



CONSOLIDATED LOAN POLICY

Gold Loan

KLM AXIVA FINVEST LTD is one of the oldest and leading NBFCs operating in India and the KLM gold loan is the ultimate solution for all financial needs to the customers. The Company provides Gold loans with easy documentation and quick sanctioning process.

- **1)Product**

To provide loans to customers against gold jewelry as collateral security.

- **2)Area of Operation**

The Branch will be entitled to consider request of customers whose residence or place of employment within a radius of 20 Kms from the branch. The person who is working near to branch but residence at other places will be also considered for loan by case to case.

- **3)Nomanclature**

The loan is given as a Demand loan.

- **4)Tenure of The Loan**

All gold loans will be sanctioned for a maximum tenor of 12 months unless a shorter tenor is specified under a particular scheme/Product.

- **5)Eligibility**

Any individual attained the age of 18 Years and who are the legal owners of the Gold Jewelry offered as security as per the proof/ declaration of ownership submitted by them and fulfilling the KYC norms as per RBI guidelines.

- **6)Know Your Customer**

Any one or more of the following Documents specified by RBI as address/ID proof for completing the KYC of the customer.

Identity Proof: Passport/Driving License/Voter ID card/ Aadhar Card, Job card issued by NREGA, Letter issued by National Population Register etc containing the photograph of the customer

Address proof: If any of the documents taken as identity proof also contains the address of the borrower, no separate address proof is insisted upon. In other cases, the following documents can be taken towards address proof:

i)Passport ii) Driving license iii) Credit Card Statement- not more than 3 months old iv) Salary slip v) Income/Wealth Tax Assessment Order vi) Electricity Bill- not more than 6 months old vii) Landline Telephone Bill - not more than 3 months old viii) Bank account statement ix) Letter from reputed employer, x) Adhaar Card.

KYC Verification: Branch Manager/Assistant Branch Manager/Branch in charge should verify the KYC document with originals and seal should be affixed on the documents "verified with original" with verifying officer signature.

A COPY OF THE PAN CARD OF THE BORROWER IS MANDATORY FOR ALL TRANSACTION ABOVE ₹5 LAKHS.

- **7)Photograph**

Borrower's photograph and the image of gold ornaments should be captured in the pledge form through the web camera.

The camera surveillance should be ensured in the gold pledging counter.

- **8)Purpose**

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 used for any money laundering or speculative or illegal or unlawful purposes violating the laws of the Country.

- **9)Quantum of Finance**

Quantum of finance will be decided on the basis of net weight of gold content of the 24/22/18 carat or 916 gold ornaments tendered as security, its purity and subject to RBI guidelines regarding loan to value. The minimum net weight of gold jewelry that can be considered for pledge is 1 gram. And the minimum loan amount should be Rs.1000/-. The ornaments shall be of minimum 22 / 18 carat purity. The weight of pearl, coral or any other stone or foreign material other than gold contained or part of the ornament irrespective of its value shall be deducted from the gross weight of the ornaments to arrive at the net weight for calculating the eligibility for the loan.

Minimum loan amount per pledge: Rs. 1000 (Rupees One Thousand only)

Maximum Amount: No limit

- **10)FIELD VARIFICATION**

Above Rs. 5.00 Lakhs gold loan limit in aggregate (single or multiple limits) of a particular customer Field verification is Mandatory. This field verification is to be conducted by Branch manager/ABM has to verify the credentials by visiting the residence/workplace of the customer and conduct a local enquiry regarding customer KYC, Occupation, credit worthiness, Duration of stay in that place, criminal background if any etc., Accordingly a field verification report to be made and it should be approved by the concerned Regional Manager. A copy of approved field verification report should be kept with related loan documents.

- **11)LOAN TO VALUE**

Branches to maintain LTV ratio 75% as per RBI guidelines. The Maximum permissible loan amount will be only the intrinsic value of the gold content therein and no other cost of other elements should be added while evaluating the value of gold.

- **12)APPRAISAL**

Purity Check shall be conducted as per the various methods prescribed by the Company to make sure that the jewelry offered for pledge is of an acceptable level of purity. Branches need to appraise the gold ornaments before pledging Appraisers can look into unique marks on the ornaments. This includes hall marks, trademarks, makers mark etc. This marks are typically very small can often tell appraiser what quality of gold and where it was made etc. up to certain level. While appraising gold ornaments traditional test such as nitric acid test, rubbing stone test, colour, sound etc. can be done to analyses the purity of gold. The best method of appraising gold ornaments is rubbing stone and Acid test. This will help to find the quality and purity of gold ornaments. The valuation of ornaments must be based on net weight of the

gold content only. This is arrived after excluding weight of precious/ semi-precious/imitation stones and threads contained in the ornaments. The weight of all extraneous materials such as wax, string, fastening etc. must be entirely ignored while assessing the net weight. Branches should also round off the net weight of ornaments while assessing the loan limit. Trained

Appraisers have to sign the appraisal form as proof of having done the appraisal of gold ornaments. For Gold loan above 10.00 lakhs limit in aggregate of a particular customer (single or multiple limits) branch has to get assistance of a gold auditor for appraising. In case of non-availability of Gold auditor any nearby KLM Axiva finvest Branch manager/Assistant Branch manager/Branch in charge can evaluate and appraise the gold ornaments.

Each gold ornament and related documents verified by the branch executive should be re checked by the branch head for its purity, sanction process, documentation etc.

- **13) Sanctioning and Discretionary Powers**

Sanctioning authorities are required to analyze and ensure various factors like KYC compliance, Field verification, ownership of gold pledged, Purity of gold, scale of finance and limit sanctioned, repayment capacity etc. before sanctioning of each gold loan.

Discretionary powers are vested with following authorities. Sanction limits are assessed in aggregate of all loans taken by the particular customer (Single or Multiple loans).

Sl. No	Limit From To	Recommended By	Sanctioned By
1	Up to Rs.4.99 Lakhs	Branch In charge/Manager	Branch In charge/Manager
2	Rs.5.00 Lakhs to 9.99 Lakhs	Branch Manager	Regional Manger
3	Rs.10.00 Lakhs and upto Rs.1 Cr	BM and Regional Manager	Vice President
4	Above Rs.1 Cr	Vice President	By the Board of Directors

Apart from the above sanctioning matrix, approval of Board of Directors is required for all loan limit exceeding:

- 0.5 % of the total assets or
- 3% of the total income or
- Rs. 1,00,00,000 (Rs. One crore).

Whichever is lower as per the latest audited annual financial statements.

Unique Customer ID generated while booking the loan in the system must be checked for the above limits as there is a chance that the same customer may avail different type of loans from the company.

- **14)INTEREST AND OTHER CHARGES**

Interest and other charges to be levied shall be governed by the interest rate policy adopted by committee. The committee shall review the interest rates and other charges periodically and make necessary revisions as per the business requirements.

Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The rate of interest of gold loans will be determined on considering various factors such as cost of funds, operational cost, tenure, liquidity, competition etc. In addition to this, Interest rate fixation also based on various rules and regulations prescribed by Reserve Bank of India and other competent authority from time to time. The interest rates also shall be decided based on gradation of risk, the underlying principle being higher the risk, higher the interest, within the ceiling rate decided by the Company. If the customer opt to pay monthly interest ,company offer the customer lesser interest rate than another customer who opt to pay the interest in longer period intervals thus , mitigating the repayment period risk. The interest will be charged from the date of disbursement of loan only.The methodology for arraving the Pricing is given below-:

15)PRICING of Gold Loans

The Gold loan pricing derive from the average cost of borrowing including NCD/Sub Debts /Equity /Bank Borrowings and PDI of the company + operating expenses +Profit margin (Tenor Premium).

Main objective of the Pricing mechanism is to provide consistent guiding rates that can be used for pricing funds internally as well as external product pricing. It could serve to drive behaviour of business units to meet the overall objectives of the company. It would also provide objective criteria for business units / product performance evaluation. The process is based on the Cost of Funds criteria. The pricing /revision of Gold Loan is done from the Head Office level.

A) Weighted Average cost of borrowing:

The Company borrows funds through Bank Term loans, Non-Convertible Debentures(NCD), Perpetual Debt Instruments (PDI), and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for bench mark calculation.

B)The product level Pricing methodology is given as below:

S.No	Product category	Pricing methodology	Remarks
Liabilities			
1	NCD	Cost of Mobilisation+ Incentive Spread	Different incentive spread could be used for different type borrowings. Applicability and quantum will be decided by ALCO
2	Sub Debts	Cost of Mobilisation+ Incentive Spread	
3	PDI	Cost of Mobilisation+ Incentive Spread	
4	Bank Borrowings-Fixed	Fixed rate of interest charged by Lending Banks	
5	Bank Borrowings-Floating	Variable interest rates linked to Benchmark interest rates + Spread	
Assets			
Micro Finance loan(MFI)		Offer rate based on the maturity of the loan and cost of borrowing.	The loan rate would remain fixed for the entire tenure of the loan.
Gold loan		Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.
SME loan		Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.

C)Costs to be considered for arriving the Pricing a Loan-:

(A) Cost of Equity (B) Fund raising cost (C) Negative carry on Investments (D) ALM Mismatch cost (E) Opex cost (F) Risk premium = {Sum (A to F)} =Pricing of Loans.

Fixed rate loans are not linked to benchmark currently.

D)Objective of the Pricing of Loans-:

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

E)Fund raising costs-:

It includes processing fees on term loans, brokerage to source funds through NCD, Rating Fee, trusteeship fee, exchange listing fee etc

Loan pricing methodology give direction to the company the minimum rate at which it can lend with a profit margin. This can be called the Marginal Cost of Lending (MCLR). Currently NBFC ,s not have MCLR mechanism. Only Banks following this methodology.

Marginal cost of funds= Average cost of Borrowings + Regulatory reserves +operating cost +Tenor premium=Pricing of assets.

Taking in to account relevant factors such as cost of funds, margin and risk premium etc and determine the rate of interest to be charged for loans and advances to the NBFC customers. Generally, we charge uniform interest rates based on our borrowing cost to the customers.

The interest shall be calculated for the actual number of days the loan remains outstanding, including the date of loan disbursement and the date of closure. However, if the borrower closes the loan within 7 days from the date of disbursement, then a minimum interest for 7 days shall be payable. If the amount of interest so calculated is less than Rs.10/- then a minimum interest of Rs. 10/- will be charged.

For the purpose of calculation of interest, a year will be reckoned as 365 days and a month as 30 days. Interest is calculated on 30 days compounding basis.

- **16)CLOSING CHARGES**

In addition to interest company may also charge closing charges when the borrower closes the loan. This amount is so calculated as per the scheme the loan has been sanctioned.

- **17)PENAL CHARGES**

In the event of failure on the part of the borrower to close the loan along with interest and other charges on the due date, penal charges will be levied as decided by the Company from time to time and intimated to the borrower. It shall be charged on over due amount over and above the regular charges prospectively.

- **18)OTHER CHARGES**

In addition to interest the Company may levy other charges as below. The rate at which such charges are to be levied shall be decided by the Board or a Committee empowered for fixing interest rates and other charges.

1. Security Charges 2. Processing charges 3. Service Charges 4. Documentation Charges 5. Notice Charges 6. Charges for lost tokens 7. SMS Charges 8. Auction expenses 9. Cheque re-issue charges 10. Any other charges as decided by the Board or the Committee empowered by company.

- **19) DOCUMENTATION**

1. Loan Application.
2. Stamped Demand Promissory Note and take delivery letter, Sanction letter etc. (Consolidated format).
3. Terms and Conditions Letter, which also includes declarations of ownership and undertakings by the borrower and acknowledgement and any other documents that may be specified by the Company.
4. Customer signature has to be taken under Borrowers signature on Application, DPN, and On Revenue stamp, also under terms and conditions portion on the back side of application.

- **20) PACKING AND STARGE OF JEWELRY**

Separate packets are being prepared for packing and storage of ornaments on each loan. All jewelry pledged as security for each loan account must be packed in a single cover. Pledge cover supplied contain unique serial numbers, branches should utilize the pledge cover as per that serial order. The front portion of the cover is a format that branch has to complete all the details like account number, Name of customer, scheme, security details etc. On sealing of cover appraiser and branch head have to affix their signatures. Ornaments should not be kept in the counters for long time. The pledged ornaments verified/checked by both joint custodians should be shifted to strong room immediately. Storage of packets in the safe should be in account wise order. Jewelry final packing and keeping in FBR/strong room should be under the supervision of both joint custodians only. Storage, withdrawal and number of balance packets should be recorded with each transaction in gold movement register and shall be verified with system balance regularly.

- **21) WEIGHING MACHINE**

Ensure the weighing machine is placed in plain surface with controlled humidity, air, and temperature. Ensure periodical calibration is being done and stamped by legal metrology department. Also be cautious about the tare the scale in case any containers are using as ornaments tray.

- **22) OWNERSHIP OF GOLD**

Before disbursement of the loan, branch executives should enquire with the customers about the ownership of the jewelry being pledged for loan and the loan should be granted only after they are convinced about the genuineness of the borrower and his capacity to own that much quantity of gold. In addition to the above, customers are also required to sign a Declaration of ownership of jewelry offered as security for the loan along with other terms and conditions.

- **23) ISSUANCE OF CERTIFICATE OF PURITY**

Only gold jewelry of 24/22 carat will be accepted as security for the loan. However, in case the purity of the jewelry is found to be less than 22 carat, an option can be exercised by the Company to convert the collateral into 22 carat and to calculate value of the security accordingly.

Since the purity certificate is issued purely based on the declaration given by the borrower and the standard methods of verification adopted by the Company and in the absence of any fool proof method of assessing the purity of gold, no disputes/claims based on the certificate will be entertained by the Company.

- **24) Updation of Company software with Association of Gold Loan Companies (AGLOC) Data**

Based on the AGLOC data, the rate per gram under each scheme will be announced by the Company which will be updated in the Company Software, Prosper L Code System and advised to Branches periodically.

Change in rate of interest and schemes will also be updated in the Prosper L Code System and intimated to branches periodically from Corporate Office.

- **25) SAFETY MEASURES**

Utmost care is to be taken to ensure the safety of the ornaments pledged by the customer. The following arrangements shall be made by the Branches for the same.

1. All pledged gold ornaments are kept in Strong rooms or FBR safes.
2. The FBR/strong room keys are with joint custody of Branch head and a branch executive. So both joint custodians should be present for opening the FBR safe.
3. Burglar alarms are installed in vulnerable Branches.
4. Insurance cover is available and renewed every year against burglary/fire/natural calamities or such other risks the Company.
5. All branches are covered under CCTV cameras and centralized monitoring is being done.

The adequacy of the safety measures put in place as also the insurance cover is being reviewed on an ongoing basis.

- **26)ITEMS NOT TO BE ACCEPTED AS SECURITY FOR GOLD LOAN**

- Melted bar /Primary Gold/Gold Coins.
- Jewelry of a temple/church or any religious institutions.
- Item specified by the Company in the negative list updated from time to time.
- Items where the borrower is unable to give a proof or declaration of ownership.
- Items which are not permitted to be taken as security gold loans by RBI.
- Items with more than 40% stone.
- A new customer coming with all broken items.
- Karimani mala/Rudraksham mala
- Items below 18 Carat
- Elas/Watch.
- Spoon, fork, light etc. other than Ornaments.
- Thali/Magalasootra alone.
- Kundan work ornaments
- Broken chain.

- **27)GOLD LOAN TAKE OVER**

Normally our company is not much encouraging in taking over of gold loans. Whereas quite often we come across such situations as part of our marketing strategy. Gold loan taking overs involves very high risk because we are funding a loan without proper apprising of gold ornaments. So due Care must be taken in the case of taking over of loans. Before finalizing decision of taking over branch should gather the information like total limit, sanction date, any repayment made, present dues, details of ornaments,

net weight, Institution where loan sanctioned etc. from the loan token/receipt. Also by personal interaction try to gather maximum information from the customer like, occupation, staying in rented or owned house, details of work place, credit worthness, family background, how the ornaments purchased, from where purchased etc. Based on all above information branch can reach to a conclusion whether to proceed with takeover or not. Once the decision is finalized; branch should do full KYC of the customer. Ensure customer presence at the branch premises and live photograph should be taken as part of KYC. All available/possible KYC documents should be collected and verified with original and seal should be affixed by the branch head with signature after proper verification.

All takeover irrespective of amount branches should take prior permission from the concerned Regional manager. Limit above Rs. 10 lakhs sanction approval has to be taken from concerned Vice President also.

A self-declaration in prescribed format has to be obtained from the borrower with every take over. Branch should also collect 02 Nos of signed cheque leaves from the customer for taking over loans above Rs. 2.00 lakhs. Confirm cheques are drawn by the customer itself. Field Verification and its approval also to be ensured in take overs above Rs 5 lacs. Branch should plan the takeover process in such a way that the security ornaments to reach to us before close of the business hours. Taking over request initiated directly from other financial institution should not be entertained. Due diligence should be taken in case of accepting pledge from goldsmith, pawn brokers etc. As such branch staff should be more vigilant while dealing while taking over of loans and sanctioning of loans to above category of people.

- **28)GOLD LOAN DISBURSEMENT**

During gold loan disbursal branch has to encourage the customers for cash less transactions. Branch should always prefer to transfer the entire loan disbursal amount directly to the customer Bank account. If any customer insists for full cash payments the maximum allowable limit of cash payment as per income tax guidelines is restricted to Rs.1,99,999. Any loan above this limit should be through the bank account of the customer by way of account payee crossed cheque, IMPS/RTGS/NEFT. The branch should also confirm customer signatures in all payment vouchers. The system level restriction must be placed to pay Rs 2.00 lakh or above loan disbursement as cash.

- **29)INTEREST COLLECTION**

Branches have to ensure that all the gold loan customers are paying interest on monthly basis. For this, regular follow-up should be made by each branch staff for prompt interest collection in all gold loan accounts. Various reports are made available in the branch report folder. These reports can be utilized for identifying the Customers having over dues, high exposure, large amount of receivables not collected etc. Overdue notices should be sent to all customers having overdue more than one month. Ensure sending periodical notices to all defaulting customers.

Branch also can track the customers over telecalling and meeting the customers personally at their residence or at work place to remind about their dues. Branch should maintain a NPA register for recoding follow-up efforts made by the branch by way of making calls, notice sent details, Personal visit made by

staff etc. Branch has to always put in their best efforts in case of interest collection as it directly affects the profitability of each branch.

- **30)RENEWAL OF TERM COMPLETED GOLD LOANS**

Depending up on the various schemes and products, loans have different tenures. On completion of tenure loan status will changed as matured and further part payment will not be allowed on such loans. Our software also updated in such a way that no partial credit will be possible in matured status accounts. As per RBI guidelines tenure completed loans should not be allowed to continue as live accounts. As such, branches should take necessary initiative for renewal/Closure of all tenure completed loans.

- **31)LOAN REPAYMENT**

Gold loan customers can make repayment by way of cash /cheque or direct funds transfer to KLM Axiva bank account. Cash payment towards repayment at the branch counter is restricted to Rs. 1,99,999/- Repayment of Rs. 2 lakhs and above is allowed through bank account only. All cash /cheque deposit voucher should be duly signed by the customer with cheque details/Denomination of currency should be noted. The repayment will be effected in the gold loan account only after confirmation of cleared balance in the bank account.

- **32)RELEASE OF GOLD ORNAMENTS PLEDGED**

Ornaments shall be released to the same customer only on receipt of full dues including the principal, interest, penal charges and other charges, if any and original customer copy of pawn ticket. Release, whether partial or in full can be done only after verification of signature, photograph and original KYC documents. The ornaments shall be released only to the person who pledged it. On releasing of gold ornaments branch has to ensure customer signature as acknowledgment of receipt of pledged items in the receipt portion of the pawn ticket. In exceptional cases it can be released to a third party duly authorized by the customer in the prescribed format. Further, branch has to confirm the genuineness of the authorization from the customer before making any third party release. Upon release of ornaments to third party branch has to ensure a receipt/acknowledgement message/mail from the customer regarding acceptance of ornaments. No third party release will be entertained if the customer copy of the pawn ticket is not produced at the time of release.

- **33)PERIODIC VARIFICATION OF GOLD PACKETS**

All branches should maintain gold in out (gold packet movement) register for updation of number of packets and its movements. The register should be updated at the time of keeping the pledged Packets inside the FBR/strong room and also withdrawal of gold packets from the safe. Physical verification of gold packets should be done at least once in a month by both joint custodians. Ensure total packets should tally with the gold in out register data and also with loan balance report. At the time of custodian changes the new custodian should invariably confirm physical packets along with register and loan report should tally for the total numbers.

- **34)RELEASE OF PLEDGED ITEMS IN THE EVENT OF DEATH OF CUSTOMER.**

In case the customer is deceased, the ornaments will be delivered to the legal heirs as per the procedure stipulated by the Company for settlement of Deceased Loan accounts. The legal heirs shall be allowed to close the loan if they pay the entire dues only and on production of documents as stipulated.

Documents to be collected.

a) For loans up to Rs.25000/- (Single or aggregate)

Gold loan token, Death Certificate, Family certificate, Deceased settlement claim form, Authorization letter from the legal heirs authorizing the person to receive the ornaments.ID proof of the person receiving ornaments., Undertaking from the legal heirs. Sanction by Branch Manager.

b) For loans up to Rs.100000/- (Single or aggregate)

Gold loan token, Death Certificate, Legal heir ship certificate, Deceased claim settlement form, Authorisation letter from the legal heirs authorizing the person to receive the ornaments.ID proof of the person receiving ornaments., Undertaking from the legal heirs, Sanction from Regional manager.

c) For loans above Rs.100000/- (Single or aggregate)

Gold loan token, Death Certificate, Legal heir ship certificate, Deceased claim settlement form, Authorisation letter from the legal heirs authorizing the person to receive the ornaments.ID proof of the person receiving ornaments., Undertaking from the legal heirs, Sanction from Operations department at Head office.

- **35)NOMINATION**

Nomination facility is available for the gold loans. For availing the nomination facility customer has to nominate a person as nominee of the loan while opening of loan account. In case of death of the borrower, nominee can repay the entire loan and pledged security can be released subject to production of death certificate of the customer, application for release and a copy of ID proof.

- **36)PREVENTION OF FRAUD**

All kinds of fraudulent activities or attempt to fraud, whether it is by the employees or outsiders, must be brought to the knowledge of the Management as soon as it is detected for proper action as per company guidelines and putting in place preventive measures.

- **37)DUE DILIGENCE AGAINST PLEDGING THEFT ORNAMENTS**

Branches should exercise due diligence and should be more cautious to prevent thieves or their agents pledging gold ornaments with us.

As a preventive measure branch should verify and confirm compliance of KYC, identify the customer, his residence, Occupation, credit worthiness, family circumstances, reasonableness of possession of gold ornaments etc. All this all information shall be logically assessed before grant of gold loan to any Person. Proper KYC verification, Field verification (above 5.00 lakh loans in aggregate) etc. can prevent such

activities up to certain extent. Branches should not accept and sanction loans to new customers against broken ornaments because such items are more prone to be theft ornaments.

However, in spite of these precautions if the police or other government agencies approach us for seizure of some ornaments involved in theft or other criminal/Civil/other cases registered, the same shall be handed over to the investigating officer only after due receipt/Mahasar from the Police/ concerned authorities. In case of demand notice from the police authorities for seizure of gold received, ensure delivery of gold to police is only after due recommendation by regional manager and written approval from the corporate office Operations department/CVO and legal department. Branch should also demand and obtain a copy of FIR and Mahasar for our records. Branch has to ensure KYC of the borrower with a clear photograph along with all loan documents are available and it should be separately kept in a file. Branch should send a final recall notice to the borrower in the format prepared by Advocate. All theft cases in which police have seized the ornaments, besides sending final recall notices branch should seek all avenues to recover the loans from the customer itself. If the branch finds no recovery possible, they should inform corporate office through concerned Regional manager for initiating the Insurance claim. The claim process should be initiated by the branch by arranging all the required documents for submission of insurance claim.

- **38)LIST OF DOCUMENTS REQUIRED FOR INSURANCE CLAIM**

Presently KLM Axiva Finvest Ltd, having insurance policy which cover the losses due to pledging of theft gold, spurious gold, Burglery, staff fraud etc. List of documents required to submit before insurance company is listed below.

1. KYC documents of involved persons duly verified with supervisor
2. Loan account application form
3. Loan documents obtained including pledge form, appraiser report.
4. Details of gold ornaments pledged by the borrower
5. Loan account statement
6. Date of discovery of a fraud by the company and its basis with supporting documents.
7. Seizure of Stolen Gold ornaments – documents furnished by the Police authorities
8. Complaint lodged with the Police authorities by your company for the fraud committed by the borrower
9. F.I.R registered by the Police authorities based on the complaint of cheating by the borrower registered with the police authorities.
10. Status of police complaint
11. Details of recovery till date from the borrower and steps proposed to be taken for recovery
12. Notice for recovery issued to the borrower.
13. Investigation report on the incident by H.O. / other departments of company on the incident of fraud by a borrower.
14. Final report/Charge sheet
15. Claim form duly completed.
16. Any other details not recorded above relevant to the incident/loss / claim may also be furnished.

- **39)Monthly Gold Verification Certificate**

Branches should conduct a gold packet verification on last working day of every month and confirm their physical packets are tallied with system balance. The verification shall be conducted jointly by branch head and the joint custodian. Branch should also confirm their gold movement register is update and correct. A certificate in the below mentioned format to be prepared and send to regional auditors along with BRS every month. Any disparity in number physical packets with system balance shall be separately mentioned in the remark column with details.

Date: _____
 Branch: _____ Branch Code: _____ Region _____

Gold Packet Verification Certificate for the Month _____

This is to certify that the Gold packets verification at _____ branch as on _____ at closing hours of business is _____ Number of packets (In words _____ packets only).

As per Physical Counting	As per system/Loan Balance	Difference if Any	Remarks

(Total packets _____ only)

We also confirm that Gold packets physical count and system count/Loan balance as on close of business _____(Date) is _____ packets and is tallied.

Joint Custodian Name and Signature
 Branch Seal

Branch Manager Name and Signature

- **40)INSPECTION**

All Branches will be periodically inspected and audited by internal audit staff at regular intervals specified by the Company. The audit Department will, at random, verify the quantity and purity of gold ornaments accepted by Branches for pledge. They will also audit various accounting procedures followed at Branches and ensure that the KYC and policy/circular instructions issued by the Company from time to time are strictly being adhered to. ***(for more details see the audit manual)***

- **41)AUCTION**

Auction will be initiated, if the loan account is not closed on completion of tenure or decrease in realizable value of security due to fluctuations in gold price. Branch should inform the customer about the over dues/Loan recall through SMS, notices/Registered notices at frequencies stipulated by the Company.

The ornaments will be auctioned after giving a minimum of 14 day's prior notice by way of an auction notice sent to the customer. The auction will be announced to the public through advertisements published in at least 2 newspapers, one in vernacular language and another in a national daily newspaper. The proceeds of auction, auction related expenses and incidental charges ETC. shall be appropriated towards the loan outstanding. The Company may decide to recover the shortfall, if any, after such appropriation by resorting to various steps including legal action. Excess, if any, shall be refunded to the customer. GST as applicable will be recovered. Detailed Procedure as outlined in the auction policy approved by the company **(For more details, see auction policy <https://admin.klmaxiva.com/uploads/Auction Policy withseal 097086ac89.pdf>)**

- **42) FOLLOWUP OF SYSTEM AND PROCEDURES**

Company provides adequate training to the Branch Heads, staffs and to the units responsible for internal control. Any loss /damage/ reputation loss to the Company due to the procedure lapses will be viewed seriously and the employee responsible for the same held responsible for the same. This liability may get extends to police cases, Civil/Criminal suit, salary recovery, stoppage of other benefits and perquisites, attachment of movable and immovable assets of staff involved etc. So all staff concerned are advised strict adherence of policy guidelines while processing and sanctioning the gold loans.

The Board or approved Committee shall be responsible for the Interpretation and review of this Policy. The Board or the Committee shall also be empowered to make any corrections to this Policy, if so required at any stage at its own discretion or with the concurrence. This Policy may be altered/revised as per changes in the market scenario and/or statutory guidelines. The Policy shall be reviewed at least once in a year or as and when there are any amendments in the applicable guidelines.

MSME LOANS

Introduction

- A small business loan serves as a swift solution when faced with an immediate financial need and requires minimal turnaround time. Commonly referred to as a 'Business loan' these loans have straightforward eligibility criteria and simplified documentation compared to other secured loan products. Individuals and business promoters can now approach us for instant small business loans to fulfill their funding requirements for various business needs.
- If utilized judiciously, a small business loan can well contribute to improving credit score. It proves beneficial for meeting various fund requirements conveniently, promoting the growth of your business. Unexpected working capital needs may arise at any time, potentially hindering business growth or smooth operations. In such situations, opting for a small business loan can be highly advantageous. Common reasons for applying for small business loans include capital requirements for business expansion and working capital needs.
- More specifically, small business loans assist in managing stock purchases, handling customer and vendor credit periods, acquiring new equipment, and enhancing business infrastructure. Choosing a small business loan presents the easiest way to secure funds for realizing your business growth plans swiftly.
- For an immediate need for funds for working capital or business expansion, the initial step is to submit a business loan application along with the necessary documents to the lender.
- Following this, the application undergoes verification and approval, leading to the disbursement of the loan amount into your bank account. Upon receiving the loan, repayment is facilitated through EMIs (equated monthly installments) over the agreed-upon loan repayment tenure.

1) LOAN PROCESS

A) KYC (Know Your Customer)

It is mandatory to verify the KYC of individuals and firms before processing each loan application. As such, the party must submit all necessary KYC documents in accordance with the company's KYC policy. In the case of a firm, in addition to promoters KYC documents like Aadhar, PAN, (OVD) etc., documents such as the certificate of registration, license (if any), GST registration Certificate, partnership deed, PAN card of firm, etc, should be collected as part of KYC in applicable cases. Additionally, documents such as Telephone bills, Electricity Bills, Registered lease deeds, Sale agreements, etc, if any, should also be verified before entertaining the borrower's request for a loan facility. In case the applicant is operating his/her account with other banks, the SB passbook and original statement of account should be verified.

- **B)Sole Proprietor**

In the case of a business entity as a sole proprietor, in addition to the above-mentioned proprietor's KYC verification, along with business account statements, Income Tax and Sales Tax Assessment Orders, GST turnover statement, CIBIL report of the proprietor and the firm also need to be examined.

- **C)Partnership Firms**

If the entity is a partnership firm, examine the Partnership Deed and its registration, certified statement of Accounts, copies of Income Tax assessments, wealth tax Assessment, and Sales Tax assessments orders, VAT turnover statement for the reporting year and previous years, etc. Reports obtained from the CIBIL site of all partners of the firm should be verified.

A no-due certificate from the existing banker, proof of residence like voter card/Telephone bill, Electricity Bills, Registered lease deeds, Sale agreements, etc., shall be verified before entertaining the borrower's request for a loan facility. In case the applicant is operating his/her account with other banks, the original statement of account is to be verified. The property offered as security shall also be inspected, and title records of the security offered are also to be investigated.

- **D)Loan Application**

The company offers a simplified loan application where one needs to provide details such as the name and address of the borrower/firm, nature of business, activity, purpose, existing limit (if any), proposed limit, etc. The application shall be submitted along with other documents listed in the checklist attached.

- **E)Credit Scoring and Credit Opinion Report**

The credit/CIBIL score of the individual/firm will be assessed to analyze the outstanding credit facilities enjoyed by the firm and to check the repayment history. A higher CIBIL score indicates the individual's commitment to repaying loans. Additionally, details of regular income, assets, and liabilities will be recorded to assess the net worth of the party during the sanction/enhancement of loans.

- **2) Eligibility**

Before applying for a small business loan, be aware of factors impacting eligibility, such as geographic location, existing credit, business premises situation, business income, banking history, business vintage, and credit score/history, etc. A higher business entity (individual in the case of a proprietor) score improves eligibility and loan amount also. Stable and profitable business industries may receive lower interest rates. Stock of goods and raw materials, turn over, marketing, competitors etc. will be taken consideration while arriving eligibility.

3)Credit Appraisal for Business and Personal Segment loans

Credit appraisal is conducted by the company to analyses the creditworthiness of a prospective borrower and determines the feasibility of extending a loan. Creditworthiness refers to borrower's ability to repay the loan. A detailed analysis of the following factors provides a clear picture of the borrower's creditworthiness and repaying capacity.

KEY FACTORS

- **A) Stability on Employment and Income:**

Employment stability and income stability are crucial factors that significantly impact the credit appraisal of a borrower. Company verify these factors to assess an individual's ability to generate income consistently and meet their financial obligations. Having a stable and reliable source of income indicates the capacity to repay the borrowed funds. It is preferred to approve credit applications and offer favorable terms to individuals with secured employment and a steady income stream. Conversely, individuals with irregular income or frequent job changes may be viewed and considered as higher risk borrower and may lead to a lower credit rating.

- **B) Verification of Financial Statements**

In order to verify the actual income, Company may demand the borrower to produce following statements and reports while processing the credit proposal.1) Recent salary slips 2) Proof of other Income if any 3) Recent income tax returns 4) Audited financial statements if any .5) Bank account statements 6) Statement of existing liabilities if any.7) Asset details etc. Analyzing these statements and

records enable to have a clear picture on actual asset holdings, income of the borrower and repayment history of the existing liabilities.

- **C)Age and Residential Status**

While appraising the credit proposal, creditors may also consider the borrower's age to assess the time remaining until retirement and the remaining period of employment, enabling the lender to ascertain whether the applicant's income will support the repayment of credit until its maturity. The determination of person's residence status also a factor to be considered while computing the credit appraisal as it is determining the tax liability of an individual. Company may also prefer applicants who have lived at the same address for a significant period.

- **D)Credit Score**

For the computation of a borrower's creditworthiness, a credit analysis needs to be performed. Apart from checking the credit history of a borrower, The company will also evaluate his or her credit score. A credit score refers to a particular score given to a borrower based on their credit history. This score is provided by credit bureaus, which evaluate one's full repayment behavior and assign them a score based on credit reports created by these bureaus. In India, credit scores are provided by bureaus such as CIBIL, Equifax, Experian, and CRIF High Mark, and they play a crucial role in the credit appraisal system. Lenders use this score to assess the potential risk posed by lending money to consumers and to mitigate losses due to bad debt. Hence, if one is interested in applying for a personal loan, a car loan, or any other loan, they should ensure that their credit score is good. Credit scores typically range between 300 and 900, while a higher score indicating a lower risk to lenders and vice versa. Financial institutions consider a score of 750 or more is an ideal level for sanctioning a credit limit to an individual.

- **E) Assets Owned and Existing Liabilities**

Details of assets owned are another factor to be taken into consideration while preparing the credit appraisal. Loans where collateral security is specified, such loans' Loan-to-Value (LTV) will have to be ascertained in accordance with product parameters while assessing loan eligibility. A loan having collateral coverage with a lower LTV will have lesser risk and a higher possibility of realizing assets if the borrower is unable to repay the amount borrowed. Details of movable assets like investments such

as fixed deposits, shares, mutual funds, fixed assets, gold, etc., will also be considered when determining credit eligibility.

- **F) Existing Liabilities**

The lender may also analyse the borrower's existing loans, credit card dues and other locally borrowed funds. High amounts as existing debts might affect the borrower's ability to repay the new loan.

- **G) Personal Guarantee**

If the lender considers that a loan proposal is risky and anticipate difficulty in retrieval of outstanding in case of default, the lender may demand the borrower to have a personal guarantor for the proposed credit. The loan guarantor must have a prior personal relationship with borrower to influence to make timely repayment to the lender. The company shall separately analyze the credit worthiness of the given guarantor before accepting as a guarantor for the proposed Credit.

- **H) Ratio Analysis**

FOIR: Fixed Obligation to Income Ratio: This ratio refers to how the proposed borrower deals with debts and how often repayment was made on debts. It refers to the ratio of the loan obligations and other expenses to the income earned on a monthly basis. The lender can assess if a certain portion of borrower's income is sufficient to manage he proposed loan EMIs for and also for other liabilities. If the ratio is higher than the benchmark fixed by the company, then the company may not consider the proposal.

IIR - Installment to Income Ratio: This ratio considers the equated monthly installments (EMIs) of loan to the income. It will indicate the portion of amount required to take from income of the borrower to pay loan EMI.

LOCR - Loan to Cost Ratio - This ratio indicates the maximum amount that a particular borrower is having eligibility for purchase of a particular asset. This will depend on the cost of the asset purchased. Usually, the ratio will range from 70% to 90% of the cost of asset purchased by the loan proceeds.

Collateral Coverage and LTV- If the borrower has applied for a secured loan, company also evaluate the value of the collateral as a procedure of credit appraisal before finalizing the decision. Company will also

ensure that loan amount shall not cross the value of security offered as collateral. To have an ease of lending process a range of LTV (loan to value) may also fixed for different categories of secured loans. A higher LTV increases risk to company and lower LTV loan may get sanctioned with better terms including concessions in rate of interest.

- **I)Personal Discussion**

Building trust with the potential borrower and guiding them into a comfortable environment for an informal discussion about their assets, liabilities, income, and expenses also can assist the lender in assessing the borrower's integrity.

In case any amendments/Clarification, the policy shall have amended accordingly from the effective date specified as per management decision. The company reserve right to alter, modify, add, delete or amend any of the provisions in the policy.

4)Loan Documents:

A)Loan amount upto 1 lakh:

1. Tax receipt updated copy. Original should see.
2. ID proof.
3. Photos of subscriber and guarantor.
4. Six cheques in total as security. Three of guarantor and three of subscriber.
5. Latest Bank statement of subscriber and guarantor.
6. Location sketch of property with boundary and land route to the property by Branch Manager.
7. Valuation report by Branch Manager.

B)Loan amount above 1 lakh to 5 lakhs:

1. Tax receipt updated copy. Original should see.
2. ID proof
3. Photos of subscriber and guarantor.
4. Six cheques in total as security. Three of guarantor and three of subscriber.
5. Latest Bank statement of subscriber and guarantor
6. Sale deed copy
7. Prior deed copy
8. Encumbrance certificate
9. Valuation report by Branch Manager
10. Location sketch of property with boundary and land route to the property by Branch Manager.
11. Manager should see the concerned land.

C) Loan amount above 5 lakhs:

1. Tax receipt
2. ID proof
3. Photos of subscriber and guarantor.
4. Six cheques in total as security. Three of guarantor and three of subscriber.
5. Latest Bank statement of subscriber and guarantor
6. Original deed
7. Prior deed copy
8. Deposit of title deed for creating an equitable mortgage by notary.
9. Encumbrance certificate
10. Valuation report by branch Manager.
11. Location sketch of property with boundary and land route by Branch Manager.
12. Land visit by Manager is compulsory.

5) Special instructions to be noted while collecting cheques

Try to collect PDC cheques (Post Dated Cheques) for each instalment and collect one more cheque with full loan amount, the date should be last instalment date

- **6) Working Capital Assessment Based On Turnover Method**

Under the turnover method, the aggregate fund-based working capital limits are computed based on the Minimum of 20% of their projected annual turnover. The borrower has to bring the margin of 5% of the annual turnover as margin money.

Example:

- If projected sales turnover is = Rs. 100,000.00
- Then, the working capital gap is 25% of turnover = Rs. 25,000.00
- Minimum permissible Bank Finance should be 20% of turnover = Rs. 20,000.00
- Margin money from the borrower should be 5% of Rs. 100,000.00 = Rs. 5,000.00
- For term loans for purchasing machinery Minimum Margin: 25%

After verifying various factors like application amount, project cost, turnover, creditworthiness, stock, security, income, geographic location of the firm, marketability of the product, financials of the firm, etc., will determine the amount of loan eligibility.

7) SECURITY

- **A)Primary Security**

Normally, the company takes only the personal guarantee of the borrower, which will be considered as security for the loan. In exceptional cases, additional guarantees may be demanded if the creditworthiness of the borrower does not meet the eligibility. Stock of goods and machinery will also be taken as primary security for the loan extended to business firms.

- **B)Collateral Security**

For high-value loans, amounting Rs 5.00 Lakhs and above, the company may demand collateral security of land and building for sanctioning loans. If originals of property deeds and other documents are taken as collateral security of the loan, which should be SARFAESI enforceable property with clear title. The new loans must be reported to Executive Director and subsequently to the Board.

In such cases, legal opinion and valuation have to be taken to ascertain the legal owner of the property and to find the marketable value for considering as collateral security towards the loan extended. The security offered as collateral should be verified on the CERSAI site to ensure no loans sanctioned against this collateral. Also, fresh entries of the sanctioned limits should be made in CERSAI during the creation of the mortgage.

Legal Opinion:- If the collateral offered is land and a building, legal scrutiny of all documents should be conducted by an experienced advocate.

Valuation:- A comprehensive valuation report of the land and building should be obtained from an approved valuator if the loan is secured by the collateral of land and a building. In such cases, the valuator should ensure adequate road accessibility to the property. The report should also include a clear sketch of the property with latitude/longitude details of the location.

8)STAMPING OF DOCUMENTS

Agreements, DPN, etc., should be stamped as per existing Government rules.

9)INTEREST RATE

The company offers business loans at very reasonable interest rates, making them an attractive option. Stable and profitable business industries may also have lower interest rates. Timely repayments positively impact your credit score, influencing lenders favorably.

10) Processing Charges and Other Charges

Processing charges and other charges will be levied on sanctioned limit based on the company extent instruction applicable from time to time.

11) DOCUMENTATION

1. Loan application
2. Bio-data
3. KYC documents
4. Credit Report
5. Appraisal
6. Unit Inspection Report (in case of SBF loans)
7. Sanction letter
8. Agreement, DPN, Take delivery
9. Memorandum of deposit of title deed

12) SANCTION

Once the loan appraisal is over with minimum documentation during the small business loan application, it results in faster processing and disbursement. Sanctioning powers are vested with competent authorities as per discretionary powers given by the company management. Minimal documentation of the small business loan application results in faster processing and disbursement. All sanctions above Rs. 1.00 Cr. shall be approved by the board of directors w.e.f 1st January 2024.

13) DISCRETIONARY POWERS

Sl.No	Sanction Limits	Recommendation By	Sanctioning Authority
1.	Up to Rs. 1.00 Cr	General Manager	Approval by Whole Time Director
2.	Rs. 1.00 Cr and above	WholeTime Director	Approval By Board of Directors

Approval of Board of Directors is required for all loan limit exceeding:

- 0.5 % of the total assets or
- 3% of the total income or

- Rs. 1,00,00,000 (Rs. One crore).

Whichever is lower as per the latest audited annual financial statements.

Unique Customer ID generated while booking the loan in the system must be checked for the above limits as there is a chance that the same customer may avail different type of loans from the company.

14)Repayments

Repayments will be fixed based on applicable interest for the limit sectioned in Equated monthly installments maximum tenure 60 months.

15)Review of Accounts

Review of Accounts: Accounts should be reviewed every year by inspecting the respective unit and their financials. Necessary entries/remarks should be made in the inspection register regarding the working of the firm as well as repayments.

16)Release of Documents

Once the loan account is closed the linked collateral should be released to the party immediately. All the documents kept as collateral security for loan should be handed over to the mortgager with due acknowledgement. Necessary updation also to be made in the CERSAI site regarding release of charge created.

- The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
- 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 her/his preference.
- The original title deed generally stored at our Kothamangalam office by a custodian. The custodian used to confirm the remittance of full principal and interest amount and any other dues like penal charges by the borrower, with the concerned officials through E Mail and over phone. After getting the confirmation only the title deeds get released to the borrower.

- The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- **17)PRICING of the Personal & Business Loans**
- The Personal & Business loan pricing derive from the average cost of borrowing including NCD/Sub Debts /Equity /Bank Borrowings and PDI of the company + operating expenses +Profit margin (Tenor Premium).

Main objective of the Pricing mechanism is to provide consistent guiding rates that can be used for pricing funds internally as well as external product pricing. It could serve to drive behaviour of business units to meet the overall objectives of the company. It would also provide objective criteria for business units / product performance evaluation. The process is based on the Cost of Funds criteria. . The pricing /revision of SME Loan is done from the Head Office level.

- **A) Weighted Average cost of borrowing:**
- The Company borrows funds through Bank Term loans, Non-Convertible Debentures(NCD), Perpetual Debt Instruments (PDI), and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for bench mark calculation.
- **B)The product level Pricing methodology is given as below:**

S.No	Product category	Pricing methodology	Remarks
Liabilities			
1	NCD	Cost of Mobilisation+ Incentive Spread	Different incentive spread could be used for different type borrowings. Applicability and quantum will be decided by ALCO
2	Sub Debts	Cost of Mobilisation+ Incentive Spread	
3	PDI	Cost of Mobilisation+ Incentive Spread	
4	Bank Borrowings-Fixed	Fixed rate of interest charged by Lending Banks	
5	Bank Borrowings-Floating	Variable interest rates linked to Benchmark interest rates + Spread	
Assets			

Micro Finance loan(MFI)	Offer rate based on the maturity of the loan and cost of borrowing.	The loan rate would remain fixed for the entire tenure of the loan.
Gold loan	Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.
SME loan	Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.

- **C)Costs to be considered for arriving the Pricing a Loan-:**
- (A) Cost of Equity (B) Fund raising cost (C) Negative carry on Investments (D) ALM Mismatch cost (E) Opex cost (F) Risk premium = {Sum (A to F) } =Pricing of Loans.
- Fixed rate loans are not linked to benchmark currently.
- **D)Objective of the Pricing of Loans-:**
- To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.
- **E) Fund raising costs-:**
- It includes processing fees on term loans, brokerage to source funds through NCD, Rating Fee, trusteeship fee, exchange listing fee etc
- Loan pricing methodology give direction to the company the minimum rate at which it can lend with a profit margin. This can be called the Marginal Cost of Lending (MCLR). Currently NBFC ,s not have MCLR mechanism. Only Banks following this methodology.
- Marginal cost of funds= Average cost of Borrowings + Regulatory reserves +operating cost +Tenor premium=Pricing of assets.
- Taking in to account relevant factors such as cost of funds, margin and risk premium etc and determine the rate of interest to be charged for loans and advances to the NBFC customers. Generally, we charge uniform interest rates based on our borrowing cost to the customers.

18)CLASSIFICATION OF NPA

Each account will be monitored regularly for repayments, and if the interest and installments due are more than 90 days, the account will be classified as NPA. Recovery efforts will be initiated soon for accounts classified as NPA through suit, SARFAESI, DRT, etc.The Board or approved Committee shall be responsible for the Interpretation and review of this Policy. The Board or the Committee shall also be empowered to make any corrections to this Policy, if so required at any

stage at its own discretion or with the concurrence. This Policy may be altered/revised as per changes in the market scenario and/or statutory guidelines. The Policy shall be reviewed at least once in a year or as and when there are any amendments in the applicable guidelines.

MICRO FINANCE LOAN

1)OVERVIEW

Microfinance is a banking service provided to low-income individuals or groups like JLG, SHG who otherwise would have lesser access to financial services. Microfinance loans can be used for income generating activities. People facing trouble in availing loans generally consider microfinance which can help small businesses and individuals in both financial and social ways. They create self-dependency and sustainability in the economic aspects of their business. Microfinance motivates entrepreneurs and gives them the confidence to start a small business. With the help of microfinance, small businesses and individuals can put their ideas into reality. Microfinance also provides security, economic growth and business opportunities. This implies the Financial inclusion of the unprivileged masses.

2)Eligibility

Individual/s and members of Joint Liability Group/Self-help group having house hold annual income up to **Rs.3,00,000/-** (Rupees Three lakhs only) shall be considered for Micro finance loans. For assessing the house hold income together earnings of an individual family unit consist of husband, wife and unmarried children are taken into consideration.

3)Loan limit

Minimum Rs. 5,000 to maximum Rs. 1 lakh can be sanctioned under this scheme. The loan will be limited to one member in each family and is further restricted that repayment obligation should not cross 50% of net monthly income of the family. All existing loan repayments should also be considered while assessing EMI/NMI ratio.

4)Interest Rate

The interest rate on microfinance loans are based on the board approved interest rate policy which covers the following factors.

The major components taken in to consideration for pricing are 1. Quantum of finance, Cost of funds, margin etc. The range spread also depends on category of borrowers.

5)Security

The loan is being extended as collateral-free nature and the loan shall not be linked with any lien on the deposit account of the borrower.

6)Margin

Margin requirement is to be treated as NIL for microfinance loans.

7)Procedure for availing MF Loan

The following are the procedure adopted by the company for sanctioning loans under Micro finance scheme.

The proposed project should be viable and proposals shall contain all the details of unit cost, activity, group members, male/female, means of finance etc.

The proposals submitted would be for the need based economic activities preferably in which the target group has practical experience or required capability to manage the business. The company should also ensure end use of funds in each cases of loan sanctioned under the microfinance.

8)Loan process

- i. Branch manager has to be verified/visited the house of proposed borrowers after the C G T
- ii. C G T (Comprehensive group training) - The C G T is the training method which is used to train the proposed borrowers. The same would be given by the C R E. It should be taken place in the meeting place.
- iii. G R T: - Group Recognition test. It will be taken place in meeting place. Test will be conducted by the Branch Head.
- iv. Election of office bearers president, secretary and treasurer will be elected by the members in the G R T itself
- v. Loan Repayment – Loan repayment means weekly installment along with interest
- vi. Loan recovery means – loan repayment in every week
- vii. Demand: - weekly principal+ Interest due from the members
- viii. Loan cycle - No of I G L taken
- ix. Loan processing fee – 1% of loan amount
- x. Documentataion Charge – 1.2 % of loan amount for 1 year and 2.4 % for 2 year loans.
- xi. Pre-close- Loan pre-close which will be finally approved by H O
- xii. Overdue – demand pending to collect from members /Borrowers
- xiii. Loan application process
 1. Village selection
 2. Promotional meeting
 3. Customer data collection
 4. C B check
 5. C G T
 6. G R T
 7. House Varification
 8. Loan approval
 9. Loan documents signature at office member and guarantor
 10. Loan disbursement at bank account
 11. L U C
- xiv. Village selection
 1. Maximum distance from Branch premises to Centre will be 20 KM

2. the Centre should be reached with bike
3. Maximum borrowers from the said village would be 60 nos
4. Rented house, other people Who are living illegally, issues area etc... would be avoided
5. Overdue members to other M F I
6. Agent and ring leaders are to be avoided
7. Group of people who are involved in same work.
8. Locality, people who are in same region
9. Negative Area
10. Politically influenced area

i. Operation process

1. First meeting for the membership
2. In this meeting C R E will explain entire things about company and eligibility of customers
 - a. Name of the company
 - b. Eligible for poor and marginalized women
 - c. Giving loan without collateral security
 - d. Joint liability will be existing
 - e. Members who knows others in the centers
3. Customer membership eligibility
 - a. 18-58 yrs. old women
 - b. Their income level would be in same back ground
 - c. Every member/spouse should have their own house
 - d. They should be married women and their spouse should be agreed to stand as guarantor of loan. That process would be taken place at office
 - e. Members house should not beyond 750 Mtrs
 - f. Women they are eligible for loan as single
 - i. Single means their age beyond 40 yrs old
 - ii. They may be widow, divorcee
 - iii. Should have a guarantor with blood relation
 - g. The said members would not take loan from more than two M F I
 - h. Their Total loan amount not more than 2 lakh and they should not have any O D
 - i. They should have ID card
 - j. One member will be eligible from one house

ii. Customer Data collection

1. Customer membership application has to be submitted along with following documents
 - a. Adhar card of applicant and guarantor
 - b. Bank pass book copy

iii. House verification

1. B H has to verify members house along with customer profile which is collected by C R E
2. B H has to ask / Verify the following matters while conduct the House verification
 - a. Residents stability – Minimum 3 yrs
 - b. Family members details has to noted
 - c. Verification of income source and assessment of repayment capacity
 - d. Whether the family members are suffering from incurable decease like cancer, Paralysis etc....

- e. Verification of electricity bill along with customer name or nominee or blood relatives
- f. Verification of original documents like Aadhar, Voter Id Etc....
- g. Whether the members are knowing each other's?
- h. Whether they are willing to support in their financial problems?
- i. Whether they are ready to participate in the center meeting or not?
- j. Whether they are staying within the limit of 750 Mtrs
- k. Whether they had formed a group themselves or created by agent?

3. House

- a. It should have minimum standard

4. Work

- a. The members should not be following category
 - i. Money lenders
 - ii. Chit fund entrepreneurs
 - iii. Advocate
 - iv. Police
 - v. Gold loan providers

5. Area to be covered in House verification

- a. No of years stayed in the said premises?
- b. They should have health to do some work
- c. Age would be 18-58 subsequent loans eligibility maximum 62 yrs
- d. Guarantor age limit 18-63 yrs
- e. Their total debt should not be beyond R B I regulations

iv. C G T

1. Day one

- a. Importance of Centre meeting
- b. Loan amount, interest, repayment schedule, Tenure and fees etc....
- c. Insurance, process, loan documents Etc...

2. Centre meeting

- a. As per the repayment structure meeting will be one of every week. One compulsory meeting with full attendance in every month by the members.
- b. Meeting days will be Monday to Friday
- c. Meeting time will be started at 9.00 am to 1.00 pm
- d. Maximum meeting time will be 15 minutes

3. Centre meeting discipline

- a. Attend the Centre meeting in scheduled time
- b. Mark the attendance in attendance book
- c. Sitting would be in order
- d. Repayment would be in Centre only
- e. Repayment would be ready to handed over in centre meeting
- f. All directions from company should be followed by the members

4. Responsibility of group leader

- a. Ensure everybody's repayment in the meeting
- b. Ensure every member has signed in the attendance register
- c. Collected repayment has to be handed over to C RE
- d. If have any issue in centre it has to be settled amicably

- e. Ensure the receipt has issued by the C R E
 - f. Ensure Loan card and Register has marked their repayment and attendance by C R E
5. Centre meeting procedure
- a. Every member should be presented in centre before 5.00 minutes of the meeting
 - b. Group leader will collect the repayment from all centre members and get ready to hand over the C R E
 - c. Sit as per the order with C R E also
 - d. Do the procedure as per the direction?
 - e. Hand over the repayment to C R E
 - f. Ensure the said amount area equal to demand
 - g. Mark attendance in our demand sheet by C R E
 - h. Mark repayment in loan card
 - i. Share the information's given by the company
 - j. Vote of thanks
 - k. Full attendance is compulsory on 1st week attendance in every month.
 - l. Rest of the meeting, attendance would be minimum 50%
6. Area to be covered in C G T /G R T
- a. Consider the time availability of customer before fix the meeting of C G T
 - b. To introduce about the company
 - c. every C G T should have the attendance
 - d. The C R E who is going to attend the meeting should be given the C G T
 - e. After the C G T, G R T have to be conducted by B H or Above staff
 - f. G R T should be in specified time and in C G T meeting place
 - g. Suppose Customer is not attended IN G R T, the said loan to be cancelled
 - h. Suppose G R T is passed the said loans can be proceed further
 - i. If G R T failed such cases can be attended by C G T once again
7. G R T will be used to identify following area
- a. Members liability
 - b. Loan repayment, fees interest tenure etc....
 - c. Company's workings, terms and conditions of loan etc....
 - i. Questions to be followed in G R T
 - 1. Name of company
 - 2. Branch Name
 - 3. Name of staff and B H
 - 4. Loan amount
 - 5. Interest
 - 6. Loan processing fees
 - 7. Insurance premium
 - 8. Loan repayment mode
 - 9. Who is the applicant of the loan?
 - 10. Purpose of the loan
 - 11. Procedure of Centre meeting
 - 12. Holidays repayment structure
 - d. Attend the meeting on time
 - e. Keep respect while talk with customers

- f. Avoid linguistic way I approach
 - g. Don't be impatient while talk to customers
 - h. Keep smile while talk to customers
 - i. Don't misuse any un parliamentary words when the customers make delinquency in repayment
 - j. Don't use coercive methods to take the repayment
 - k. Without the permission don't get in to customers house
 - l. Don't share the loan repayment issues with other family members like kid and old age family members
- v. Loan Disbursement
1. All loan application has to be processed with in 5days of the loan application collected
 2. Customer, Guarantors should be signed in loan document in the office
 3. We have to issue the loan repayment schedule to customers and group agreement also
 4. Branch head also be share the importance of Joint liability of the group to Guarantor /spouse
 5. Husband should be the guarantor of the married women except, divorcee and widow
 6. BH is the authorized person to process the loan application in every branch
 7. All loan cards should have the members signature and B H signature with seal
 8. Every member should be presented in the loan disbursement at branch
 9. If the members are not able to attend the L D in a day, that loan would not be processed further.

9)LOAN APPROVAL SYSTEM

<u>LOAN SCHEME</u>	<u>APPROVING AUTHORITY</u>	<u>REMARKS</u>	<u>DEVIATIONS</u>
1 st Cycle Loan 5,000 – 42,000	Branch Manager	The branch manager has the authority to approve loans. The BM conducts visits to the center and customers' homes to assess their repayment capacity. The credit details of the customers will be thoroughly checked	Done by Credit Team from HO . (If the customer outstanding shows above 2 Lakh to 2.20 Lakhs in credit score checking)
2 nd Cycle Loan 50,000 – 75,000	Credit Team (HO)	Branches send request through mail for 2 nd cycle loan approval. They will Attach the 1 st cycle loan repayment chart, Center repayment details and last collected receipt from that center also. Customer credit details will be checked.	Done by Credit Team from HO . (1. If the customer outstanding shows above 2 Lakh to 2.10 Lakhs in credit score checking) 2. If the customer has cleared all pending payments in the current month, the credit score report still shows an overdue amount of KLM.)

Unique Customer ID generated while booking the loan in the system must be checked for the above limits as there is a chance that the same customer may avail different type of loans from the company.

10)Loan sanction card

The company shall provide a loan sanction card to the borrower which shall incorporate the following:

- (i) Borrower Identity
- (ii) Limit sanctioned and activity.
- (iii) Interest rate
- (iv) All other terms and conditions of the loan.
- (v) Repayment schedule acknowledged by the borrower.
- (vi) Details of the grievance redressal system, including the name and contact number of the nodal officer of the Bank.
- (vii) All entries in the loan card should be in a language understood by the borrower.

11)Grievances Redressal

Company also has a mechanism for redressal of grievances through Contact center, Branches or other Admin. Offices shall be used to deal with grievances in respect of micro finance loans. The phone / email details for rising to grievance shall be conveyed to the borrower at the time of loan disbursal.

12)Repayment of Loan

The company shall send monthly/quarterly demand notice to the borrower if account falls over due to facilitate prompt repayment of the amount of assistance as per the Lending Policy/repayment norms. Non-receipt of a demand notice from company shall not be a reason for non-payment of the amount and interest thereon.

13)Code of Conduct

The Officers and staff who deal the loan process shall always behave respectfully towards borrowers. Staff should maintain a professional distance in his/her dealings with borrowers. All information regarding the borrower is to be treated in strict confidence. Confidentiality includes taking care not to store files in places that are accessible to the public.

14)Loan Recall

If the beneficiary failed to fulfill any of the terms and conditions stipulated in the Agreement on the occurrence of any event or circumstances which, in the opinion of company or adversely affect in any manner the capacity to repay the amount of the said financial assistance and interest thereon, within the time/period of repayment of the shall be entitled to recall the entire outstanding amount of principal and interest from the borrower.

The Board or approved Committee shall be responsible for the Interpretation and review of this Policy. The Board or the Committee shall also be empowered to make any corrections to this Policy, if so required at any stage at its own discretion or with the concurrence.

This Policy may be altered/revised as per changes in the market scenario and/or statutory guidelines. The Policy shall be reviewed at least once in a year or as and when there are any amendments in the applicable guidelines.

15)PRICING of the Micro Finance Loans

The Micro Finance loan pricing derive from the average cost of borrowing including NCD/Sub Debts /Equity /Bank Borrowings and PDI of the company + operating expenses +Profit margin (Tenor Premium).

Main objective of the Pricing mechanism is to provide consistent guiding rates that can be used for pricing funds internally as well as external product pricing. It could serve to drive behaviour of business units to meet the overall objectives of the company. It would also provide objective criteria for business units / product performance evaluation. The process is based on the Cost of Funds criteria. . The pricing /revision of Micro Finance Loan is done from the Head Office level.

A)Weighted Average cost of borrowing:

The Company borrows funds through Bank Term loans, Non-Convertible Debentures(NCD), Perpetual Debt Instruments (PDI), and subordinate debt from the investors. Weighted average cost of borrowing such funds is taken for bench mark calculation.

B)The product level Pricing methodology is given as below:

S.No	Product category	Pricing methodology	Remarks
Liabilities			
1	NCD	Cost of Mobilisation+ Incentive Spread	Different incentive spread could be used for different type borrowings. Applicability and quantum will be decided by ALCO
2	Sub Debts	Cost of Mobilisation+ Incentive Spread	
3	PDI	Cost of Mobilisation+ Incentive Spread	
4	Bank Borrowings-Fixed	Fixed rate of interest charged by Lending Banks	
5	Bank Borrowings-Floating	Variable interest rates linked to Benchmark interest rates + Spread	

Assets		
Micro Finance loan(MFI)	Offer rate based on the maturity of the loan and cost of borrowing.	The loan rate would remain fixed for the entire tenure of the loan.
Gold loan	Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.
SME loan	Offer rate based on the maturity of the loan and cost of borrowing	The loan rate would remain fixed for the entire tenure of the loan.

C)Costs to be considered for arriving the Pricing a Loan

(A) Cost of Equity (B) Fund raising cost (C) Negative carry on Investments (D) ALM Mismatch cost (E) Opex cost (F) Risk premium = {Sum (A to F)} =Pricing of Loans.

Fixed rate loans are not linked to benchmark currently.

D)Objective of the Pricing of Loans-:

To arrive at the benchmark rates to be used for different types of customer segments and to decide on the principles and approach of charging spreads to arrive at final rates charged from customers.

E)Fund raising costs-:

It includes processing fees on term loans, brokerage to source funds through NCD, Rating Fee, trusteeship fee, exchange listing fee etc

Loan pricing methodology give direction to the company the minimum rate at which it can lend with a profit margin. This can be called the Marginal Cost of Lending (MCLR). Currently NBFCs not have MCLR mechanism. Only Banks following this methodology.

Marginal cost of funds= Average cost of Borrowings + Regulatory reserves +operating cost +Tenor premium=Pricing of assets.

Taking in to account relevant factors such as cost of funds, margin and risk premium etc and determine the rate of interest to be charged for loans and advances to the NBFC customers. Generally, we charge uniform interest rates based on our borrowing cost to the customers.

This Policy may be revised by the Board once in a year or whenever the requirement arise which ever is earlier.

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- *Approved by the Board of Directors on August 01, 2024 via circular resolution;*
 - *Reviewed by the Board of Directors on August 13, 2024.*