceed Rs.25.lacs.

iv) The interest free period of trade finance shall be limited to a maximum of 30 working days from the date of disbursement within which the dealer shall covert the same to retail finance for the company by referring borrowers meeting the customer acceptance policy of the company. On the expiry of the 30th day, interest may be charged on the outstanding amount. The interest on such trade finance shall be charged at a rate which will not be less than the borrowing cost of the company plus a margin of 4% p.a management may issue internal guidelines for credit appraisal and monitoring of this loan.

v) The maximum outstanding trade finance at any point of time shall not exceed Rs.200.lacs.

vi) Deviations:- The credit committee of the company is authorized to approve deviations on any of the above terms up to 25% necessitated by market conditions and such deviations shall be submitted to the board for ratification at its next meeting.

7.5) LOANS FOR PLANT AND MACHINERY AND CONSUMER DURABLES.

The company may provide credit facilities for the purpose of purchase of plant and machinery, electronic goods and other items generally referred to as consumer durables based on adequate internal policies and procedures for maximum exposure, customer profiling, sourcing etc.

7.6) MICROFINANCE

The Company may advance credit under Micro Finance as under the extant guidelines, it can have a Micro Finance loan Port Folio not exceeding 10% of the overall loan book of the company.

i) Eligibility:- The Company shall adopt the JLG (Joint Lending Group) of women with an objective of supporting the economically weaker sections by providing small amounts to enable them in carrying on income generating activities for the betterment of their living standards. There shall be a minimum of 5 members in the group and maximum shall be 10 member in a group.

ii) Tenure:- The loan shall be for a period of one year and repayable in 50 weekly installments.

iii) Amount of Loan:- Under the Micro Finance scheme, the loan amount per member shall be a minimum of Rs.20,000/- and the maximum shall be Rs.1,00,000/-

iv) Pricing :- Subject to the interest rate policy and the regulations in this respect issued by RBI, the sanctioning authority may charge interest at such rate not exceeding 26%P.a

v) Instructions:- Management shall put in place detailed operating instructions relating to customer profiling, selection of borrowers, group meetings, collection mechanism etc.

8. GENERAL

A) FUNDING OF ASSETS

Capital adequacy norms as stipulated by RBI shall be complied with by the Company. Owned funds should supplement a suitable mix of bank borrowing / credit lines and NCDs and bonds. Resources for funding the gold loans should be well diversified and adequate to meet with growth plans.

B) RESTRICTED PROFILES/PROPERTIES

While extending loans to borrowers or loan against properties classified with “Restricted Profiles” under the instructions in this respect, sufficient caveats shall be exercised/imposed while deciding the documentation requirements, provisos included in the agreements, loan limits, tenure of the loan and such other precautions considered necessary to protect the interest of the company.

C) NEGATIVE PROFILES

Management may from time to time make an exercise in identifying negative profiles and loans to borrowers classified as “Negative” shall not be entertained.

D) RECOVERY OF LOANS, SENDING OF NOTICES, AUCTION OF SECURITY

i) Going by the inherent nature of the security it may be reasonably expected that most borrowers will service the interest and repay the loan of their own accord. However, as a matter of good practice and measure of caution, monitoring repayments should be accorded close attention since there would be many borrowers who repay only after receiving reminders for interest dues, loan repayment etc. On the other hand there could be a few borrowers who pose challenges for smooth recovery. *The company shall follow the soft recovery measures such as persuasion of customers for due repayment at first instance and when such efforts does not evoke the required response from the customers, it may resort to legal recourse such as arbitral tribunals and other jurisdictional judicial forums. The company may use the following methods to communicate with the customers;

1. SMS to the registered mobile of borrower, guarantors/co-obligants
2. Ordinary letters to the registered address of borrower/ guarantors / co-obligants
3. Registered letters with acknowledgement due to the borrower/ guarantors/ co-obligants
4. Where the borrowers/guarantors/co-obligants have registered their email id with the company the mails can also be used as a means of communication.

ii) While framing operating guide lines on collection and recovery, due regard shall be given to the following;

(1) Company, its employees or authorised agents shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

(2) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objections, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

(3) In the matter of recovery of loans, the company shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. and shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(4) In case of pre closure of a floating rate term loan, shall not charge foreclosure charges/ pre-payment penalties sanctioned to individual borrowers.

iii) The company may recover the defaulted accounts on its own or by engaging third party services provided and the same shall be in accordance with the applicable regulations ,if any,in this respect.

E) Repossession and Realisation of Assets

As part of the recovery measures, the company may take possession of the asset it has financed or secured to it against a loan and realize the loan amount with interest and other charges by sale of such asset through auction after following the due procedure. The company shall ensure that, the terms and conditions of the loan and the agreement with the borrowers has necessary provisions in this respect. The company may do so on its own or by engaging third parties subject to the regulations, if any, in this respect.

F) INTEREST RATE AND OTHER CHARGES.

The company may levy interest and other charges for different loan products according to the principles of cost of funds, operating cost and reasonable rate of return. The pricing may be fixed on the basis of the risk associated with asset class, customer profile and the period of loan. The interest may be fixed in accordance with the interest rate policy framed and approved by the company.

G) *SHARING OF CREDIT INFORMATION/ CLASSIFICATION OF CUSTOMERS*

a) Appropriate systems shall be put in place to identify and classify customers into appropriate categories (Special Mention Accounts) as stipulated by RBI and reporting thereof within the defined time limits. The Company shall ensure that the credit information of all the customers having fund based and non fund based exposure of Rs. 50 million and above or such limit as stipulated by RBI from time to time gets reported within the defined time lines.

b) "Non co-operative borrowers" as defined by RBI shall be identified and reported to CRILC within such time as has been specified by RBI. Before reporting the same, the customer shall be provided adequate time as stipulated by RBI from time to time to clarify their stand before getting reported as non cooperative borrowers. Higher/accelerated provisioning requirements in respect of new loans/exposures to such borrowers as also new loans/exposures to any other company promoted by such promoters/ directors or to a company on whose board any of the promoter / directors of this non-cooperative borrower is a director, shall be complied with.

c) Credit information of all customers with exposure above Rs. 5 lakhs (cumulative) shall be shared with CRILC on a monthly basis not exceeding 15th of the succeeding month. Efforts shall be taken to ensure that the latest updated status of the customer, say, the last installment paid or interest serviced is also captured while sharing the information with CRILC.

d) For the purpose of sharing credit information with CRILC it should ensured that the details in appropriate formats as stipulated by RBI from time to time shall be taken into account.

e) Further, while sharing information with CRILC it should be ensured that all relevant details, say, PAN No., Aadhar Number, Voters ID Card No. etc, are shared with.

f) Wherever data have been rejected by the Credit Information Companies (CICs), the reasons shall be ascertained, deviations rectified and the corrected data in appropriate format shall be uploaded within 7 days of receipt of such rejection report or within such time as maybe specified by the RBI from time to time.

g) The quality of data submissions shall be assessed and efforts shall be made towards improving data quality and minimising data rejections.

H) USAGE OF CREDIT INFORMATION

While extending loans to customers above Rs. 2 lakhs or where the cumulative exposure of a customer exceeds Rs. 2 lakhs, the credibility of the customer shall be confirmed mandatorily by obtaining credit information from at least 1 Credit Information Company (CIC). The cap of Rs.2 lakhs shall be subject to revision based on circumstances demanding as such or decision of the management from time to time. In case of Microfinance, the credit information available with Crif Highmark shall be verified.

I) NODAL OFFICERS

The Company shall appoint a nodal officer having assigned the responsibility of ensuring prompt submission of customer data to Credit Information Companies, ensure minimum rejections, improve quality of data submission and liaisoning with Credit Information Companies for retrieving data to be used in assessing the credit standing of the customer prior provision of loan or enhancement of loan.

J) CREDIT INFORMATION COMPANIES ACT (CICRA)

i) The Company shall abide by the period stipulated by CICRA and the rules and regulations framed there under in respect of updation, alteration of credit information, resolving disputes, providing credit information to customers, initiating updation of credit information on request from customers, charges to be levied in the instances of such request, intimation to customer as regards status of updation etc.

ii)Deviations from stipulated time limits shall be monitored and commented upon in periodical reports/reviews put up to the Board or Committees of the Board on customer service.

K) OTHERS

i*) Terms and conditions of loans should be in compliance with the Fair Practices Code of the Company.*

ii) Loans to directors, their relatives and related entities shall not be sanctioned.

iii) Loans to persons of doubtful integrity (to the extent known), customers engaging in illegal/ unlawful business (to the extent known) etc. shall not be entertained even if the quality of the security offered is beyond doubt. Point C (ii) (e)

iv) Loan sanction letter/agreement of all loans shall clearly indicate the exact due date on which the loan falls for repayment.

v)The loan sanction letter/agreement shall provide the break-up between principle and interest and also examples of classification of NPA/SMA.

L**. Asset Classification:**

1) The classification of borrower’s accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and SMA for NPA classification date shall be the calendar date for which the day-end process is run.

2)SMA/NPA classification of borrower’s accounts are applicable to all loans including retail loans irrespective of size of exposure of the Company.

9) RE-SCHEDULING OF LOANS

1.Subject to the guidelines issued by Reserve Bank of India, the company may at its sole discretion allow a one-time re-scheduling of loans in applicable cases.

2.Justification

It is observed that in certain cases borrowers who have been promptly paying the installments /EMIs are faced with sudden, unexpected and serious problems which affect the business and consequently their ability to pay the dues punctually. Examples of such problems are serious sickness of the borrower or family members, unexpected change in the business environment etc.
Conditions to be satisfied for rescheduling of loan account.
i) The account must not be a NPA on the date of re-scheduling.

ii) The business must be viable or proposed to be made viable in the immediate future through suitable strategies and action plans.

iii) The borrower and all co-borrowers must submit in writing the reasons for default/ delay in repayments, the manner in which they want the loans rescheduled (i.e. period, EMI amount, loan amount etc.) and their assurance to pay the EMIs / daily collection after re-scheduling without any default.

iv) The borrower should have been paying the dues promptly at least till the sudden problems cropped up. Rescheduling can also be considered when the initial assumptions of repayment capacity at the time of sanction are later found incorrect.

v) The reputation and creditworthiness of the borrower and co-borrowers must continue to be beyond reasonable doubt.

10.) Review of policy and Amendments

The policy can be reviewed and amended or modified by the board of directors by passing a resolution either at its meeting or by circulation. Notwithstanding any amendments taken place, the actions taken in good faith under the then existing policy shall continue to have effect and will be binding on the parties concerned. The policy shall be reviewed by the board at least once in a year.

11) EMPOWERMENT

1.Managing Director & CEO of the company is empowered to issue internal instructions for implementation of the policy and the operational aspects. Where a deviation of any terms of this policy was necessitated by unforeseen situations and on circumstances outside the control of management , the deviation may be approved by the **credit committee** of the company.

2. The Board Committee on Management is empowered to approve delegation of authority in respect of fixation of sanctioning powers and the matters connected therewith.

12. Severability.

If any portion of this policy is found to be inoperative on account of change in underlying directions issued by the RBI or of the accounting standards or declared to be inoperative by any regulatory authorities, the remaining portion which are not so inoperative will continue to be in force and binding on the company. Any action taken by the company or its officers under the policy before it became inoperative or un enforceable shall continue to be binding on the company.

13. Language used

The expressions used in in this policy in its singular form shall mean and include its plural form as well and *vice versa.* Similarly expressions used in its masculine character shall mean and include its equivalent feminine character as well and *vice versa.*

14. Effective date

The policy will be effective from the date of its approval by the board either originally framed or reviewed and amended from time to time.

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RAJESH KUMAR K

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