



## LOAN & CREDIT ADMINISTRATION POLICY

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3	13/02/2023	Microfinance policy
4	01/08/2024	Consolidated Loan policy (covering Gold, MSME & Micro Finance Loans) approval
5	13/08/2024	Consolidated Loan policy review
6	14/11/2024	Review
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## 1) Preamble

**KLM AXIVA FINVEST LTD** is a leading Middle Layer and Systemically Important NBFC providing easy financial access to the common man for more than 25 years. Company is mainly focused on lending against the collateral of Gold. Company also extends Micro Finance, MSME, Business Loans etc. at competitive interest rates on simple documentation followed by quick sanctioning process. This Policy lists out in detail and in a transparent manner the processes and procedures followed by the Company while extending Loans and is based on the “Reserve Bank of India (Lending Against Gold and Silver Collaterals) Directions, 2025, communicated vide Circular RBI/2025-26/47.DOR.CRE.REC.26/21.01.023/2025-26 dt 06.06.2025 and other directions issued by the regulator from time to time.

This Loan cum Credit Administration Policy (the “Policy”) sets out the guiding principles, lending norms, delegation of authority, risk and compliance controls, monitoring, oversight and review arrangements applicable to all loan and credit operations. The Policy is framed in accordance with applicable regulations of the Reserve Bank of India (RBI) including the NBFC-Scale Based Regulation, other RBI directions, guidelines on lending and collateral management and the Company’s Board-approved strategic objectives. The objective of the Policy is to ensure that the Company’s lending is conducted in a prudent, consistent, transparent, compliant and profitable manner, with appropriate risk controls and governance oversight. The Policy shall serve as a reference manual for customers and for the Field level functionaries for strict compliance and implementation in their day-to-day operations.

## 2) Objectives

- a) To provide a clear and consistent framework for sanctioning, disbursing, monitoring and recovering loans across all the Company’s business lines (Gold Loans, Microfinance Loans, SME/Business Loans and other products as approved from time to time).
- b) To ensure that lending decisions are backed by sound credit assessment, collateral valuation (where applicable), due documentation and legal enforceability.
- c) To define the delegation of sanctioning powers via committees, ensuring segregation of functions, oversight and accountability.
- d) To embed risk management, compliance, audit, monitoring and governance mechanisms to safeguard asset quality, contain credit risk, operational risk and reputational risk.

- e) To ensure that related-party transactions are appropriately identified, approved and monitored in line with legal, regulatory and governance standards.
- f) To establish periodic review and amendment of this Policy to reflect evolving regulatory, business and risk-environment developments.

### **3) Scope & Applicability**

- a) This Policy applies to all products of the Company, branches, regional offices, zonal offices, digital/online channels, field agents, third-party originators, and all employees engaged in credit origination, sanction, disbursement, monitoring, recovery or audit.
- b) Any deviation from this Policy (including products, limits, segment, collateral type or documentation) must be approved in advance by the Board (or a Board-approved Committee) and documented with rationale.

### **4) Regulatory & Internal Compliance**

- a) All lending operations shall comply with:
- b) RBI's NBFC regulations including Scale Based Regulation, Fair Practices Code, KYC/AML norms, Co-lending norms (if applicable), outsourcing guidelines.
- c) RBI's directions on lending against gold and silver collateral (June 2025) which will apply by 01 April 2026.
- d) Other applicable laws (Companies Act, Indian Contract Act, Transfer of Property Act, etc.), state-specific statutes, and other internal policies (Risk Management Policy, Asset Liability Management Policy, Internal Audit Policy, etc.)
- e) The Company shall maintain a Fair Practices Code for borrowers, disclosures of charges, transparent valuation, auction / realization of collateral, and shall ensure that no unfair practices prevail, in line with regulatory expectations
- f) The Company shall maintain a system of internal controls, audit review, delegation logs, deviation tracking, MIS to senior management and Board.

### **5) Risk Management**

- a) The Compliance function shall vet for KYC/AML checks, internal policy compliance, regulatory guideline adherence, documentation enforceability, sanction conditions and any regulatory/reputational issues
- b) The Company shall maintain an independent internal audit function which shall periodically review compliance of terms and conditions of loan sanctions and compliance with this Policy, loan sanction processes, collateral management, valuation, top-ups/renewals, exceptions, portfolio quality and

internal controls. Findings of internal audit (and external audit, if applicable) shall be reported to the Audit Committee of the Board and senior management with corrective action plans.

- c) Early Warning Signals monitoring: A centralized MIS unit shall monitor portfolio delinquency, trend of risk ratings, concentration exposures, collateral margin erosion, branch/region-wise exceptions and audit findings.

## **6) Monitoring and Control**

- a) Post-disbursement monitoring shall comprise of -
  - Branch-level monitoring of payments, EWS triggers (overdue, partial payment, repeat request for rollover / renewal),
  - Periodic field visits / inspections by regional oversight team,
  - For gold loans: periodic physical verification of pledged gold, valuation re-check, audit of vault stock, report of any shortfall or discrepancy.
- b) MIS & Reporting: The Company shall generate monthly MIS showing key metrics: new sanctions by product/region, average ticket size, LTV distribution (gold loans), portfolio ageing, NPAs, watch list exposures, collateral margin status, concentration risk, branch/region performance. Quarterly reviews shall be submitted to the Risk Management Committee of the Board.
- c) Stress Testing / Scenario Analysis: The Company shall carry out annual stress tests on portfolios (e.g., gold price drop of 15%/25%, interest-rate rise, borrower default clusters, regional adverse events) and model impact on portfolio, capital, provisioning and business strategy. The results shall be submitted to the Risk Management Committee of the Board on a quarterly basis.
- d) Audit Oversight: Internal Audit shall conduct periodic reviews of branch operations, gold-loan vaults, microfinance operations, SME credit monitoring, documentation quality, and compliance with policy. Major findings (material exceptions, control lapses, frauds) shall be reported immediately to the Audit Committee of the Board and the senior management.

## **7) Related Party Transactions**

- a) Related Party Monitoring: Any lending or exposure to related parties (as defined under Section 2(76) of the Companies Act, 2013 and relevant RBI/Company definitions) shall be monitored for outstanding, renewals, pricing at arms-length, collateral adequacy, and periodic Board/Audit Committee review. A separate register of related-party exposures shall be maintained.
- b) Definition: Related party exposures include loans, guarantees, collateral support, renewals, connected counterparties, promoters, director-related entities, subsidiaries/associate companies.
- b) All related-party lending shall be carried out only in strict compliance with: Companies Act, 2013 (Section 188), RBI's NBFC Prudential Norms (related-party exposure limits), the Company's Related-Party Transactions Policy and this Loan Policy.

- c) **Prior Approval:** All related-party credit exposures, renewals or modifications shall be pre-approved by the Audit Committee of the Board. The Audit Committee shall satisfy itself on arms-length terms, adequate collateral, prudent pricing, and that such exposures do not unduly concentrate risk or compromise governance.
- d) **Disclosure:** The Company shall disclose in its annual financial statements and the Board Report the details of related-party exposures (amounts, terms, security, outstanding, provision for NPAs). The Risk Management Committee and Audit Committee shall call for quarterly reports on related-party exposure status.
- e) **Monitoring:** The Risk and Compliance functions shall monitor renewal cycles, outstanding aging, repayment behavior, collateral coverage and pricing of related-party exposures and report any exceptions to the Audit Committee without delay.

## **8) Credit Review and Audit Oversight**

- a) **Internal Audit:** The internal audit team shall review—at least quarterly—the compliance of lending operations with this Policy, including but not limited to sanctioning process, documentation completeness, collateral management (especially gold-loans), renewal/top-up practices, exceptions and deviations, portfolio quality and control lapses. Audit findings must be summarized and presented to the Audit Committee of the Board.
- b) **External Audit (if applicable):** The Company may engage external audit firms or third-party reviewers periodically to review specific high-risk portfolios such as gold loans, microfinance loans or SME exposures.
- c) **Board Oversight:** Periodic reports (quarterly or as defined) submitted to the Audit Committee of the Board on portfolio quality, NPAs, provisioning, collateral margin erosion, gold-vault audit findings, exceptions to policy, related-party exposures, internal audit findings, and corrective action status. The Risk Management Committee of the Board shall receive reports on credit risk trends, portfolio concentration, stress-test results and emerging risks.
- d) **Escalation:** Any material policy deviation with impact on 1% of the loan portfolio of the Company, fraud, control failure, or collateral shortfall must be immediately escalated to the Risk Management Committee of the Board.

## **9) Documentation, Custody & Record Retention**

- a) The Company shall maintain standardized documentation templates for each product type (Gold Loans, Microfinance, SME Loans) including sanction note, loan agreement, security/pledge agreement, valuation certificate, insurance certificate, borrower acknowledgment, repayment schedule, top-up/renewal note.



- b) Physical/document custody: All original legal documents (loan agreement, security documents) shall be stored in secure vaults (physical or digital) with controlled access, proper indexing and audit trail. Pledged gold ornaments must be kept in secure vaults under dual control with inventory reconciliation and periodic audit.
- c) Digital records: Where permissible, the Company may maintain digital/electronic copies in a secure repository with backup and access control.
- d) Record Retention: The Company shall retain all loan and security documentation for at least eight (8) years after the loan is closed or as per the longer period required by RBI/regulation or statute of limitation, whichever is higher.
- e) Confidentiality & Data Protection: Borrower data, appraisal documents, collateral records and internal credit ratings shall be securely stored. Access shall be restricted to authorized personnel and in compliance with the Company's Data Protection Policy.

## **10) Policy Review & Amendment**

- a) This Policy shall be reviewed by the Board annually or earlier in the event of:
  - A significant change in business strategy (new product, new geography, merger/acquisition)
  - A material regulatory change (e.g., RBI guidelines)
- b) Significant deterioration in portfolio quality or risk environment. Any amendments to this Policy shall be approved by the Board and communicated to all relevant committees, management, branches, and employees.
- c) The Company shall maintain a version-control register for this Policy, noting approval date, next review date, and any interim amendments along with the reason for change.
- d) The Risk Management and Credit Control function shall be the custodian of this Policy.

## **11) Know Your Customer (KYC) and Risk Categorization**

KYC is mandatorily required:

- a) At the time of commencement of an account-based relationship, and
- b) When the Company has a doubt about the authenticity or adequacy of the customer identification data that it has obtained.
- c) KYC compliance and Risk categorization shall be ensured as per the KYC Policy of the Company for all customers before on-boarding.

## **12) Classification of Loans**

Loans are classified based on whether the borrower pledges collateral to secure the debt or otherwise. This differentiation is important for risk assessment, setting interest rates and determining recovery procedures on default.

**Secured Loans**

A secured loan is a borrowing backed by a valuable asset, or collateral, that a borrower pledges to the lender. The lender holds the right to seize and sell this asset if the borrower fails to repay the loan.

**Unsecured Loans**

An unsecured loan is a loan that is not backed by any collateral. These loans are granted based on the borrowers' credit worthiness, income and ability to repay. Since there is no asset for the lender to seize in case of a default, these loans carry a higher risk for the lender.

Gold Loans fall under the category of secured loans. MSME loans granted for creation of tangible asset and / or backed by a valuable asset or collateral also fall under this category. MF not backed by any asset or collateral is treated as unsecured loans.



### 13) SECURED LOANS – GOLD LOANS

#### a) Product

Loans are sanctioned by the Company against the collateral of Gold Jewelry, Ornaments and Coins (Collectively called “Gold” hereafter).

Branches shall give preference to Hallmarked Gold when extending loans as they are safe and easier.

#### b) Area of operation

Branches shall consider Applications for loans from customers residing within a radius of 20 Kms from the Branch.

Loans for customers employed within the Area of Operation of the Branch, but residing beyond 20 Kms and within a radius of 50 Kms from the Branch shall also be considered on a case-to-case basis. Before considering such loans, Branch Manager (BM) / Assistant Branch Manager (ABM) / Branch-in-Charge (BC) shall ensure compliance with KYC norms and conduct Field Verification. The Field Verification Report (FVR) shall be attached to the loan documents for verification of Auditors.

#### c) Nomenclature

Loans shall be extended as Demand Loan, Term Loan repayable on EMI basis or Term Loan with only Interest repayable on monthly / quarterly basis or loan with Bullet Repayment. Bullet Repayment Loans (BRL) means where both Principal and Interest are due for payment at maturity of the loan.

#### d) Tenure of the loan

Tenor of Consumption loans in the nature of BRL shall be capped at 12 months, which shall be renewed as per the Policy.

Other loans shall be sanctioned with a maximum Tenor of 12 months unless a shorter Tenor is specified under a particular Scheme / Product, which may be renewed as per the Policy.

#### e) Eligibility

Any individual who has attained the age of 18 Years and rightful owner of the Gold offered as security and holding proof of ownership or declaring ownership of the Gold as per RBI guidelines and compliant with KYC norms are eligible for loan.

## f) Photograph

Clear image photograph of the borrower and enlarged photo of all gold pieces spread out separately shall be captured on the Pledge Form with the help of Web camera. Clear and legible copies of the KYC documents along with the above pictures shall be uploaded in the System. The entire area where the gold loan processing takes place shall be under Camera surveillance at all times.

## g) Purpose

**Consumption loans:** Gold Loans to individuals for meeting emergencies, medical expenses, purchase of consumer durables, personal consumption and other similar requirements, which do not directly help in generating any income for the individual shall be classified as Consumption Gold Loans.

**Income generating loans:** Gold loans for the purpose of productive economic activities like farm credit, loans for business / commercial purposes, loans for creation / acquisition of productive assets etc. shall be known as Income Generating Gold Loans.

Income Generating Gold Loans shall be classified as per the purpose for which the loans are granted and must not be classified as Gold Loans.

Loans that do not fit the definition of Income Generating Gold Loans, shall be treated as Consumption Gold Loans.

## h) Quantum of finance / Per borrower limit

Consumption loans: Maximum eligible loan amount shall be linked to borrower's income and repayment capacity. The limit shall be fixed as a multiple of the monthly gross income and shall be fixed at Rs. 10 lakhs or 10 times the monthly gross income, whichever is less.

The maximum Loan amount computed as above shall be within the LTV ratio of the value of Gold as given in the table below.

Total Consumption loan amount per borrower	Maximum LTV ratio
Less than Rs. 2.5 lakhs	85%
Rs. 2.5 lakhs and up to Rs. 5 lakhs	80%
Rs. 5 lakhs and above	75%

Income generating loans: Maximum eligible loan amount shall be linked to borrower's income and repayment capacity. The limit shall be fixed as a multiple of the monthly gross income and shall be fixed at Rs. 25 lakhs or 10 times the monthly gross income, whichever is less.

The maximum loan amount computed as above shall be within the LTV of 75% of the Value of Net Weight of Gold.

The minimum Net weight of Gold that shall be considered for pledge shall be 1 gm and the minimum Gold Loan amount shall not be less than Rs.1000 in both the cases.

i) **Loan to value (LTV)**

LTV ratio shall be maintained as give above on the value of net weight of Gold as per extant RBI guidelines. No breach in prescribed LTV shall be permitted. The prescribed LTV shall be maintained on an ongoing basis throughout the tenor of the loan.

In case of Bullet repayment loans, the LTV calculation shall take into account the total amount repayable at maturity.

The net weight shall be arrived at by excluding from the gross weight the weight of pearl, coral, precious / semi-precious stones, lac, alloy, strings or any other foreign material other than Gold contained or part of the ornament, damages, defects, breakages etc. irrespective of its value.

**Penalty on breach of LTV**

In case of breach in regulatory LTV ratio, the borrower shall be called upon to make part payment or pledge additional quantity of Gold to restore the LTV to the originally sanctioned level.

If the breach persists for more than 7 consecutive days, the excess amount over and above the prescribed LTV, shall attract penal charge of 1 per cent from the date on which the LTV breach takes place to the date on which it reverts to prescribed level. If the loan is in breach of LTV as on the date of maturity, no renewal shall be permitted.

j) **Field verification**

For Gold Loans above Rs. 5 lakhs in aggregate (single or multiple accounts) of a particular borrower.

Field Verification Report (FVR) shall be Mandatory. Field Verification shall be carried out by the BM / ABM / BC by visiting the residence and workplace of the borrower and making local enquiries about the customer's KYC, occupation, past repayment track record, credit worthiness, extent / value of land holding, sources of income, duration of stay in that place, criminal background, if any etc. The

detailed FVR shall be submitted to RM for his approval. In the case of CO sanction proposals, FVR shall be forwarded to CO by ZM along with his recommendation for sanction.

#### k) Ownership of Gold

Loans shall not be extended where ownership of Gold is doubtful. BM / ABM / BC shall enquire in detail about the ownership of Gold tendered for pledge and shall consider the loan only if convinced about the genuineness of the borrower and his capacity to own the quantity of Gold offered for pledge. Declaration as per the Policy shall be obtained from the borrower in all cases to the effect that the borrower is the rightful owner of the Gold.

Multiple or frequent sanction of loans against Gold to the same borrower, aggregating to per borrower limit shall be examined closely as part of the transaction monitoring under the Anti-money Laundering (AML) framework.

#### l) Appraisal

Gold purity check shall be conducted as per the methods prescribed by the Company to ensure that the Gold offered for pledge is of an acceptable level of purity. Branches shall appraise the Gold before pledging. Appraisers shall look into unique marks on the Gold. This shall include Hall marks, trademarks, makers mark etc. These marks are typically very small and shall give the appraiser information about the quality of Gold and where it was made etc.

Purity of Gold shall be checked by applying traditional tests such as nitric acid, flexibility, color, smell, weight, pointed scratching, sound, magnifying glass, finishing, rubbing stone, color, sound, usability test etc. The most common methods of appraising Gold are rubbing stone and acid test. Valuation of Gold shall be based on net weight of gold content only.

Net weight shall be arrived at from Gross weight after excluding weight of all extraneous non-gold materials such as the weight of pearl, coral, precious / semi-precious stones, lac, alloy, strings or any other foreign material other than Gold contained, irrespective of its value for calculating the eligible gold loan amount. Branches shall round-off the net weight of Gold while assessing the loan limit to lower tenth (Digit next to the decimal point).

Appraisers shall sign the appraisal form as proof of having done the appraisal of Gold. For Gold loan above Rs. 10.00 lakh in aggregate of a particular borrower (single or multiple limits), Branch shall get the assistance of Gold Auditor for appraisal. In case of non-availability of Gold Auditor, any nearby KLM

Axiva Finvest Ltd, BM / ABM / BC shall evaluate and appraise the Gold. This shall be recorded in the Pledge form under the signatures of the Appraiser and BM / ABM / BC.

Gold shall be assayed / valued by trained and experienced BM and ABM. If one of the two is absent, then it will be done by the BM or ABM and one of the Staff who is well trained by the Company in assaying / valuing Gold. Second verification will be done by BM / ABM where the first assaying / valuing was not done by BM and ABM.

Presence of the customer at the Branch when appraising the Gold and processing the loan Application shall be mandatory. Loan processing shall not be carried out in the absence of the customer from the Branch.

Disbursement of loan amount shall take place only after Gold is taken into Joint Custody of the Custodians and all documents have been correctly executed and uploaded in the System.

Loan shall be disbursed only to customers Bank account. Cash disbursement or receipt shall comply with Statutory / Regulatory Instructions and associated rules, as well as KYC norms updated from time to time.

In case of Bank transfers, all disbursements, repayments etc. shall be executed directly between the Company's account and borrower's account without routing through any third-party pass-through account / pool account.

All loan appraisal and related documents shall be verified and signed by the BM and ABM jointly. If the BM or ABM is on leave, it shall be verified and signed by BM or ABM, as the case may be, and a Senior Staff of the Branch.

#### m) Gold valuation

Gold accepted for Pledge shall be valued based on the reference price corresponding to its actual purity (Carat age). For the purpose of valuation, the lower of (a) the average closing price for Gold of that specific purity over the preceding 30 days, or (b) the closing price for Gold of that specific purity on the preceding day as published either by the India Bullion and Jewelers' Association Ltd (IBJA) or by a Commodity Exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used.

If price information for the specific purity is not directly available, the Company shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity to arrive at valuation.

For valuation, only the intrinsic value of the Gold contained in the Gold shall be reckoned and no other cost elements, such as precious stones or gems etc., shall be added thereto.

**n) Credit assessment**

Detailed Credit assessment shall be undertaken in all cases where the total loan amount is above Rs. 2.5 lakhs. The assessment shall take into account the borrower's annual income, principal source of income, regularity of income, past repayment track record, his capacity to own the Gold offered as collateral, line of activity, business turnover, capacity to repay the loan etc. The loan amount shall be limited to LTV, multiple of income as given above and per borrower limit.

For assessment purpose the following documents shall be obtained depending on the nature of loan.

**Consumption Loans:** Anyone of the following documents shall be relied upon to assess loan requirement and repayment capacity. Salary slips of reputed employers for the past 3 months, proof of agricultural income in proportion to land holding, Bank account statement for 3 months, IT Return of the preceding FY, GST Return filings for the previous 3 months, evidence for any other source of regular income etc. Documentary evidences shall be preserved as part of the gold loan documents.

**Income generating Loans:** Anyone of the following documents shall be relied upon to assess loan requirement and repayment capacity. Salary slips of reputed employers for the past 3 months, proof of agricultural income in proportion to land holding, Bank account statement for 3 months, IT Return of the preceding FY, GST Return filings for the previous 3 months, evidence for any other source of regular income etc. Permits / license for the line of activity in which the borrower is engaged and any other related documents. Documentary evidences shall be preserved as part of the Gold / Silver loan documents.

**o) Sanctioning Authority**

Sanctioning authorities shall verify and confirm compliance with KYC norms, completion of field verification, weight of Gold, verification of ownership of Gold, purity of Gold, scale of finance, limit to be considered, repayment capacity, proper appraisal, documentation etc. before sanctioning the loan.



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

<b>Sanctioning authority</b>	<b>Loan amount limits</b>
Branch Manager (BM) / Officer-in-charge (OIC)	Up to and including Rs. 5 lakhs
Branch Credit Committee (BCC): BCC consisting of BM / Officer-in-charge of the Branch and Regional Manager (RM), (Zonal Manager in the absence of RM) with clearance obtained from the respective Vice President (Business Operations).	Above Rs. 5 lakhs and up to and including Rs. 10 lakhs
Respective Vice President (Business Operations), on the recommendation of the BCC.	Above Rs. 10 lakhs and up to and including Rs. 25 lakhs
Chief Executive Officer, on the recommendation of the respective BCC and Vice President (Business Operations)	Above Rs. 25 lakhs and up to and including Rs. 100 lakhs
Finance Committee of the Board (FCB)	Above Rs. 100 lakhs.

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.

**p) Interest and other charges**

Interest and other charges levied shall be as stipulated by ALCO from time to time.

Interest and other charges levied on the loan shall be as per the Schemes formulated and amended from time to time. Loan interest rates shall be determined on considering various factors such as cost of funds, operational cost, tenure, purpose, liquidity, market competition, risk rating etc. Interest rate fixation

shall be based also on various rules and regulations prescribed by Reserve Bank of India and other competent authorities from time to time. The interest rates shall also depend on the customer rating, gradation of risk, the underlying principle being higher the risk, higher the interest, within the ceiling rate decided by ALCO. Interest shall be charged from the date of disbursement of the loan.

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. If the borrower closes the loan within 7 days

from the date of disbursement, then minimum interest for 7 days shall be payable. If the amount of interest so calculated is less than Rs.10 then minimum interest of Rs.10 shall be charged.

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

**q) Pricing of Gold Loans**

Loan pricing shall be derived from the weighted average cost of borrowing from NCD / Sub Debts / Equity / Bank borrowings and PDI of the company. To the average cost thus arrived at, operating expenses, risk premium, tenor premium and profit margin shall be added to arrive at the Benchmark interest rate. The cost of funds shall include processing fees on bank borrowings, brokerages, commissions, incentives, rating fees, trusteeship fee, exchange listing fee etc.

**Closing charges**

In addition to interest, Company shall recover closure charges when the borrower closes the loan account. The closure charges shall be as applicable to the Scheme under which the loan is sanctioned.

**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 shall be levied as decided by ALCO from time to time and intimated to the borrower. This shall be charged over and above the regular interest rate prospectively.

**Other charges**

In addition to interest, the Company shall recover other charges as below. The rate at which such charges shall be levied shall be decided by ALCO.

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.

r) **Documentation**

Branch shall ensure proper and complete documentation with all blanks filled-in and enclosures attached as stipulated by the Company. The following documents shall be kept separately in safe custody and shall be made available for verification by Auditors / Inspectors.

- Loan Application with Declaration of ownership and undertaking by the borrower.
- Stamped Demand Promissory Note and Take delivery letter cum Pledge Form.
- Sanction letter with Terms and Conditions and acknowledgement and any other documents that may be specified by the Company.
- Customers signature should be obtained on all the documents and BM / ABM / BC shall sign the Sanction Letter and Pledge Form.

s) **Packing and storage of jewelry**

Gold for each loan account shall be packed in separate Pledge cover. Pledge covers supplied contain unique serial numbers, Branches shall utilize the Pledge cover in the order of serial numbers. The front portion of the cover is a Form that Branch has to fill-in with details like account number, name of customer, scheme, security details etc. Appraiser and BM / ABM / BC shall affix their signatures in the Form and seal the packet.

No Gold shall be left on the Counters. The pledged Gold verified and checked by the Joint custodians shall be shifted to strong room / vault immediately. Storage of packets in the safe shall be account number wise. Final packing and storing in FBR / strong room shall be under the supervision of Joint custodians only. Storing and withdrawal of each packet shall be recorded in Gold Movement Register and the balance number of packets shall be checked with System balance daily.

**Weighing machine**

Weighing machine shall always be placed on plain and even surface under normal temperature, pressure and humidity. Periodical calibration and stamping by Legal metrology department shall be ensured. If trays are used for placing Gold while weighing, care shall be taken to reduce the weight of Tray from Gross weight.

**Issuance of Certificate of Purity**

Only Gold of 24/22 carat shall be accepted as security for the loan. In case the purity of Gold is found to be less than 22 carats, an option shall be exercised by the Company to convert it into 22 carat and to calculate value of the security accordingly.

A Certificate of Purity of Gold pledged as security for the loan shall be given to the borrower for the limited purpose of determining the scale of finance and to arrive at the maximum permissible loan. The Certificate shall specify the purity of Gold in carat, gross weight, net weight after deduction of weight of stones, lac, alloy, strings, fastenings, coral, gems, extraneous non-gold materials such as the weight of precious / semi-precious stones, or any other foreign material, damages, defects, breakages noticed etc., image of the Gold and value at the time of Sanction.

The Certificate prepared in duplicate shall be signed both by the BM / ABM / BC and the borrower. One copy shall be kept along with the gold loan documents and the other copy shall be given to the borrower under his acknowledgement.

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, in the absence of any fool proof method of assessing the purity of Gold, no disputes / claims based on the Certificate shall be entertained by the Company.

#### **Updation of Company software with rate per gram data as per RBI guidelines**

The rate per gram under each Scheme shall be announced by the Company which shall be updated in the CBS and advised to Branches periodically. Change in rate of interest and Schemes shall also be updated in the CBS and intimated to Branches periodically from Corporate Office (CO).

#### **t) Safety measures**

Utmost care shall be taken to ensure the safety of Gold pledged by the customers. Gold shall be handled only by the Staff of the Branch and shall always be kept inside the Vault / Strong room. Gold shall be transported from one Branch to the other only for pooling of Gold or shifting / closure of Branches. The following arrangements shall be made by the Branches for the same.

- All pledged Gold shall be kept in Strong room or FBR safe.
- FBR / strong room keys shall be in the Joint custody of BM / BC and ABM. In the absence of BM or ABM, in their place either AM or a Senior most staff shall be the Joint custodian. Joint custodians shall jointly operate the FBR safe.
- Burglar alarms shall be installed in vulnerable Branches.

- Insurance cover shall be available and renewed every year against burglary / fire / natural calamities or such other Risks as may be stipulated by the Company.
- All branches shall be covered under CCTV cameras and centralized monitoring shall be ensured.

The adequacy of the safety measures put in place and the available Insurance cover shall be reviewed on an ongoing basis by the BM / BC, RM, ZM and CO: Vigilance. Audit Department shall incorporate this aspect as one of the areas to be covered by Branch Auditors.

u) **Items not to be accepted as security for gold loan**

Gold Loan shall not be granted against primary Gold or financial assets backed by primary Gold like Units of Exchange Traded Funds (ETF) or Units of Mutual Funds.

Primary Gold means Gold in any unfinished or semi-finished form and includes bullion, ingots, bars, blocks, slabs, billets, shots, pellets, rods, sheets, foils and wires.

Melted bar / Gold.

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 for 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.

Thali / Magalasutra alone.

Kundan work ornaments.

Broken chain.

Re-pledged Gold / Silver.

v) **Gold loan take-over**

Company shall not encourage takeover of Gold Loans. Takeover of Gold Loans is a risky business as we do not have a mechanism to appraise the Gold before takeover. However, there are instances where our existing customers approach us for takeover of their accounts with other Institutions, or as part of

our marketing efforts takeover becomes inevitable. Request for takeover directly from an Institution shall not be considered.

When a proposal for takeover is received at the Branch, BM / ABM / BC shall call for and verify the following documents:

- Copy of Sanction Ticket and Token / Receipt issued for the Gold pledged.
- Details in the documents to ascertain the date of sanction, limit sanctioned, nature of Gold pledged, gross and net weight, verification of repayments made till date with counter foils of repayment receipts, present dues, Institution where the Gold is pledged etc.
- The Bank account statement for at least three months to see if the operations in the account is healthy.
- Two signed blank Cheque leaves shall be collected and reasons for changing the Institution and approaching us for takeover of the account shall be documented.
- Obtain a Self-declaration as per specified Format.

Before considering the proposal, KYC process shall be strictly complied with and irrespective of the loan amount, Field Verification (FVR) shall be conducted by the BM / ABM / BC. The FVR along with KYC verified documents shall be forwarded to RM for approval of loans up to Rs. 5 lakhs and for loans of Rs. 5 lakhs and above approval shall be obtained from ZM. For loans of Rs. 7 lakhs and above approval shall be obtained from the Vice President. Proposals shall be considered for sanction as per the “Sanctioning and Discretionary Powers” of the Policy.

Branch Officials shall contact the Institution to verify the details furnished by the customer and inform them about the proposed takeover of the account. Once the details are confirmed they may be advised to keep the gold ready for handing over possession on payment the following day. The Branch shall then send a Confirmation Mail to the Institution after verification as above, and inform them the Name, ID number and designation of the Staff to whom the Gold is to be handed over on payment.

On sanctioning the Gold Loan, the proceeds of the loan shall not be handed over to the borrower. The proceeds shall be taken in person by one of the supervisory level Official, authorized by the BM, along with the borrower to the Institution from where the takeover is proposed.

After getting a confirmation from the Institution for handing over the Gold to the Official on payment of dues, the official shall pay the amount directly to the Institution and take delivery of the Gold. The Gold so received shall be pledged at the Branch following the extant guidelines. The entire process shall be completed on the same day without allowing it to spill over to the next day.

w) Gold loan disbursement

Total Cash disbursement in Gold Loan shall be restricted to less than Rs. 20000 per borrower. For Rs. 20000 and above, the loan shall be credited to the Bank account of the borrower by IMPS / RTGS / NEFT / UPI etc. or by issue of a Crossed Cheque in the name of the borrower. Branch shall ensure that the Bank account is in the name of the borrower and shall release the amount to the borrowers account only and not to any other third person.

x) General rules

**Interest collection**

Interest on Gold Loans shall be serviced as and when debited to the account. Recovery of monthly interest debited shall be the responsibility of BM / RM and ZM. There shall be regular follow up with borrowers for payment of interest dues to ensure that there are no overdue accounts. For all overdue accounts, Notices shall be sent at intervals of 15 days, besides personal follow up for recovery.

There shall not be any account in which the LTV is breached on account of non-recovery of interest. BMs / RMs and ZMs shall ensure compliance with RBI stipulation on LTV.

NPA register shall be maintained to record follow-up efforts made like making phone calls, notices sent, personal visits by staff etc.

**Loan repayment**

Loans shall be repaid by way of cash / cheque or direct fund transfer and not through a third-party account into KLM Axiva Finvest Ltd, Bank account. Cash repayment is restricted to less than Rs.199999. All repayments above this amount shall be by means of electronic transfer / cheque payment. Repayment shall be accounted for in the gold loan account only after confirmation of clear balance in the Bank account. Stipulations of Sec 269SS and 269T of Income Tax Act, 1964 shall be complied with where applicable.

**Renewal and Top-up of Loans**

Loan renewal and Top-up loans shall be considered favorably. Such renewal or top-up shall be permitted only within the permissible LTV, and provided the loan is classified as Standard. Such request shall be considered only after payment of accrued interest in full.

Branches shall consider renewal and Top-up loans only after getting fresh application from the borrower and going through the appraisal process afresh. Such renewals / top-ups shall be clearly identifiable in our System. Renewal of bullet repayment loan shall be allowed only after payment of accrued interest, if any.

**Release of Gold pledged**

Gold shall be released only to the customer who pledged the Gold on receipt of full dues including the principal, interest, penal charges and other charges, if any and against deposit of original customer copy of pawn ticket. Release, whether partial or in full shall be done only after verification of signature, photograph and original KYC documents. Before releasing the Gold, Branch shall verify customer signature on acknowledgment receipt and on the receipt portion of the pawn ticket. In exceptional cases, it shall be released to a third party duly authorized by the customer in the prescribed format. While doing so, Branch shall confirm genuineness of the authorization from the customer. Upon release of ornaments to third party, Branch shall obtain a receipt/acknowledgement message/mail from the customer confirming receipt of Gold. Third-party release shall not be entertained if the customer copy of the pawn ticket is not produced at the time of release.

**Release of Gold in the event of death of customer**

In case the customer is deceased, Gold shall 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 only on payment of entire dues and on production of documents as specified herein.

**For loans up to Rs.25000 (Single or aggregate)**

Gold Loan token / Pawn ticket, Death Certificate, Family Certificate, Deceased Settlement Claim Form, Authorization letter from the legal heirs authorizing the person to receive the Gold. KYC proof of the person authorized to receive the Gold shall be collected. BM shall be the sanctioning authority.

**For loans up to Rs.100000 (Single or aggregate)**

Gold loan token / Pawn ticket, Death Certificate, Legal Heirship Certificate, Deceased Settlement Claim Form, Authorization letter from the legal heirs authorizing the person to receive the Gold. KYC proof of the person authorized to receive the Gold shall be collected. RM shall be the sanctioning authority.

**For loans above Rs.100000 (Single or aggregate)**

Gold loan token / Pawn ticket, Death Certificate, Legal Heirship Certificate, Deceased Settlement Claim Form, Authorization letter from the legal heirs authorizing the person to receive the Gold. KYC proof of the person authorized to receive the Gold shall be collected. Head Operations shall sanction based on the recommendations of RM and ZM.



**Release of Gold on closure of the account**

Branch shall release / return the Gold pledged to the borrower / legal heir on the same day but in any case, not exceeding a maximum period of 7 working days upon full and final repayment or settlement of the loan account.

Gold shall be released to the same customer who pledged the Gold on receipt of full dues including the principal, interest, penal charges and other charges, if any, and against surrender of 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. Gold shall be released after obtaining acknowledgment of the borrower on the receipt portion of Pawn ticket.

Release of Gold to a third party shall be considered if the third party comes with the borrower's copy of Pawn ticket and a letter in the prescribed format from the borrower authorizing the Company to deliver the Gold to the said third party against full and final settlement of dues to the Company. The genuineness of authorization letter shall be ascertained from the borrower by Mail / Phone call before parting with the Gold. KYC verification of the third party to be ensured following the usual procedure. On release of Gold to the third party against his acknowledgment, another Mail / Phone call shall be made to the borrower informing him about the release of Gold to the person nominated by him.

At the time of release of Gold, Branch shall ensure that there are no deviations in the method / process for assaying and certifying purity and calculating net weight of Gold at the time of sanction of loan and at the time of return of the Gold. The Gold should be verified for correctness of weight / purity as per details in the Certificate, to borrower's satisfaction.

In case of delay in release of Gold after full payment / settlement of Gold Loan account due to reasons attributable to the Company, the borrowers / legal heirs have to be compensated @ Rs. 5000 for each day of delay beyond the permitted period of 7 working days.

If the delay is not attributable to the Company, the borrowers / legal heirs should be informed about the reasons for the delay.

Where the borrowers / legal heirs have not approached the Company for release of Gold after full payment / settlement of the gold loan account, periodic reminders are to be sent through letters, SMS, Emails, phone calls and personal contacts.

**Nomination**

Nomination facility shall be made available for Gold Loans. Customer shall nominate a person as nominee of the loan at the time of opening of loan account. In case of death of the borrower, nominee shall repay the entire loan and pledged security shall be released subject to production of Death Certificate of the borrower, application for release and compliance with KYC Policy.

### **Prevention of fraud**

All kinds of fraudulent activities or attempt to fraud, whether by employees or outsiders, shall be brought to the knowledge of RM / ZM / CO: Operations and CO: Vigilance Department on the same day of detection for appropriate action as per guidelines and putting in place preventive measures.

### **Due Diligence against pledge of stolen Gold**

Branches shall carry out borrower identification and borrower due diligence by following the procedures discussed in the Policy. Ownership of Gold shall be clearly established before proceeding with sanction. Branch shall verify and confirm compliance of KYC, identity of the customer, his residence, occupation, credit worthiness, family background, reasonableness of Gold possessed etc. FV shall be ensured where applicable.

Branch shall be extra cautious when dealing with first time borrowers, takeover accounts and borrowers whose past dealings with us have not been satisfactory.

### **Confiscation of stolen Gold by Police**

On receipt of request from Law enforcement authorities pertaining to seizure or investigation involving pledged Gold in the case of cheating or any related criminal matter, the Branch shall immediately notify the following Officials:

- CO: Operations Department
- Regional Manager (RM) / Deputy Regional Manager (DRM)
- Zonal Manager (ZM)
- Regional Vigilance Officer (VO) / Assistant Vigilance Officer (AVO)
- Legal Department
- Chief Vigilance Officer (CVO)

Branch should forward the following documents while notifying the above Officials:

- Copy of FIR
- Copy of Confession Statement of Accused borrower

The VO/AVO in concurrence with the RM / ARM shall submit a detailed report including the validity of seizure along with translated versions of relevant documents (if not in English) to the ZM. ZM shall refer the matter to CVO with his observations and recommendation.

The CVO shall submit formal recommendation to CO: Operations Department. CO: Operations shall then issue final decision / approval for release or retention of the Gold.

No Gold shall be released to the Police or any investigating agency without the prior written approval from CO: Operations Department.

Release of Gold to Police or investigating authorities without explicit approval from CO: Operations Department shall be deemed unauthorized. In such cases, the staff concerned shall be held personally accountable and may attract disciplinary action and recovery proceedings.

Only formal communication from designated Officials of CO shall be considered as valid and binding. Approvals conveyed orally, phone calls or from unauthorized personnel shall not be acted upon.

Physical presence of accused borrower is mandatory at the time of release of the pledged Gold. The Investigating Officer shall visit the Branch along with the accused borrower for the purpose of seizure. Seizure in the absence of the accused is not legally valid before the Court of Law.

The accused borrower shall identify and acknowledge receipt of Gold at the time of seizure. A seizure Mahasar shall be prepared and collected by the Branch from the Investigating Officer. This document shall be Official document and shall be signed by the Investigating Officer and signed by appraiser and BM as Witness.

Prior to seizure, the Gold shall be appraised by a Certified appraiser to confirm its weight, purity and description. If the Police fail to bring a Certified appraiser, the BM shall hire a Certified appraiser or use the services of our Auditor to avoid any disputes in future.

The seizure Mahasar shall be comprehensive and shall contain the following:

- Date and time (Sarting and ending) of seizure.
- Description of Gold, weight, purity etc.
- Name, rank, ID number of the Police Official.
- Case reference, FIR, Court file number.
- Legal provision or the ground under which the seizure was affected.
- ID proof of the accused borrower.

Branch shall send a final recall notice to the borrower in the format prepared by Advocate and explore all avenues to recover the loan amount from the borrower. If the Branch finds no possibility of recovery, they shall inform CO: Operations through RM / ZM to raise a Claim with Insurance Company for the loss. All documents required for processing the Claim shall be provided by the BM / RM/ ZM to CO: Operations.

#### **List of Documents required for raising Insurance Claim**

The following documents attested by the BM shall be submitted by the BM / RM / ZM when recommending preference of Claim with the Insurance Company for loss.

- KYC documents of involved persons (Borrowers, Staff, Others etc.).
- Loan application cum pledge form, appraiser report.
- Details of Gold pledged by the borrower.
- Loan account statement.
- Date of fraud and date of discovery of fraud and reasons for classifying it as a fraud.
- Police Mahasar / Seizure Report of stolen Gold.
- Complaint lodged with the Police authorities by the Company.
- FIR registered by the Police authorities.
- Police Notice.
- Status of Police complaint.
- Details of recovery till date from the borrower and steps proposed to be taken for Recovery.
- Notice for recovery issued to the borrower.
- Investigation report on the incident by CO: Audit / Vigilance.
- Final report / Charge sheet.
- Claim form duly completed.
- Any other details not recorded above relevant to the incident / loss / Claim may also Be furnished.

### **Periodic verification of gold packets**

All branches shall maintain Gold In-out Register (Gold packet movement) for updation of number of packets and its movement. The Register shall be updated as and when pledged gold packets are taken out or taken into the Strong room / FBR vault safe.

Physical verification of gold packets shall be done on the last working of the month jointly by the Joint custodians. The total number of gold packets shall tally with the Gold in-out Register data and the System balance report.

Whenever there is a change in anyone or all of the Joint custodians, physical verification of gold packets shall be undertaken jointly by all the custodians handing over charge and the custodians taking charge of the Gold. The total number of gold packets shall tally with the Gold in-out Register and the System balance report.

A monthly Certificate of Verification as per Annexure I shall be sent to Regional Auditor and RM along with BRS. Any disparity in the number of physical packets with Gold packet movement register and System balance shall be separately detailed in the Remark column. Branches shall take steps to tally the registers before sending the Certificate as above. Regional Auditor / RM shall follow up with the Branch for rectification in case of any discrepancies between the registers.

### **Inspection**

Branches shall be inspected and audited by Internal Audit staff at regular intervals as specified in the Internal Audit Policy of the Company. The Audit Department shall verify the quantity and purity of Gold accepted by Branches for pledge. They shall also Audit various accounting procedures followed at Branches and ensure that the Policy / Circular instructions issued by the Company from time are meticulously complied with.

### **Auction**

As per the terms of sanction, gold loan shall be closed on or before the due date as per the tenor specified in the Scheme, by repaying the principal amount in full with interest due up to date and any other applicable charges. The pledged Gold is liable to be auctioned for realization of dues in case of non-payment / non-redemption of Gold on or before the due date. Company shall carry out Auction process as specified in the Auction Policy.

### **Compensation procedure**

In case of any damage or loss of pledged Gold and any deterioration or discrepancy in quantity or purity observed during Internal Audit or otherwise including at the time of return or Auction, such loss / deterioration shall be recorded and communicated promptly to the borrower(s) / legal heirs. The process for making reimbursement or / compensation shall be communicated to the borrower(s) / legal Heirs.

The damaged Gold shall be got repaired by the Company at its own cost. However, if the borrower / legal heir wishes to get it repaired on their own, the reimbursement of cost of repair shall be limited to the cost that would have been incurred by the Company had the Company got it repaired or the reimbursement claimed by the borrower / legal heir whichever is less.

In the case of loss of Gold, value equivalent to the weight and purity of Gold pledged originally shall be compensated. The compensation shall be limited to the closing price on the preceding day quoted by the India Bullion and Jewelers' Association Ltd for the Gold of the specified purity. Reasonable amount of making charges shall also be reimbursed based on the design / make of the Gold originally pledged.

All compensations provided under this Policy shall be without prejudice to the rights of a borrower / legal heir to get any other compensation as per any applicable Law.

### **Unclaimed Gold**

Pledged Gold lying with the Company beyond two years from the date of full repayment / settlement of Gold Loan account shall be treated as Unclaimed. For such Unclaimed Gold periodical Special Drives shall be undertaken to ascertain the whereabouts of borrowers / legal heirs.

Report of Unclaimed Gold shall be put up to Customer Service Committee of the Board at half yearly intervals.

### **Sectoral Limit for Gold Portfolio**

KLM Axiva Finvest Ltd is a Gold Loan lending NBFC. Being a Gold Loan lending NBFC, exposure to Gold Loans as a percentage to outstanding AUM is about 67%, followed by MSME and Micro Finance Loans with exposure of 33% of the total AUM.

Gold is a stable commodity that supports national reserves, influences currency value, and its intrinsic value and resistance to inflation make it a reliable store of value. It is the most sought-after commodity during economic and financial crisis and has proven to be the safest investment for Indian households.

RBI continues to actively buy Gold. In 2024-25 it purchased 57.5 tons of Gold taking its total holding to 880 tons by Mar 2025. The Indian household is estimated to be holding 25000 tons of Gold. Indian Gold Loan market is a sizeable market, estimated to be worth approximately Rs. 7.1 lakh crs. It is estimated to double to Rs. 14 lakh crs by 2029.

Considering the huge potential for Gold Loans, Company continues to focus on Gold Loans by entering into markets other than Kerala. Growth focus on MSME and Micro Finance remains subdued considering the high risk in such Advances. Keeping this in mind, it is proposed that the maximum exposure to Gold Loan shall be limited to 90% of the total AUM with MSME and MF taking the rest.

Within the exposure limit of 90%, it is proposed to earmark 90% for Consumption Loans and 10% for Income Generating Loans. Higher percentage of Consumption Loans is proposed in view of the demand for Consumption Loans from the weaker sections of the Society.

Income Generating Loans will cater to the needs of farmers for farm credit and allied agricultural activities, small businesses etc.

#### **Other instructions**

- Branches shall not release any advertisements / bit notices, handouts etc. containing unrealistic claims for promoting any products.
- No recovery agents shall be deployed by Branches for recovery.
- No sourcing Agents shall be deployed for canvassing Gold Loans or any other products of the Company.
- Company shall not avail Loans by re-pledging Gold pledged to it by its borrowers.
- Company shall not extend Loans to other lenders, entities or individuals by accepting Gold pledged to such lenders, entities or individuals by their borrowers as collateral.

(It is clarified that provisions (4) and (5) does not preclude a lender from financing another lender against the security of underlying receiveables).

#### **Language of communication**

All communications with the borrower, especially, the terms and conditions of the loan, or other important communication which affects the interest of the borrower or the lender, shall be in the Language as chosen by the borrower / Regional language of the State concerned. For an illiterate borrower, important terms and condition shall be explained in the presence of a Witness, who shall not be an employee of the Company.

**Disclosure in Balance Sheet**

Company shall disclose in the Notes to Accounts the amount and percentage of Gold Loans extended against eligible Gold, separately for both Income generating and Consumption Gold Loans, to total Assets as per Annexure II.

**Compliance with Systems and Procedures**

Company provides adequate training to Branch Managers, staff and to the units responsible for Internal control. Any loss / damage / reputational loss to the Company due to procedural lapses shall be viewed seriously and the employee responsible for the same shall be held responsible and accountable. Action proposed may include filing of Police complaint, filing Civil / Criminal Suits, salary recovery, recovery from terminal benefits, stoppage of other perquisites, attachment of movable and immovable assets of staff involved, removal from service etc. All staff therefore, should ensure strict adherence to Policy guidelines and systems and procedures while processing and sanctioning 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.



(Monthly Gold Verification Certificate)

Date		Branch	
Region		Zone	

I / We hereby Certify that I / We have jointly counted the number of gold packets and tallied it with the System balance and Gold Packet movement register balance. As per the verification conducted on there were packets of Gold. All the packets are in order without any apparent damage.

As per Physical Counting	As per System / Loan Balance / Gold packet movement register	Difference, if any	Remarks

Joint Custodian Name and Signature  
Branch Seal

Branch Manager Name and Signature



## 14) SECURED LOANS – MSME

### a) Introduction

MSME plays an important role in providing employment at a lower capital cost and help in industrialization of rural and backward areas, assuring equitable distribution of national income and wealth. This is complimentary to large industries as ancillary units and contribute to socio economic development of the Country.

To promote this Sector, the Company grants Small Business loans that serve as a quick solution when faced with an immediate financial need and requires minimal turnaround time. Commonly referred to as a 'Business loan' these loans have simple eligibility criteria and documentation compared to other secured loan products. Individuals and business promoters can now approach the company for instant small business loans to fulfill their funding requirements for various business needs.

In terms of GOI guidelines an enterprise shall be classified as Micro, Small or Medium on the basis of the following criteria:

Classification	Investment in Plant and Machinery or Equipment does not exceed	Rs. in Crs
		Turnover does not exceed
Micro	2.50	10
Small enterprise	25	100
Medium enterprise	125	500

### b) Loan process

#### Loan Application

The Application calls for 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 to the nearest Branch along with other documents listed in the checklist attached.

#### Eligibility

Eligibility shall depend on geographic location, existing credit facilities, credit history, business performance, business vintage, line of activity, Credit score etc. Holding levels of finished goods,

raw materials, turn over, marketing, competitors etc. shall also be taken into consideration while arriving at the eligibility.

### **Credit Appraisal for Business and Personal Segment loans**

Credit appraisal is conducted to assess the Credit requirement of an enterprise and to ascertain its capacity to service the loan. A detailed analysis of the following factors shall be undertaken to assess the credit worthiness.

#### **Stability of Income**

Income and / or Cash flow stability are crucial factors that significantly impact the performance of an enterprise and its ability to meet its financial obligations. It is preferred to approve credit facility to those enterprises that have steady Cash flow.

#### **Verification of Financial Statements**

For processing a Credit proposal, the following statements and reports shall be analyzed in detail:

1) Proof of Income 2) Recent income tax returns 3) Audited / Unaudited financial statements for the preceding three years 4) Bank account statements for a period of one year 5) Statement of existing liabilities 6) Assets and Liabilities Statement of the customer, GST Returns for a period of preceding three months etc. Analyzing these statements and records shall enable the Company to have a clear picture about the profile of the customer and the business.

#### **Age and Residential Status**

Age and residential status of the customer shall be analyzed to ascertain whether customer will be able to manage the business and income to cover the repayment period. Customers, residing and having their business within the service area of the Branch shall be given priority over the others.

#### **Credit Score**

Credit history of customer shall be verified from Credit Bureaus like CIBIL, Equifax, Experian, and CRISIL etc. The Score shall be used to assess the potential risk and fix appropriate interest rate for the proposed lending. Credit scores typically range between 300 and 900. Scores above 750 shall be considered acceptable.

#### **Assets Owned and Existing Liabilities**

Statement of Assets and Liabilities shall be obtained from the customer as on the last day of the preceding month to assess the Net Worth. Value of immovable assets owned offered as primary / collateral security shall be a factor for computing eligibility of loan and Loan-to-Value (LTV). Loans with a lower LTV ratio of 50% to 75% shall be given preference.

#### **Existing Liabilities**

If the customer is already enjoying Credit facilities with other Financial Institutions (FIs), Credit Opinion shall be called for and analysed to ascertain the conduct of loan account.

#### **Personal Guarantee**

The Company shall call for personal guarantee of the customer or a third party if it is deemed necessary. In such cases, the Assets and Liabilities Statement of the third party shall be analyzed to arrive at the Net Worth. The third party proposed should be a relative or a business partner. No guarantee of a third party who is not related to the customer or business shall be accepted.

### **Ratio Analysis**

**Fixed Obligation to Income Ratio (FOIR):** 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.

### **c) Loan Documents:**

#### **Loan amounts up to Rs.1 lakh:**

- Copy of latest Tax receipt with the Original for verification.
- Six cheques in total as security. Three of guarantor and three of borrower.
- Latest Bank statement of customer and guarantor.
- Location sketch of property with boundary and land route to the property by Branch Manager.
- Valuation report by Branch Manager.

#### **Loan amount above Rs.1 lakh to Rs. 5 lakhs:**

- Copy of latest Tax receipt with the Original for verification.
- Six cheques in total as security. Three of guarantor and three of subscriber.
- Latest Bank statement of customer and guarantor
- Copy of Sale deed.
- Copy of Parent deed.
- Latest Encumbrance certificate.
- Valuation report by Branch Manager.
- Location sketch of property with boundary and access to the property by Branch Manager.

- Manager shall inspect the property and submit a verification report.

**Loan amount above Rs. 5 lakhs:**

- Copy of latest Tax receipt with the Original for verification.
- Six cheques in total as security. Three of guarantor and three of customer.
- Latest Bank statement of customer and guarantor.
- Copy of Original deed with Original for verification.
- Copy of Parent deed.
- Deposit of title deed for creating an equitable mortgage by Notary.
- Latest Encumbrance Certificate.
- Valuation report by Branch Manager.
- Location sketch of property with boundary and land route by Branch Manager.
- Manager shall inspect the property and submit a verification report.

Post Dated Cheques (PDC) for each instalment and one Cheque for the full amount of the loan shall be collected.

**d) Working capital assessment based on the Turnover Method**

Credit requirement shall be assessed as per the Turnover Method. The aggregate of fund-based and non-fund based working capital limits shall be Minimum of 25% of their projected annual turnover. The borrower contribution / margin shall be 5% of the annual turnover.

Example:

- If projected sales turnover is = Rs. 100,000.00.
- Then, the working capital requirement is 25% of turnover = Rs. 25,000.00.
- Minimum permissible Bank Finance shall be 20% of turnover = Rs. 20,000.00.
- Contribution / Margin money from the borrower should be 5% of Rs. 100,000.00 = Rs.5,000.00.
- Margin for Term loans for purchase of machinery shall be a minimum of 25%.

**e) Security**

**Primary Security**

Assets created out of the loan amount shall be the primary security. Company shall insist on personal guarantee and / or collateral security if the security cover is less than 125% of the loan amount.

**Collateral Security**

For loans of Rs. 5.00 Lakhs and above, Collateral security of land and building shall be explored for sanctioning the loan. Before creating Equitable Mortgage (EM), Legal Opinion from a Company approved Advocate and Engineers Valuation Report (EVR) from a Company approved

Engineer shall be obtained. Legal Opinion shall details verification of parent documents and the persons who can create the EM, the documents that need to be deposited for EM creation etc. The EVR shall detail the description of the property, its value separately for land and building, sketch of the property etc. EM shall be created by the person with the documents prescribed in the Legal Opinion. EM created shall be registered with CERSAI within 7 working days of EM creation.

**f) Interest Rate, Processing and Other Charges**

Interest rate for the loans and Charges shall be decided by the Asset and Liability Committee (ALCO) periodically based on the cost of funds, other operating expenses etc. from time to time.

**g) Documentation**

- Loan application.
- Bio-data.
- KYC documents.
- Credit Report / Credit Opinion.
- Appraisal Note.
- Unit Inspection Report.
- Sanction letter.
- Agreement, DPN, Take delivery.
- Memorandum of deposit of title deed.

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

**h) Sanctioning Authority**

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.

**Sanctioning powers**

Sl. No	Loan amounts	Recommendation by-	Sanctioning Authority
1.	Up to and including Rs. 100 lakhs.	General Manager	Whole Time Director
2.	Above Rs. 100 lakhs	Whole Time Director	Board of Directors

**Notes:**

- Loans shall not be split to bring it under the delegation of a lower-level sanctioning authority,
- The aggregate of all loans sanctioned/proposed for sanction to a customer shall be considered to determine the level of the sanctioning authority,
- For renewal of existing loans, the whole-time Director can verify the legal, regulatory, and documentation requirements and approve accordingly provided no additional monetary disbursement involved.

Approval of Board of Directors shall be obtained for all loan limits 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.

#### i) Repayments

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

#### j) Review of Accounts

Accounts shall be reviewed every year on the anniversary date of sanction. For Review of the account, audited / unaudited financials shall be obtained and financial performance including Bank statement shall be analyzed. Servicing of interest, collection of Tax paid receipts for property under EM, latest EC etc. shall be verified. A note on Review of the account shall be placed to the Sanctioning Authority and IT System marked accordingly.

#### k) Release of Documents

Once the loan account is closed, the securities created shall be released within a period of 30 days. Documents with which the EM was created shall be delivered to the person who created the EM against his written acknowledgement.

The original title deeds are generally stored at the Kothamangalam Office of the Company by a custodian. On receipt of confirmation from the Branch for full adjustment of Principal, Interest and applicable charges etc, the securities shall be released.

The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters.

Release of registered charges, if applicable and registration with CERSAI shall be updated within 15 days.

**l) Pricing of the personal & business loans**

Loan pricing shall be derived from the weighted average cost of borrowing from NCD / Sub Debts / Equity / Bank borrowings and PDI of the company. To the average cost thus arrived at, operating expenses, risk premium, tenor premium and profit margin shall be added to arrive at the Benchmark interest rate. The cost of funds shall include processing fees on bank borrowings, brokerages, commissions, incentives, rating fees, trusteeship fee, exchange listing fee etc.

**m) Classification of NPA**

Each account shall be monitored regularly for repayments, and if the interest and installments due are more than 90 days, the account shall be classified as NPA. Recovery efforts shall be initiated immediately for accounts classified as NPA through suits, SARFAESI etc.

**n) Credit appraisal and scrutiny**

- For all MSME exposures above Rs.10 lakhs, detailed Credit note shall be prepared and submitted to the Sanctioning Authority concerned.
- Any credit proposals for grant of loans to any of the Related parties/entities of the Company shall be placed before the Board of Directors for consideration and sanction, irrespective of the loan amount, and be routed through the Audit Committee of the Board for necessary oversight and verification from the Related party/entity point of view.





## 15) UNSECURED LOANS - MICRO FINANCE LOANS

### a) 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. 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 provides security, economic growth and business opportunities. This implies the financial inclusion of the unprivileged masses.

### b) Assessment of household income

As per RBI Circular Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 vide Ref. No. RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22 dated 14th March, 2022 (amended from time to time) provides that All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies) shall frame a policy regarding the assessment of household income of the borrowers. The Company shall duly implement and keep the Household Income Policy including the Appendices and any amendments thereto up to date, in accordance with any regulatory operational (in line with regulations) and other legal requirements. Keeping in view of the regulatory requirements, detailed assessment plan has been framed to assess household income of prospective borrowers. Major parameters are composition of household income are number of earning members/ non-earning members, source of income, frequency of the income, expenses, type of accommodation they are having, availability of basic amenities/ assets. Assessment will include all source of income both primary & others such as area/ nature of work, frequency of income, remittance/ rent/ pension/ government transfer, if any, etc. The income assessment as above shall be carried out for all earning members with respect to all sources (primary or secondary) of income. While assessing income of all members from all sources, it shall be ensured that there is no double counting of income such as counting of salary income of one migrant member also as remittance income for the household. Although Income computation can be done on a monthly basis, the income assessment for all members and sources may also be carried

out over a period of minimum one year to ascertain the stability of the household income. Along with household income it is necessary to capture household expenses as well to identify actual repayment capacity of borrower. Accordingly, regular monthly expenses such as food/ utilities, transport, house/ shop rent, clothing, regular medical costs, school/ college fees along with irregular expenses over last one year such as medical expenses, house renovation, purchase of household goods, functions, etc. shall be taken into account. Wherever possible the household income may also be verified from other sources (bank account statements of the borrowers, group members, other references in the vicinity, etc.). Company shall mandatorily submit information regarding household income to the Credit Information Companies (CICs). Reasons for any divergence between the already reported household income and assessed household income shall be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

c) **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 earning children are taken into consideration.

d) **Loan limit**

Minimum Rs. 5,000 to maximum Rs. 1 lakh can be sanctioned subject to a maximum of 50 per cent of monthly household income. The computation of loan repayment obligations shall take into account all outstanding loans (collateral-free microfinance loans as well as any other type of collateralized loans) of the household. The outflows capped at 50 per cent of the monthly household income shall include repayments (including both principal as well as interest component) towards all existing loans as well as the loan under consideration.

e) **Interest Rate**

The interest rate on microfinance loans shall be decided by Asset Liability Committee (ALCO) from time to time which shall be based on the Board approved Interest Rate Policy.

Loan pricing shall be derived from the weighted average cost of borrowing from NCD / Sub Debts / Equity / Bank borrowings and PDI of the company. To the average cost thus arrived at, operating expenses, risk premium, tenor premium and profit margin shall be added to arrive at the Benchmark interest rate. The cost of funds shall include processing fees on bank borrowings, brokerages, commissions, incentives, rating fees, trusteeship fee, exchange listing fee etc.

## f) Security

The loan shall be collateral-free and shall not have any lien on any assets of the borrower.

## g) Margin

Margin shall be NIL for microfinance loans.

## h) General Conditions

Customer Category	Individual/ Group of Individual
Purpose of Loan	Income Generation Activities / Personal Purpose
Age Limit	18-60
Co Applicant	Spouse Preferred / Any immediate Blood Relatives
Co Applicant Insurance Age	Age up to 60
Co Applicant - Separate / Widow/Divorce	Co Applicant Preferred to be Son / Daughter >18 Yrs / Immediate Blood Relatives
Borrower Household income	Should not exceed Rs. 3,00,000/-
Borrower Household monthly obligation	Total monthly loan repayment obligation of household should be less than or equal to 50% of the monthly household income, including principal and interest component towards all existing loans as well as the loan under consideration.
KYCs	As per KYC Policy, Ration Card and Additional proofs if required
Loan Tenure	6 months to 3 Year
Income Assessment	Will be done by Center Collection Executive (CCE) as per Format issued to the branch by the company
Income Assessment Approval	To be done by Branch Manager / Branch in Charge
Loan Approval Policy	Loans shall be approved jointly by Credit Executive, Branch Manager, and Quality Control Executive of HQ
Repayment Frequency	Weekly / Fortnightly / 28 Days / Monthly as per choice of client
Loan Disbursement Process	<ol style="list-style-type: none"> <li>1. Credit Eligibility Check by Field Officer (CCE)</li> <li>2. Customer House Hold Income assessment and House Verification by CCE</li> <li>3. Loan Awareness Training to Client by CCE</li> <li>4. Field Loan Verification and Approval Process by Credit Officers</li> </ol>

	5. Loan Recommendation by Branch Manager 6. Loan Sanction by Quality Control Executive 7. Loan Disbursement at Branch Level 8. Fund Transfer to Client Bank account from HQ
Loan Disbursement Mode	Through applicant verified Bank account
Interest rate	To be fixed by ALCO
Loan processing Fee	To be fixed by ALCO
Other Charges	Nil
Loan Insurance Cover	The insurance premium and administrative charges will be recovered from the borrower at cost. Currently 2.71% for Joint Life Service Provided by ICICI Prudential Life Insurance
Loan recovery	Through group meeting at designated location
Mode of recovery	Cash / Digital
Loan utilization check	Shall be done by CCE as per Format as issued to the branch by the company
Prepayment Charges	NA
Penalty on delayed repayment	1% of overdue amount
Residential Status	Loan will be provided to the customer who has own house in the same village. No loan will be given to the customer who lives in a rented house.
Loan to family customers	If different households sharing the same kitchen, only one customer from the households can avail loans from the company
Negative list of loan purpose	Loans should not be given for the following purposes – Narcotics business, Business of firearms, Liquor business, business which engages child labor, speculative activities, terrorist activities and any other unlawful activities under any extant Indian laws
MFI Overdue	More than 90 days DPD in in Other MFIs current loans not eligible
Write off	Within last 3 year written off clients not eligible

i) 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.

j) **Grievances Redressal**

Company shall put in place a mechanism for redressal of grievances through Contact Center, Branches or Administrative Offices. The phone number/ Email details for lodging their grievance shall be conveyed to the borrower at the time of loan disbursal.

k) **Repayment of Loan**

The company shall send monthly / quarterly demand notice to the borrower if the account falls overdue. Non-receipt of a demand notice from company shall not be a reason for non-payment of the amount and interest thereon.

l) **Code of Conduct**

Company shall always deal with the borrowers with respect. Professional distance shall be maintained while dealing with the borrowers. All information about the borrower shall be treated in strict confidence. Confidentiality includes taking care not to store files in places that are accessible to the public.

m) **Loan Recall**

Company shall be entitled to recall the entire outstanding amount of loan from the borrower. If the beneficiary fails 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 adversely affect the capacity to repay the loan amount within the stipulated time / period of repayment.



## 16) CONSUMER DURABLE LOANS

A consumer Durable Loan (CDL) is a collateral free loan granted for the purchase of consumer durables against a purchase invoice.

### a) Customer Category

Individual/s aged between 20 years to 60 years shall be considered for consumer durable loan.

### b) Purpose of Loan

Loan shall be granted to customer for Purchase of consumer durables.

### c) Age Limit

Loan will be provided in the age group of 20-60 years.

### d) Loan limit

Minimum Rs. 3000 to maximum Rs. 40000 can be sanctioned.

### e) Interest Rate

The interest rate shall be fixed by Asset Liability Committee (ALCO). The major components taken in to consideration for pricing are average cost of borrowing including NCD/Sub Debts /Equity /Bank Borrowings and PDI of the company, operating expenses, tenor premium and Profit margin. The spread shall depend on the category of borrower.

### f) Loan Process

- Customer shall apply for the Loan at the nearest Branch.
- Branch Team does the Credit check and fills Loan Application.
- Branch disburses the Loan against the Scheme opted by Client.
- Company remits Loan amount to Vendor.
- Vendor dispatches product to Client.
- Client acknowledges the product and provides confirmation to Company.

## g) Sanction authority

Loan shall be sanctioned jointly by the Branch Manager and another Officer of the Branch dealing with Credit, after considering the Credit score and verification of KYC documents.

## a) General Conditions

Customer Category	Male/Female customers
KYCs	As per KYC Policy, Ration Card, Additional proofs if required
Business Proof / Invoice	Invoice Copy of Consumer product
Credit Bureau Check	Customer Only
Credit Bureau Report Validity	14 Days from the Date of CB Report
Repayment Frequency	Weekly/ Biweekly/ 28 Days / Monthly
Loan Disbursement Process	Loan Application / Loan Sanction- Branch Office Loan Disbursement-Branch Office
Loan Disbursement Mode	Based on Invoice to Vendor
Loan processing Fee	As fixed by ALCO
Documentation Charge	As fixed by ALCO
Loan Recovery	Customer Place / Branch
Mode of recovery	Cash / Digital
Prepayment Charges	NA
Penalty on Delayed repayment	2% of Overdue Amount
Residential Status	Loan will be provided to the customer who has own house in the Branch Service area.



## 17) UNSECURED PERSONAL LOANS

### a) Overview

Unsecured Personal Loans are provided to Customers who do not have valid income proof and based on proper verification and Credit history of the Clients. Loans are extended to Clients for their Personal needs.

### b) Eligibility

Loans are sanctioned to Clients whose annual household income is between Rs. 3.5 Lakh to Rs. 5 Lakh.

### c) Loan limit

Minimum Rs. 20,000 to maximum Rs. 75,000 can be sanctioned subject to a maximum of 50 per cent of the monthly household income. The computation of loan repayment obligations shall take into account all outstanding loans of the household.

### d) Interest Rate

The interest rate on Personal Loan shall be fixed by ALCO from time to time. The major components taken in to consideration for pricing are average cost of borrowing including NCD/Sub Debts /Equity /Bank Borrowings and PDI of the company, operating expenses and Profit margin (Tenor Premium). The range spread also depends on category of borrowers.

### e) Security

The loan is collateral-free and the loan shall not be having any lien on assets of the borrower.

### f) Margin

Margin shall be NIL.

### g) Other conditions

Customer Category	Individual
Purpose of Loan	Personal Purpose
Age Limit	18-67
Co Applicant	Spouse Preferred / Any immediate Blood Relatives
Co Applicant Insurance Age	Age up to 67



Co Applicant - Separate / Widow/Divorce	Co Applicant Preferred to be Son / Daughter >18 Yrs / Immediate Blood Relatives
Borrower Household income	Customer Should be Having Minimum 1.2 Lakh income House Hold Income Should be Above 3.5 lakh and below 8.5 lakh
Borrower Household monthly obligation	Total monthly loan repayment obligation of household should be less than or equal to 50% of the monthly household income, including principal and interest component towards all existing loans as well as the loan under consideration.
Maximum EMI restrictions	Clients above Rs.35000/ Monthly Household EMI will not be eligible for Loans
Business Proofs Requirement	Clients above Rs.20000/ Monthly Household EMI required to submit valid Business proofs for Sanctioning Loans
KYCs	As per KYC Policy, Ration Card, Additional proofs if required
Loan Tenure	6months - 3 Year
Income Assessment	Will be done by Center Collection Executive (CCE) as per Format issued.
Income Assessment Approval	To be done by Branch Manager / Branch in Charge
Loan Approval	Loan shall be sanctioned jointly by the Branch Manager and another Officer of the Branch dealing with Credit, with the concurrence of the Head of Operations in the Corporate Office.
Repayment Frequency	Weekly / Fortnightly / 28 Days / Monthly as per choice of client
Loan Disbursement Process	<ol style="list-style-type: none"> <li>1. Credit eligibility check by CCE.</li> <li>2. Customer household Income assessment and house verification by CCE.</li> <li>3. Loan Awareness Training to Client by CCE.</li> <li>4. Field loan verification and approval process by Credit Officers.</li> <li>5. Loan recommendation by Branch Manager.</li> <li>6. Loan sanction by Quality Control Executive.</li> <li>7. Loan disbursement at Branch.</li> <li>8. Fund transfer to Client Bank account from HQ</li> </ol>
Loan Disbursement Mode	Through applicant verified bank account
Interest rate	As fixed by ALCO
Loan processing Fee	As fixed by ALCO

Other Charges	Nil
Insurance Cover	The insurance premium and administrative charges will be recovered from the borrower at cost. Currently 2.71% to 3.3% based on Age & for Joint Life Service Provided by ICICI Prudential Life Insurance
Loan recovery	Client Location / Branch
Mode of recovery	Cash / Digital
Prepayment Charges	NA
Penalty on delayed repayment	1% of overdue amount
Residential Status	Loan will be provided to the customer who has own house No loan will be given to the customer who lives in a rented house.
Loan to family customers	If different households sharing the same kitchen, only one customer from the households can avail loans from the company
Negative list of loan purpose	Loans should not be given for the following purposes – Narcotics business, Business of firearms, Liquor business, business which engages child labor, speculative activities, terrorist activities and any other unlawful activities under any extant Indian laws

#### h) Loan sanction card

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

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



## 18) ASSET CLASSIFICATION – NPAs

Loans and advances and any other forms of credit shall be classified taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, into the following classes:

a) Standard asset

An asset in which no default of repayment of principal or interest is perceived and does not carry more than the normal risk attached to the business

b) Sub-standard asset

An asset which has been classified as NPA for a period not exceeding 12 months

c) Doubtful assets

An asset which has been classified as Sub-standard for a period exceeding 12 months.

d) Loss assets

An asset which has classified as Loss by the company company/its internal or external auditors or by the RBI during their inspection, to the extent it is not written off by the NBFC etc.

The class of assets shall not be referred above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for upgradation.

Non-Performing Asset (NPA) shall mean an asset in respect of which interest and/or principal is overdue for more than 90 days from the due date of payment.

NBFCs are required to recognize incipient stress inn loan accounts, immediately on default, by classifying such accounts as Special Mention Accounts (SMA) as per the following categories:

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

Classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day-end process is run.

Asset Classification as above shall be borrower-wise and not facility-wise.

Field level functionaries shall ensure that Principal and Interest due in any account is recovered in time and avoid downgrade of Asset.

***The Board or approved Committee shall be responsible for Interpreting and review of this Policy. The Board or the Committee shall also be empowered to make any amendments to this Policy, if so, required at any stage. 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 required.***

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