MANAPPURAM ASSET FINANCE LIMITED(MAAFIN)

LOAN POLICY

Version Control		
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Policy Owner	Risk Management Department
Prepared By	Risk Management Department
Reviewed By	Policy Review Committee
Approved By	Board

1 Introduction

The Loan Policy of the Company is the foundation for maintaining a sound asset quality of its portfolios. 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.

While the Company's business focuses mainly in Gold loan, it has also diversified into Vehicle Finance, SME and Micro SME loans Therefore, this Loan policy have two sections — (1) Gold Loan (2) Others. The policy will be amended from time to time in the light of changing business and economic environment and will be reviewed annually.

2 Objectives

The main objectives of the Lending Policy are to:

- Ensure a healthy balance between loan levels, profits and quality of assets.
- Comply with the regulatory requirements/directives such as Capital Adequacy, LTVetc.
- Lay down controls for assumption and monitoring of large exposures.
- Develop and inculcate 'internal values' in the business of lending.
- Facilitate sustained growth without deterioration in the asset quality.
- Lay down proper system & procedures, appraisal standards at various levels in the organization with sturdy internal controls.
- Adequately protect the collaterals from any possible loss.
- Improve the capabilities and credit skills of the employees and officers connected with loan portfolio at various levels.
- To strengthen risk management systems with appropriate exposure ceilings and delegation matrix.
- Pricing of loan products according to the risks linking to the Company Benchmark Lending Rate (BLR).

3 Validity / Authority of the Loan Policy

a) Loan policy shall be guiding document for lending operations. Terms and conditions of this policy shall be in force until such time till the same reviewed / revised by the Board minimum annually.

b) Loan policy is subject to changes accordance with guidelines, directions issued by Reserve Bank of India (RBI) from time to time.

4 Gold Loan

4.1 Nature, Type and Tenor of Loans

a) The Company will normally accept only Household Used Jewellery as security since they are presumed to carry the invaluable 'emotional attachment' of the owner. New gold ornaments may also be selectively accepted, subject to laid down controls, provided there are no other adverse indications.

b) Loan schemes are 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 heeds to Income Recognition and Asset Classification (IRAC) 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. the Company shall not grant any advance for purchase of Gold in any form including Primary Gold, Gold bullion, Gold Jewellery, Gold coins, Units of ETF and units of Gold Mutual Fund. Suitable controls, both system (IT) & non-system based, should be put in place and compliance monitored.

d) The tenure of the loans shall be decided by market practices and regulatory directives, as applicable.

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) The procedural changes in the disbursement/collections of loans, which is in compliance with the regulatory requirements and made in connection with the adoption of technology developments may be approved by the MD. Example: Online Gold Loans, Online collections, Door Step Gold Loan.

4.2 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 business compulsions and the consequential risks emanating therefrom. 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 staff members shall be restricted to Rs. 3.00 lakhs per employee. Such loans shall beon 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 MD on the proposal submitted by the HR Department.

c) 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. the Company has set a system block for customers who caused material loss to it and it will be periodically reviewed.

4.3 Loan Application Forms, Loan Sanction Letter

a) Loans shall be disbursed only against fully completed and properly signed loan application form, which will be pre-printed in the relevant local language. 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) The various loan schemes (loan per gram, interest rate structure, penal charges, compounding if any, other charges etc.) should be explained to the prospective borrower and an appropriate scheme offered based on the borrower's needs / preference

c) Immediately upon sanction, the loan sanction letter (pawn ticket) in duplicate should be given to the borrower for acceptance. The pawn ticket issued shall contain a certificate to the borrower for having assayed the gold and should state the purity (in terms of carats) and the weight of the gold pledged. The pawn ticket,issued under the name and address of the the Company branch, serves as a receipt for the gold ornaments delivered by the borrower and will also operate as a loan sanction letter incorporating the terms & conditions of the loan. The acknowledged copy of the pawn ticket, which also tantamount to a loan agreement, should be carefully retained along with the loan application form for future verification and reference in a fire proof safe.

d) The guidelines under Fair practices code prescribed under Master Direction on SBR, viz acknowledgement of loan application to the borrowers, communication in vernacular language or language understood by the borrower, providing reasons and quantum of penal charges for material breach of terms and conditions, indication of penal charges in reminders for non compliance of material terms and conditions etc shall be followed while communicating with borrowers.

4.4 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 qualifying for "Officially Valid Documents". Documents in support of KYC compliance need be submitted at the time of the first loan when the "Customer ID" (master) is created in the system and a Unique Customer Identification Code (UCIC) shall be allotted to the customer, which shall be used for identification of the borrower irrespective of any facilities availed by them. For example, if a gold loan customer avails of an Auto Loan, the UCIC shall be thatof gold loan. Thereafter, periodic updation of the OVDs and shall be done based on the risk categorisation of the borrowers as per the KYC and Prevention of Money Laundering Policy of the Company.

b) Loans should be sanctioned only after full compliance with the KYC policy as laid down by the Company.

    i) Clear and visible photograph of the borrower using the web camera shouldbe captured and stored in the system.

ii) The system of capturing and confirming the mobile phone numbers acrossthe counters should also be extended to cover all the customers.
iii) Bank account details as per the regulations and requirements of scheme likeOGL.
iv) 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 of the gold ornaments.

4.4.1 Verification of ownership: 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 before the gold is accepted as security. However, in the case of gold ornaments it may not be easy to confirm "ownership" in a fool proof 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 ownership 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 loanapplicants and other prima facie checks will be made before the gold is accepted as security. In all cases where the collateral is above 20 grams, at any one time or cumulatively, the Company shall collect an additional confirmation, for which a provision shall be given in the Loan application form along with specific options as to identify how the ownership was vested with the customer (such as by inheritance, received as gift, purchased and others (need to specify)). In addition, the Certificate by Branch Head/Branch Manager as regards having conducted the proper due diligence for establishing ownership as a part of Customer Due Diligence is also need to be preserved along with Loan Application Form. Further, necessary system audit trails shall be made available to ensure that disbursals in such cases have been done only after collecting such additional confirmation. However, in the process of interaction about personal details it will be ensured that no offense or embarrassment is caused to the loan applicant.

4.5 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 before the loans are sanctioned. Gold ornaments of purity below 70% 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 gold shall be valued proportionately. The pawn ticket issued shall contain a certificate to the borrower for having assayed the gold and should state the purity (in terms of carats) and the weight of the gold pledged.

b) The Company already has laid down the appraisal techniques to be used by the operating staff such as nitric acid test, colour, sound/ smell test etc. observance of which should be ensured and monitored. Coloured gold ornaments may not be accepted. Training for appraisal of gold and facilities for appraising gold ornaments are being provided at the branches on an ongoing basis.

c) Additionally, the existing risk graded system, related to the Weight/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 at least 2 employees at the branch should independently assess the purity. The limits must be reviewed periodically and modifications, if required, put up for approval of the MD.

d) Staffing structure and the accounting process at branches should facilitate implementation of controls.

4.6 Loan To Value (LTV) or Loan Per Gram

As per the prevailing regulations, NBFCs shall maintain LTV ratio of not exceeding 75% for loans granted against collateral of gold jewellery. The LTV should be in compliance with RBI directives in force from time to time. Flexibilityin the fixation of differential LTV for specific customer categories, branches, areas / locations, periods etc. may be provided within the regulatory ceiling. The Head of the Sales Department shall prepare a reasoned proposal put up to the MD for approval.

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 deductionsfor lower purity, wastages as applicable. Operating instructions for deductions on account of purity, wastage, local variations etc. have been issued and will be amended suiting to market conditions by the MD.

Considering the risk gradation arising from differential rates, as a general rule, LTV, tenor and frequency in servicing interest and interest rate on the loan should be positively correlated i.e. a short term loan with low LTV and borrower servicing interest frequently 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 MD on the proposal put up by the Head of the Sales Dept.

As per the current RBI guidelines, gold ornaments for determination of LTV shall be valued by taking into account of the preceding 30 days' average of the closing price of 22 carat gold as per the rate as quoted by India Bullion and Jewellers Association Ltd (IBJA).

4.6.1 Procedures for maintenance of LTV.

As stipulated in the RBI directive contained in the Scale based circular of 19 October 2023 (para 37) the Company shall endeavour to maintain Loan to Value (LTV) ratio not exceeding 75% for loans granted against collateral of Gold jewellery.

Towards this end the following procedures shall be in place

a) Monitoring of the LTV position of all loans breaching the LTV norm on a daily basis based on a report generated from the system.
b) To advise customers by way of SMS in respect of loans that have crossed beyond 15% of the prescribed LTV of 75% as on the date of the review date (at the end of each Calendar Month).
c) In case of customers where the LTV has been crossed beyond 25% of the prescribed LTV of 75% the following actions shall be initiated (at the end of each calender month).
    (i) Intimation by registered post/speed post/courier shall be sent to borrowers.
    (ii) In the event the beach persisting with no response from borrowers for 60 daysand more new advices shall be issued asking for depositing margin to bring down the LTV
    (iii) In spite of all the above, the customer is still not regularising the loan account or settling the loan account, auction of gold ornaments shall be carried out, after following the due process.

4.6.2 The above terms and conditions shall be incorporated in the pawn tickets, so that the gold ornaments can be auctioned in the above circumstances even before expiry of the period of the loan.

4.7 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 and reviewed periodically. Such limits shall be got approved by the MD. Maximum lending limit

may be linked to risk perception in different regions/states. Any exposure beyond the limit should be subject to sanction at HeadOffice

c) A structured credit check /profiling format should be used (form MS143) 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 will be exercised to ensure that funds are not going to Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower.
d) Within the prudential limit mentioned in (c) above it shall be further ensured that generally exposure taken on a single borrower does not exceed Rs 1.5 Crore (Rupees one crore fifty lakh). A single borrower shall include a family unit, a closely associated group such as employer-employee etc. Loans above Rs 15 lakhs shall be approved by sanctioning committee in Head office.

4.8 High Individual Exposures - Delegation of Financial / Sanction Powers

High value exposures to individual borrowers (or closely related / connected group) shall be sanctioned very judiciously. Detailed instructions for appraisal of enhanced limits along with responsibility areas, documents required, procedures etc. shouldbe defined and put up to the MD. The delegation of powers for sanctioningthe enhanced limits may be reviewed periodically by Risk Management Department considering of various risks and approved by the MD.

4.9 Custody of Gold, Storage Arrangements, Security

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. Suitable control systems should be in place 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 set of duplicate keys is to be kept in the bank locker under the joint locker key is with GL Operation Head and GL Business Head. The duplicate keys should be properly packed before deposit into the bank locker.

a) 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.
b) 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.

c) Security arrangements (both security guards and electronic devices) should bein 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.

d) 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.

4.10 Recovery of Gold Loans

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. In such cases the Company resort to auction of the gold ornaments in compliance of Auction policy and RBI directions.

In the eventuality of auctioning of the gold ornaments, borrowers shall be provided with full details of the value fetched in the auction. The amount realised through auction shall be adjusted to the loan. Any amount realised over the outstanding dues from the borrowers shall be paid to the borrower or credited to the other accounts of the borrower with the Company under intimation to them.

The Company shall disclose in the Annual Report the details of the Auction conducted during the financial year including the numbers of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the Auction.

5 OTHER LOANS

5.1 General

The Company has in place an established credit appraisal process. Analysis of the borrowers is made on the following aspects while appraising the credit proposals:

a. Verification of OVDs and other KYC documents.
b. Verification of credit information reports, defaulters list, CERSAI etc.
c. Due diligence on prospective borrowers and group.

d. Business performance and status of economic activity.
e. Track record of repayment / capacity to repay based on cash flows of the borrowers.
f. Scrutiny of financial statements of the borrowers and guarantors.
g. Valuation of securities and validation of title of the borrowers on the securities.
h. Purpose of the credit facilities.
i. Adequacy of collateral / guarantees offered.

5.2 SME and MSME LENDING

MSME is the fast-growing sector in the Indian economy. Passing of Micro, Small and Medium Enterprises Development (MSMED) Act 2006, paved way for the growth of the sector in India. Finance to MSME sector is classified under priority sector.

5.2.1. Credit appraisal process

a. Borrower is selected based on experience, track record and compliance of KYC guidelines.
b. Our field officer's / credit managers visit borrowers' residence / office / factory to understand the management, business and financial requirements of the borrowers.
c. the Company evaluates project cost, promoter's contribution, existing cash flows and surplus based on documentary evidences or through an interview process for loans up to Rs 50 lakh. For larger proposals, financials of the borrowers like liquidity ratios, leverages, profitability ratios etc will be analysed.
d. Borrowers will be rated as per the internal credit assessment model. To determine the quantum of loan cash surplus to service the debt and availability of collateral will be considered.

5.2.2 Products under Micro Enterprises

a. Loan to Business / Service Providers.
b. Loan Against Property (Micro Mortgage)

5.2.3 Products under SME

a. Loan to Business / Service Providers.
b. Loan Against Property

5.3 Joint Lending with Other NBFCs, Banks and Co-origination of Loanswith Banks

As our MSME, SME, Vehicle loan and Corporate loan businesses are in the incipient stages, to gain experience by working with other NBFCs and Banks having expertise in lending, the

Company may enter into Memorandum of Understanding (MOU) with other Banks / NBFCs so as to gain experience in other segments of lending in the nature of MSME, SME, Corporate loans, etc for which the Company may get into appropriate joint lending arrangements with the said institutions, subject to compliance with the relevant regulatory norms and approvals as necessary.

RBI has permitted commercial banks to engage with NBFCs for co-lending arrangements for creation of priority sector assets. This arrangement involves sharing of risks and rewards between banks and NBFCs.

The Company has also formed a Co — lending department to explore the possibility of engaging other NBFCs for joint lending for gold loans, vehicle finance, MSME / SME finance etc.

MD shall be authorized to approve the lending arrangements with other NBFC and Banks.

5.4 Other Micro Loans

To tap potential of the micro loans, the Company has initiated various products. Salient features of these micro loans are given below:

5.5 Vehicle and Equipment Finance

The Company has been financing used and new commercial vehicles. Exposure of this vertical is spread across all the states. Borrowers are selected based on their experience in the field, their credit history, potential income etc. Besides commercial vehicles, this vertical also extends finance for acquisition of two wheelers, equipment, tractors, e-auto rickshaw etc.

The target market is :-

- Customers engaged in road transportation industry and captive customers who are engaged in other business and utilise commercial vehicles to carry goods and services of their core business.
- Potential customers engaged in construction industry in India and captive customers who are engaged in infrastructure business and utilise construction equipment which are deployed for mining, earthwork, civil construction, road / bridge construction, demolition, drilling, irrigation, lifting, material handling, etc.
- Customers of Cars & Two Wheelers

The Company also sourcing business through Direct Selling Agents (DSA) across all the branches. The DSAs are empaneled only for referrals and all communications with customers and legal communications are to be completed by the Company staff.

Security /collateral for the loan is Hypothecation of the Company on RC & Insurance. If the borrower is company / corporate entity, ROC charge creation is required to be done.

The Company shall follow collection and recovery procedures as envisaged in the collection and recovery policy. The loan agreements and sanction letters shall contain the procedures followed for recovery in case of overdues / defaults. The agreement with the borrowers shall also have built-in-repossession clause, which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:

i. Notice period before taking possession;
ii. Circumstances under which the notice period can be waived;
iii. The procedure for taking possession of the security;
iv. A provision regarding final chance to be given to the borrower for repaymentof loan before the sale/ auction of the property;
v. The procedure for giving repossession to the borrower; and
vi. The procedure for sale/auction of the property.

A copy of the loan agreement along with a copy each of all enclosures quoted inthe loan agreement shall be made available to all the borrowers at the time of sanction/ disbursement of loans, which forms a key component of such contracts/ loan agreements.

6. Securitisation of Portfolios

Securitization involves pooling of assets and subsequent sale of the cash flows from these pools to investors. the Company shall not undertake the securitisation activities orassume securitisation exposures as mentioned below:

a) Re-securitisation exposures
b) Structures in which short term instruments which are periodically rolled over, are issued against long term assets held by a SPE.
c) Synthetic securitisation
d) Securitisation with the following assets as underlying:
    i. Revolving credit facilities
    ii. Restructured loans and advances which are in the specified period
    iii. Exposures to other lending institutions
    iv. Refinance exposures of AIFIs
    v. Loans with bullet repayment of both principal and interest.
    vi. Loans with residual maturity of less than 365 days.

The Company will securitize its portfolios or buy portfolios in accordance with the RBI guidelines on minimum holding period, minimum retention requirements and other relevant guidelines.

6.1 Transfer of Loan Exposure

Loan transfers should result in transfer of economic interest without being accompanied by any change in underlying terms and conditions of the loan contract. A loan transfer should result in immediate separation of the transferor from the risks and rewards associated with loans. Lenders regardless of whether they are transferors or otherwise, should not offer credit enhancements or liquidity facilities in any form in the case of loan transfers.

Type of loan transfers:-

i. Transfer of standard loans
ii. Transfer of stressed loans
iii. Transfer of loans to Asset Reconstruction Companies (ARCs)

The Company will assign its portfolios or buy portfolios in accordance with the RBI guidelines on minimum holding period and other relevant guidelines. (Please refer to Transfer of loan exposure policy for details).

7. Risk Vetting of Credit Proposals by Risk Management Department

The Business and Credit department shall incorporate the risks identified and mitigates available in the credit proposals to the sanctioning authority.

8. Regulatory Restrictions on Loans and Advances

8.1 Loans and advances to Directors - the Company shall not grant Rs 5 cr & above loans and advances unless sanctioned by the Board of Directors / Committee of Directors, to -

i) their directors (including the Chairman/ Managing Director) or relatives ofdirectors.
ii) any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
iii) any company in which any of their directors, or their relatives is interestedas a major shareholder, director, manager, employee or guarantor.

A director or his relatives shall be deemed to be interested in a company, being the subsidiary or holding company, if he is a major shareholder or is in controlof the respective holding or subsidiary company.

The director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his interest to the Board when any such proposalis discussed. He should recuse himself from the meeting unless his presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

The proposals for credit facilities of an amount less than Rs 5 cr may be sanctioned by the appropriate authority in the NBFC under powers vested in such authority, but should be reported to the Board.

8.2 Loans and advances to Senior Officers – the Company shall abide by the following when granting loans and advances to its senior officers:

i. Loans and advances sanctioned to senior officers shall be reported to the Board.
ii. No senior officer or any Committee comprising, *inter alia*, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

8.3 Definition of consumer credit : - Excluding the exempted categories, the following categories of loans sanctioned through our verticals will come under Consumer Credit.

a. Loans for acquisition of consumer durables,
b. Unsecured personal loans,
c. Personal loans secured by immovable property (other thanfor business/commercial purposes),
d. Personal loans to professionals (excluding loans for business purposes),
e. Loans given for other consumption purposes (e.g., social ceremonies, etc.).
f. Top up loans against movable property viz vehicles

(Secured and unsecured loans sanctioned for business purposes (MSMEs), housing finance, including financing of home improvements, acquisition of vehicles, loans against jewellery, micro finance loans etc. will not come under this definition)

9 Credit Monitoring and Supervision

9.1 End Utilisation of Funds

The Company proposes the following measures to ensure end utilisation of funds for credit facilities sanctioned under SME, Corporate and Project and Industrial Loans.

a) An undertaking to be obtained from the borrowers to utilise the funds for the purpose it is granted.
b) Credit audit of accounts in random basis within one month of disbursementof the loan. All large value accounts above the limit of Rs 25 lakh, credit audit by the Credit Monitoring team or Internal Audit or Vigilance to be undertaken.

9.2 Supervision

a) Portfolio review by the business as well as senior management of the Company.
b) Scrutiny of quarterly / annual results in the case of corporate.

9.3 Pricing of products

9.3.1 The Company Benchmark Lending Rate (BLR)

All banks in India, following RBI directions of March 2016, fix MCLR for different maturities as an internal benchmark for setting floating rate of interest. Banks are alsoallowed to offer loans linked to external benchmarks. MCLR comprises marginal cost of funds, including capital cost, operating costs and tenor premium.

MBLR, which is benchmark for our interest rates consists of marginal cost of funds, Return on Equity, operating costs and tenor premium. Current MBLR for bench markinginterest rates of our products is 20.82%. ALCO shall review MBLR on a quarterly basis.

Cost of capital (Regulatory capital): As the CAR requirement comes with a cost to it is necessary that appropriate cost based on regulatory capital be a considered as a component of MBLR. While computing the capital charge appropriate split between Tier1 and Tier 2 be made with a minimum target ROE of 8.15% on tier one and average costof sub debt used for the purpose.

9.3.2 Risk Based Gradation of Interest Rates

The Lending Rate will be different for different categories of borrowers, considering profile of the customer, tenure of customer relationship, past repayment track record, customer segment, market reputation, inherent credit and default risk in the products,subventions and subsidies available, ancillary business opportunities, future potential,group strength and value to lender group, overall customer yield, Loan-to Value (LTV)ratio, nature and value of primary and collateral security etc. The Lending Rate is determined on a case to case basis.

Pricing of each loan product will be derived from MBLR after considering the following risks.

9.3.3 Credit risk premium

Credit risk premium shall be computed based on the portfolio behaviour, Probability of Default (PD) and Loss Given Default (LGD), Credit Score of the borrowers etc.

9.3.4 Differential Pricing

The Company may consider under certain situations a differentiated interest rate structure for its products as part of a framework based on defined parameters with the objective of market penetration or to counter competition as specified in the interest rate policy.

9.3.5 Oversight of ALCO

ALCO should review interest rate risks, liquidity risks and credit risks of all the products. ALCO shall evaluate the following parameters:

a. How the credit risk factored in determination of pricing.
b. Whether the price of product takes into consideration of the tenor and liquidityrisks.

After each review, ALCO shall guide modifications in pricing of the products to matchthe risk dynamics.

9.4 Exit from Exposures

The Company periodically reviews its credit appraisal standards to maintain and improve health of its credit portfolio. Life cycle of enterprises is dependent on internal and external factors and credit quality of assisted units can be deteriorated over a time.

Hence, exit from an exposure should be at the right time when signals of credit weaknesses begin to emanate. Some examples of the warning signals are:

a) Deterioration in external credit rating.
b) Reduction in profit.
c) Increase in leverages.
d) Default in payment of statutory dues.
e) Substantial related party transactions detrimental to the interest of the borrower company.
f) Diversion of funds.

Exercise of exit option shall be in line with Fair Practice Code and subject to enablingclauses in the loan agreement.
MD shall have the powers to approve exit from exposure.

10 Prudential Exposure Ceilings

As part of good risk management practices, NBFCs should fix exposure ceilings based on various parameters to avoid concentration risks.

11 Delegated Powers

The Company follows the practice of prescribing delegated powers in the gold loan. The loan policy provides the following broad parameters for exercising delegated powers.

SL NO	Exposure Limit	Request	Recommended	Approver
1	Up to 15 Lakhs	By Branch level itself		
2	15 to 20 Lakhs	Branch	AH / Sales Head / Operation Head	Business Head

3	20 to 25 Lakhs	Branch	AH / Sales Head / Operation Head /CFO	CEO
4	25 to 35 Lakhs	Branch	AH / Sales Head / Operation Head /CFO / CEO	MD
5	Above 35 Lakhs	Nil		

12 Sharing of Credit Information / Classification of Customers

12.1 Reporting to Central Repository of Information on Large Credits (CRILC)

RBI has directed Banks and NBFCs to identify and classify stressed customers having fund based and non-fund based exposure of Rs. 5 Crores and above into 3 Special Mention Accounts categories viz. SMA0 (delinquencies up to 30 days), SMA1 (delinquency between 31 and 60 days) and SMA2 (delinquency between 61 days and90 days) and also report these accounts to Central Repository of Information on Large Credits (CRILC).

Appropriate systems are in place to identify and classify customers into appropriate categories (Special Mention Accounts).

a) Credit information of applicable borrowers are being reported in the prescribed format with all relevant details within the defined time lines to CRILC.
b) “Non-cooperative borrowers” as defined by RBI shall be identified and reported to Central Repository of Information on Large Credits (CRILC) within such time as has been specified by RBI. Before reporting the same, the customer shall beprovided 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.

12.2 Reporting to Credit Information Companies (CIBIL / Equifax / High Mark /Experian)

a) Following directions of the regulators, the Company has become member of all CICs (Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited) and submit data to them in the prescribed format and within the specified time limits.
b) The quality of data submissions shall be assessed, and efforts shall be made towards improving data quality and minimising data rejection.

12.3 Filing of records of charges with the Central Registry

As per the RBI guidelines NBFCs and Banks shall file and register the records of the following types of security interest with the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI).

a. Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.
b. Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.
c. Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, licence, franchise or any other business or commercial right of similar nature.
d. Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage

Following the RBI guidelines, the Company shall file details of the security interest in CERSAI portal periodically.

13 Classification of Special Mention Account (SMA) and Non-Performing Assets

- Basis for classification of SMA & NPA categories shall be as follows:-

Categories	Basis for classification (Principal or interest payment or any other amount wholly or partly overdue)
SMA-0	Upto 30 days
SMA-1	31 to 60 days
SMA-2	61 – 90 days
NPA	More than 90 days

- Upgradation of accounts classified as NPAs

Loan accounts classified as NPAs may be upgraded as 'standard' asset only ifentire arrears of interest and principal are paid by the borrower.

14 Disclosures in Financial Statements - Notes to Accounts related toadvances

Following are the disclosures required in the Financial statements as per RBI direction:-

14.1 Exposures:-

a) Exposure to Real Estate Sector (Residential & commercial)
b) Exposure to Capital Market
c) Details of Financing of Parent Company Products
d) Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL)exceeded
e) Sectoral Exposure (Agriculture and allied activities, Industry services,Personal Loans & Others)
   i. Intra Group Exposures
   ii. Unsecured Advances
f) Related Party disclosure
g) Divergence in Asset classification & Provisioning.
h) Loan sanctioned to relatives of Directors / Senior Officers
i) Additional Disclosures:-
j) Provisions and Contingencies
k) Concentration of Deposits, Advances, Exposures & NPAs.
l) Movement of NPAs
m) Off-balance Sheet SPVs sponsored

15 Responsible lending: Release of movable or immovable property documents onrepayment or settlement of personal loans.

In terms of the guidelines on SBR Master Directions, the Company is responsible for releasingthe documents / title deeds of the loan accounts to the title holders/ borrowers / guarantors and lift the charges registered with any registry, within 30 days, from the settlement of the respective loan accounts. the Company's policy in this direction is as follows:

a. Release the original movable / immovable property documents within a period of maximum 30 days after full repayment / settlement of the loan account.
b. Remove the charges registered with any registry (CERSAI, ROA, ROC, RTO, NACH etc.) by filing satisfaction of charges within a period of maximum 15 days.
c. The borrower shall be given the option of collecting the original movable / immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per his/her preference.

d. The timeline and place of return of original movable / immovable property documents shall be mentioned in the loan sanction letters issued.
e. In case of any delay in releasing original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, borrower shall be compensated at the rate of ₹5,000/- for each day of delay.
f. If delay in releasing the original documents due to issues related with borrower/title holders (non-reporting of all concerned title holders etc), it shall be communicated to the borrower within a period of 30 days from the date of closure of the loan account.
g. In case of loss/damage of original movable/immovable property documents, either in part or in full, the branches shall assist the borrower in obtaining duplicate/certified copies of the moveable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. (However, in such cases an additional time of 30 days will be available to complete the procedure andthe delayed period penalty will be calculated thereafter, i.e., after a total period of 60 days).
h. To address the contingent event of demise/death of sole borrower/joint borrower, a well laid out procedure for return of original movable/immovable property documents to legal heirs, suitable nomination clause nominating an individual to receive the documents shall be incorporated in the loan documents. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.
i. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

16 General

a. Terms and conditions of loans should be in compliance with the Fair Practices Codeof the Company.
b. the Company shall not discriminate in extending products and facilities including loanfacilities to physically/visually challenged applicants on grounds of disability.
c. Loans to directors, their relatives and related entities shall not be sanctioned. Related entities mean, group companies where promoters of the Company and Directorsof the Company have ownership interest. Entities in which independent directors of the Companyand its subsidiaries are in the Board of Directors shall not be considered as relatedentities for the purpose of granting loans.
d. the Company shall not sanction any demand / call loans.
e. the Company shall not sanction any capital market exposures (IPO funding and loanagainst collateral of shares)

f. the Company shall not sanction any loans against security of its own shares and that of its subsidiaries and associates.

g. the Company shall display information in respect of the borrowers whose secured assets have been taken in to possession under SARFAESI Act.

h. 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.

i. Credit facilities under various verticals shall be administered under detailed creditpolicies approved by MD.

17 Overriding Powers of MD

MD shall have powers to:

a) Revision in delegated matrix.
b) Revision of exposure ceilings.
c) Relaxation in threshold parameters.
d) Relaxation in approving borrowers in negative list.
e) Relaxation in financial parameters, moratorium period.
f) Waiver of Collateral.
g) Approval of Product variants, securitization etc.
h) Modification of schemes including enhancement of exposures.

This power shall be exercised within the regulatory guidelines and overall business budget approved by the Board. Cases where MD uses his overriding powers shall be reported to the next Audit Committee.