

Loan Policy

1. INTRODUCTION

Presently the Company's business is loan against Pledged Collateral whereas pledged collateral means the collateral of jewellery, ornaments or coins made of gold. Whereas Jewellery means items that are designed to be worn as personal adornments and ornaments means items meant for use as adornment of any object, decorative items or utensils, excluding those items that fall under the definition of jewellery.

The policy lays down broad guidelines for acceptable risk tolerances and provides key controls to manage credit risks. The policy in essence is the Company's approach to underwriting, managing and monitoring credit. The policy will be amended from time to time in the light of changing business, economic and regulatory environment and will be reviewed as and when deemed necessary by the Board.

2. OBJECTIVES

The main objectives of the Lending Policy are to:

- a) Ensure a healthy balance between loan levels, profits and quality of assets.
- b) Comply with the regulatory requirements/directives.
- c) Ensure that interest rates are determined in a manner so as to ensure long term sustainability of business by considering interests of all stakeholders,
- d) Lay down proper system & procedures, appraisal standards within the company
- e) Adequately protect the collaterals from any possible loss.

3. VALIDITY / AUTHORITY OF THE LOAN POLICY

- a) Loan policy shall be a guiding document for lending operations. Terms and conditions of this policy shall be in force until such time till the same is reviewed /revised by the Board minimum annually.
- b) Loan policy is subject to changes in accordance with guidelines, directions issued by Reserve Bank of India (RBI) from time to time.

4. NATURE, TYPE, PARAMETERS AND TENURE OF LOANS

- a) The company shall provide loans to individuals in the form of term loan against pledge of eligible collateral.

- i. The aggregate weight of ornaments for all pledged loans to a single borrower shall not exceed 1 kg.
- ii. The aggregate weight of coin(s) pledged for all loans to a single borrower shall not exceed 50 gm

b) The company shall not grant any loan against primary gold or financial assets backed by primary gold e.g., Unit of Exchange Traded funds (ETF) or units of mutual fund.

c) Any individual who is lawful owner of the Pledged Collateral offered as security as per the declaration of ownership submitted by the borrower and fulfilling the KYC norms as per RBI guidelines & Indian Citizen within the age limit of 18 years and up to 70 years at the time of disbursement is eligible for the loan.

d) Minimum and maximum loan amount to a single borrower shall be Rs.5000 and Rs.25 Lac respectively.

e) Loan to a borrower singly or cumulatively up to a limit of 2.5 lac shall not require any credit assessment except kyc compliance as per regulatory guidelines.

f) Loan extended for the purpose of Productive economic activities e.g. loan for business and commercial purpose loan for creation and acquisition of productive assets shall be demarcated as "income generating loan".

i. All other loans shall be demarcated as "consumption loan".

g) In case of loan amount greater than 2.5 lac to a borrower following credit, assessment will be mandatory.

- i. Proof of average monthly income of the borrower should be obtained to determine free cash flow and disposable income after deducting all liabilities.
- ii. Credit report of the borrower to be fetched as part of credit assessment
- iii. Last 6 months bank statement to be obtained from the borrower.
- iv. List of acceptable documents as income proof of salaried person shall be, Form 16 / ITR Return /Salary certificate/last 3 months salary slip.
- v. List of acceptable documents as income proof of businessperson shall be, ITR Return/GST return (3b).
- vi. All the documents should be latest.

h) Maximum tenure of loans shall be 360 days.

i) Principal and Interest re payment shall be as per the scheme availed by the customer.

j) Top up loan-Top up may be sanctioned over and above an outstanding loan based on a formal request from the borrower and subject to following conditions:

- i. The final loan amount is within permissible LTV.
- ii. The Loan is standard at the time of Top up.
- iii. All interest accrued on such loan has been paid in full at the time of Top up.

k) Various schemes shall be rolled out by the company from time to time to suit borrower preference, needs, competitor offerings, internal strategy of the company in compliance with all statutory guidelines issued by RBI or any other statutory body/government. Such schemes shall be designed by the Business head in compliance with companies' internal policy approved by the Board.

5. LOAN ELIGIBILITY

The amount of loan to be provided for 1 gm net weight of pledged collateral shall be known as advance rate. Advance rate of each scheme shall be pre-determined in accordance with regulatory guidelines in respect of LTV. Appraisal of each item shall be carried out to ascertain purity of that item in carat. Net weight of each pledged collateral is to be determined by deducting weight of any non-gold material and converting lower purity items proportionately to 22 carats. Loan eligibility is to be arrived at by multiplying the applicable advance rate corresponding to the specific scheme with the sum of net weights of all pledged collaterals. Under no circumstances the amount sanctioned should exceed the maximum eligible loan amount.

6. ELIGIBILITY CRITERIA FOR VARIOUS TYPE OF TRANSACTIONS

a) Fresh Loan-New loan to an existing customer denoted by "Fresh Loan" can only be sanctioned if none of the live accounts of the borrower is NPA.

7. 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. Loans shall not be extended to re -pledgers, Lawyers, politicians, police, student, unemployed, jewellers, pawn brokers and money lenders.

b) The company shall prepare and demarcate a list of negative profile borrowers depending on past track record in terms of repayment, submission of false documents, providing false/incorrect information, attempt to pledge spurious items and aggressive behaviour during recovery process. No loans shall be extended to this list of borrowers. Such a list shall be prepared by the collection manager in consultation with the respective business unit head.

8. GEOGRAPHICAL LIMIT

An applicant will be eligible for loan from any of our branches if his/her permanent/present, residence/ office/place of business is within the geo-limit of that branch. All branches will have a geo-limit of 20 KM radius considering the branch as the center of the circle.

In case any one of applicants' residence/office/place of business is within the geo-limit of one branch & other is within the geo-limit of any other branch then disbursement should be

from the branch where the applicant has approached first or as per applicant choice. But in any case, a borrower cannot hold a loan a/c simultaneously in more than one branch.

9. END USE OF LOANS

The loan can be extended to anyone who is having short term fund requirements like working capital for establishment/ expansion of business activity or meeting personal liquidity requirements or domestic needs including medical expenses etc. Loans shall not be provided for any speculative or illegal or unlawful purposes violating the laws of the Country.

End use should be verified by internal staff within 30 days of disbursement on a sample basis to at least 10% of the borrowers by visiting the borrower's residence/office/place of business as applicable. The outcome of the verification should be documented.

10. LOAN TO VALUE RATIO

a) Pledged Collateral accepted as collateral shall be valued based on the reference price corresponding to its actual purity (cartage). For this purpose, the lower of (a) the average closing price for Pledged Collaterals the case may be, of that specific purity over the preceding 30 days, or (b) the closing price for Pledged Collateral as the case may be, of that specific purity on the preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used. If price information for the specific purity is not directly available, the lender shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity to arrive at valuation.

b) For the purpose of valuation, only the intrinsic value of the Pledged Collateral contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, making charge shall be added thereto.

c) The maximum LTV ratio in respect of consumption loans against the eligible collateral shall not exceed LTV ratios as provided in the table below:

Total Consumption loan amount per borrower	Maximum LTV ratio
≤₹2.5 lakh	85 per cent
> ₹2.5 lakh & ≤ ₹5 lakh	80 per cent
> ₹5 lakh	75 per cent

d) In cases where purity is less than 22 carats, collateral shall be translated to 22 carats for determining LTV & loan amount and shall state the exact grams of the collateral. In other words, jewellery of Pledged Collateral shall be valued proportionately.

- e) The above prescribed LTV ratio shall be maintained on an ongoing basis throughout the tenor of the loan.
 - i. Report containing the details of the loan accounts breaching the prescribed LTV ratio shall be fetched at the beginning of every month and the required principal amount has to be collected from the borrowers to bring it down below regulatory threshold limit.
 - ii. In case, borrower do not response to verbal intimation within one month of such instruction, a formal notice shall be served to the borrower.
 - iii. Every month beginning a Mis of unresolved accounts shall be monitored by BH for further action.

11. VERIFICATION OF OWNERSHIP

All loans shall be sanctioned only after ensuring the ownership of the gold, in line with the relevant regulatory norms, by collecting Self-declaration by the borrower stating his/her absolute ownership over the ornaments & that the ornaments are not obtained unlawfully is to be collected.

12. MODE OF DISBURSEMENT AND COLLECTION

- a) Mode of disbursement – Disbursements in cash is allowed only up to Rs.20, 000 in a single day to a new borrower. Thereafter, all disbursements more than Rs.20000 to a particular borrower is to be done through bank transfer to the borrower's account.
- b) Mode of collection – Cash collection up to Rs.2,00,000 is allowed by a particular borrower in a single day for repayment of Interest/principal/ any applicable charges pertaining to the borrower's loan account.

13. INTEREST RATE POLICY

The rate of interest on gold loan schemes shall be fixed considering various factors such as cost of funds, overhead costs, fair return on capital employed, market conditions and guidelines of Reserve Bank of India regarding Fair Practices Code.

The Board of Directors of the Company or Business Head, while fixing interest rates on Gold Loan Schemes shall be guided by this policy document for Interest Rate Fixation.

In addition to cost factors set out hereunder, the Board or the CEO shall be guided by the market conditions and various relevant rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time.

Interest charged under various Gold Loan Schemes shall have the following components:

Basic Interest Rate
Risk Premium

Basic Interest Rate

Basic Interest Rate represents the rate chargeable under every Gold Loan Scheme irrespective of the risk weight attached to the nature of the scheme. Basic Interest shall be arrived at after considering the following aspects:

Cost of Funds

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds which are mobilised through loans.

Overhead Cost

Overhead costs comprise of operating cost like employee cost, establishment costs such as charges for rent, electricity, water etc., security charges such as engagement of security guards, setting up of burglar alarms and CCTV cameras, insurance premium for insuring the gold security held in the custody of the Company etc., Statutory expenses, Marketing expenses etc.

Fair return on Capital Employed

Fair return on capital is calculated as per industry standards and considering the interests of investors of the Company which is listed in stock exchange.

Market conditions

Market conditions include the rate of interest charged for similar loans by Banks and NBFCs. Guidelines of the Reserve Bank of India from time to time also shall be strictly followed. The Board shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owner's capital employed in the business.

Thus, the basic interest rate for the gold loan schemes shall be determined by considering the cost of working capital, overhead cost, fair return on capital employed and the market conditions.

Risk Interest Rate

Risk Interest shall be determined by considering the degree of credit risk involved in loans under each loan scheme. While the interest rate shall be the lowest for the schemes where advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. Further, irrespective of the scheme, the risk interest shall also be determined after considering the tenure period of the loan as the probability of risk incidents goes up with the passage of time. Risks in respect of gold loans includes the fall in price of gold, possibility of the gold pledged

turning out to be spurious or of low purity on audit, stolen gold being pledged, delays in settling loans of deceased borrowers due to legal issues etc.

Effective Interest rates on gold loans vary depending upon the rebate offered for periodical remittance of the interest under each scheme, the principle being those who service the interest early gets a better rebate. For e.g., higher rebate is offered to those servicing interest within 30 days of disbursal as compared to 60 days or 90 days. The rebate comes down and resultantly the interest rate goes up if interest is not serviced by the due date prescribed like 30/60/90 days etc. after availing the loan. The rebate is offered to encourage borrowers to service interest regularly within the prescribed slab periods and to avail the benefit of higher rebate and lower competitive interest rates. The rebate is only an offer and it is left to the choice of the borrower whether to avail the benefit or not. Company shall charge interest as per the terms and conditions of the loan mutually agreed to by the borrower who has signed the pledge form / loan agreement and accepted the other terms and conditions of the loan. For example, if a scheme is offering a rebate of 12.1% on the interest rate of 24% p.a., at which the loan is sanctioned, for servicing interest within 30 days, interest @ 11.9% only will be charged if interest is paid within 30 days from the date of sanction of the loan. However, if the customer does not service interest by 30 days after availing the loan, he will lose the advantage of the higher rebate and accordingly, the rebate rate will move to the next lower slab resulting in a corresponding higher interest rate being charged from the loan origination date and customer has to pay interest accordingly. It is the prerogative of the company to allow any concession based on merits when the interest rate changes as above.

- a) Ceiling Interest Rate on Loans: Keeping in view the regulatory (RBI) expectations from NBFCs and also the Fair Practices Code, the maximum interest rate chargeable shall be fixed at 30% p.a during the normal loan tenure across all states / regions excluding compounding effect, where applicable, under any schemes. Penal charges and other out of pocket expenses charged from the borrowers will be exclusive of the ceilings mentioned above.
- b) Interest to be levied shall be governed by the interest rate policy adopted by the Board. The maximum interest on a loan cannot be greater than 30 % annually. The Board empowers BH to review the interest rates and other charges periodically and approve necessary revisions as per the business requirements. Any revision in interest shall only be with prospective effect.
- c) Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The interest rates shall be decided based on the cost of funds, and also gradation of risk, the underlying principle being higher the risk higher the interest, within the ceiling rate decided by the Company. No loan shall be granted at a rate of interest less than the average cost of funds of the Company without the specific approval of the Board.

- d) Basis - number of days per year: Interest shall be calculated on 365 days a year basis. Dates of disbursement shall be included and date of closure of account shall also be included for computation of interest.
- e) Fixed / Floating rate: All loans shall be granted at a fixed rate only.
- f) Annualized rate of interest: Interest rate quoted shall be on an annualized basis only in all documents, internal instructions/ communications and publicity materials.
- g) If the due date for payment of interest falls on a Sunday/Holiday, the Company may, at its discretion, allow the borrower to pay interest on the next working day without slab change, treating the intervening Sunday/Holiday as grace period.
- h) Income including interest or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed to a memorandum account like "interest not collected a/c"

14. OTHER CHARGES

- a) Penal Charges: If interest or principal is unpaid for a period of more than 90 days, penal charge of Rs.150 is to be charged from the borrower. The quantum of the penal charge will be decided by the BH in compliance with statutory guidelines issued by RBI from time to time.
- b) Processing fee- A processing fee will be charged on all loans as per the below mentioned slab:

Particulars	Amount
1. Loan amounts up to Rs.10,000	Rs.35/-
2. Loan amount between 10,001 to 50,000	Rs.110/-
3. Loan amount greater than Rs.50,000	0.22% of loan amount

*The processing fee can be reduced with approval from the CEO

- c) Auction charges- In case of auction of a loan account an auction charge of Rs.200 will be charged from the borrower to cover the advertisement & other incidental expenses carried out by the company.
- d) KFS (Borrower copy) lost charges- A charge of Rs. 100 is to be charged from the borrower in case of loss of borrower copy of the KFS by the borrower & issuance of fresh copy.

- e) Stationary charge of Rs.25 is to be charged in case of any interim transactions by the borrower except interest payment within the tenure of the loan.

15. VALUATION STANDARD/NORMS, ASSAYING PROCEDURE AND STANDARD PURITY OF GOLD

Pledged Collateral shall be accepted as security for loans only after proper appraisal by the staff before the loans are sanctioned. Pledged Collateral of purity below 50% shall not be accepted. In cases where purity is less than 22 carats, collateral shall be translated to 22 carats for determining LTV & loan amount and shall state the exact grams of the collateral. In other words, jewellery of lower purity of Pledged Collateral shall be valued proportionately.

The Company shall apply manual processes and appraisal techniques to determine purity of the pledged collateral.

- a) Pledged Collateral shall be accepted as security for loans only after proper appraisal by internal staff having appraisal authority.
- b) Appraisal authority shall be provided to designated employees, only after rigorous training of minimum 1 month and subsequent satisfactory evaluation by the audit team of the company.
- c) Periodic refresher training shall also be conducted as and when deemed necessary by the audit team.
- d) Post-disbursement audit of pledged collateral is to be carried out in an ongoing basis to find out any discrepancy & undertake prompt corrective measures to minimize loss of the company.
- e) Each & every ornament offered for appraisal should be weighed in presence of the applicant & proper description along with weight should be captured in the GRF form.
- f) Post accepting all the ornaments offered for appraisal & capturing all the details in the GRF form, the appraiser should take the applicant's signature in the GRF form.
- g) The appraiser should appraise each item separately.
- h) For each item the appraiser should ascertain the weight of non-gold material if any & deduct it from the gross weight of the item to arrive at net weight of the item.
- i) The appraiser shall ascertain the cartage & fineness of each item by carrying out both the preliminary (sound, density, colour, flexibility, usability, etc.) & confirmatory tests (acid & saltwater test).

j). The appraiser shall mention the weight of non-gold material if any & the purity corresponding to each item for eligibility calculation.

k) Pledged Collateral of purity below 50 % shall not be accepted.

l) Items not to be accepted for pledging:

i. Gold plated bronze items.

ii. Deities of God & goddess.

iii. Gold bars.

iv. In case of wax bangle maximum 25% of gross weight shall be considered for arriving at net weight 35% of gross weight can be considered if the item is hallmarked.

v. Any item where marks of scratching on touchstone totally vanishes after applying acid & saltwater solution.

16. CUSTODY OF GOLD, STORAGE ARRANGEMENTS AND SECURITY

All pledged Collateral are to be kept in separate sealed packets with proper demarcation & nomenclature in safe deposit vaults/ strong rooms in respective branches.

All branches shall have 24x7 CCTV surveillance & fitted with alarm systems for detecting forced intrusion.

All the Pledged Collateral shall be properly insured.

17. OTHER PARAMETERS

a) In case the loan amount is more than Rs.5,00,000/- physical verification of either present residence or office/place of business is to be conducted prior to sanctioning of loan as per prescribed format.

b) Verification is to be carried out either at present residence or office/place of business depending on whichever is nearer to the branch.

c) Loan can only be sanctioned upon successful and satisfactory verification results.

d) In case the loan amount is more than Rs.5,00,000/- a copy of the PAN card of the applicant is mandatory.

e) In case of bangle stripe gross wt. of gold to be mentioned in the appraisal form in bracket along with gross weight of item.

f) Any customer can have only 10 accounts in any branch & not more than that at any given point of time.

18. CLASSIFICATION OF LOAN ASSETS

Any loan account, in respect of which interest &/or principal has remained overdue for a period of more than 90 days shall be classified as NPA in the system.

All live loans in the system have to be classified into:

- a. Standard Asset- all loan which has not been classified as NPA.
- b. Sub-standard Asset- all live loans which has been classified as NPA for a period not exceeding 18 months provided the value of the collateral is greater than 10% of the loan outstanding.
- c. Doubtful Assets- all live loans which have remained sub-standard assets for a period exceeding 18 months provided the value of the collateral is greater than 10% of the loan outstanding.
- d. Loss Assets – all live loans which has been identified as loss assets by the NBFC or its internal/external auditor, RBI during inspection, or which is non-recoverable due to erosion in value of collateral of any fraudulent act by the borrower.

19. ASSET CLASSIFICATION IN THE BASIS OF DEFAULT

All loan assets shall be classified as under

SMA Sub-categories	Basis for classification – Principal or interest or any other amount wholly or partially overdue
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

20. LOAN TO DIRECTORS

No loan is to be provided to the Directors or their relatives unless approved by the Board of Directors.

However, loan to employees of the company shall be recommended by his/her immediate supervisor & approved by the CEO of the company.

Any employee who wants to avail loan has to be sanctioned from any branch other than his/her branch of posting at the time of loan application.

21. INTERNAL AUDIT

Internal Audit to be conducted on an ongoing basis to ensure compliance with regulatory requirements & internal policy & process laid down by the Board.

The audit should also focus on detecting any fraudulent activity in the system.

All audit findings should be updated in the system & reviewed by the CEO for timely resolution or course of action to be taken deemed necessary.

A consolidated report should be submitted to the Board once in each quarter.

22. RELEASE OF PLEDGE COLLATERAL

- a) The pledge collateral shall be released by the company upon receipt of total dues from the borrower on immediate basis.
- b) In case there is any delay in release of the pledge collateral by the company due to any unforeseen circumstances the same shall be communicated to the borrower. In any case if the delay exceeds 7 working days from the date of receipt of total dues.

The company shall be liable to pay compensation of Rs.5000 per day for the number of days beyond 7 days.

23. UNCLAIMED PLEDGED COLLETERAL AND SILVER COLLATERAL

- a) The pledged collateral lying with a company beyond two years from the date of full repayment or settlement of loan shall be treated as unclaimed. The company shall periodically undertake special drives to ascertain the whereabouts of the borrower (s)/legal heir(s) in respect of such unclaimed Pledged Collateral.
- b) A report on unclaimed Pledged Collateral and silver collateral shall be put up to the customer service committee or the board, as the case may be, at half –yearly intervals for a review.

24. POLICY RELATED TO LOSS OF PLEDGED ORNAMENTS AND DISCREPANCY DURING POST DISBURSEMENT INTERNAL AUDIT OF PLEDGED ORNAMENTS

- a) In the even of loss of Pledged Collateral from the custody of the company:
 - i. Immediate information to the borrower /legal heir is to be provided mentioning in details the exact quantum of loss and reason thereof within 7 days of detecting such loss by the company staff /Internal Auditor.
 - ii. The information must be sent through registered AD, Speed post/courier service a duplicate copy of such letter should be documented along with acknowledgement.
 - iii. The liability of the company shall be limited to paying the borrower the market value (determined as per point 10(i)) of the net weight of Pledged Collateral as mentioned in the KFS cum sanction letter issued by the company during the disbursement upon clearance of all dues by the borrower.
 - iv. The market value shall be determined on the date of clearance of all dues by the borrower.
 - v. The compensation shall be paid to the borrower / legal heir on the same day of closer of the loan

vi. In case of any damage to pledge collateral during the tenure of the loan the cost of repairing shall be borne by the company.

25. IN CASE OF ANY DETORIATION OR DISCREPANCY IN QUANTITY OR PURITY OF PLEDGE COLLATERAL DURING INTERNAL AUDIT OR OTHERWISE THE SAME SHALL BE COMMUNICATE TO THE BORROWER

- (a) Immediate information to the borrower legal heir is to be provided within 7 days, requesting principal amount to be paid by the borrower as per the post audit eligibility of the pledge collateral within 30 days from the date of the letter.
- (b) Letter must be sent through registered AD, Speed post/courier service a duplicate copy of such letter should be documented along with the acknowledgement.

Process for Calculating eligibility for loans above ₹ 2.5 lac:

Gross average monthly income of the borrower is to be determined from the income documents submitted by the borrower.

Total fixed monthly obligation, e.g. loan liability or any other recurring expenses should be calculated from the CIC reports/borrower declaration/bank statement of the borrower.

Now, if the gross average monthly income is denoted by "I" & total monthly fixed obligation is denoted by "E" then

Monthly disposable income denoted by "D" = $I - E$

Maximum monthly interest/EMI as applicable shall not exceed 80% of D