LOAN POLICY

(Last Amended in the Board dated 8th February 2017)

A. INTRODUCTION

The Loan Policy shall act as a guiding post for the top management of the Company in conducting the business within acceptable risk tolerances and thus ensure both long term profitability and stability in lending operations.

B. OBJECTIVES

The main objectives of the Lending Policy are to:

- Ensure a healthy balance between loan levels, profits and quality of assets.
- Comply with the regulatory requirements/directives such as Capital Adequacy, LTV, Interest rates etc.
- Lay down controls for assumption and monitoring of large exposures.
- Develop and inculcate 'internal values' in the business of lending.
- Facilitate sustained growth without deterioration in the asset quality.
- Lay down proper system & procedures, appraisal standards at various levels in the organization with sturdy internal controls.
- Adequately protect the collaterals pledged from any possible loss.
- Detail risk management practices and internal audit procedures into the Lending Policy.
- Enable the Company to successfully and consistently cope with competition.
- Improve the capabilities and credit skills of the employees and officers connected with loan portfolio at various levels.
- Meet with the expectations on corporate social responsibility and actively participate in
  'Financial inclusion' programme.

C. GOLD LOAN

i. NATURE, TYPE AND TENOR OF LOANS

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

b. Loan schemes shall be devised in conformity with the Loan Policy of the Company and also the regulatory directives of RBI as applicable. Loan schemes and terms & conditions thereof shall keep in view the NPA / Income recognition classification norms laid down by the RBI.

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

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

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

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

g. The procedural changes in the disbursement/collections of loans which is in compliance with the regulatory requirements and made in connection with the adoption of technology developments may be approved by the Managing Director & CEO on the recommendation by Executive Director & Dy CEO / Executive Director. (For Example: Online Gold Loans and online collections)

ii. <u>RESTRICTION, PROHIBITION ON LENDING TO CERTAIN CATEGORIES OF CUSTOMERS / PERSONS</u>

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

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

c. Loans to borrowers having a history of pledging spurious / low quality ornaments or stolen gold ornaments or those who have earlier deliberately put the company to material loss of any kind should not be entertained. Suitable limits defining ‘material’ loss should be defined internally and got approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy CEO / Executive Director. Procedures for immediate “freezing / blocking” such Customer IDs must be implemented. The Company shall maintain an updated list of such ‘blacklisted’ / ‘caution’ customers.

iii. LOAN APPLICATION FORMS, LOAN SANCTION LETTER

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

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

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

iv. KNOW YOUR CUSTOMER (KYC), DUE DILIGENCE

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

b. Loans should be sanctioned only after full compliance with the KYC policy as laid down by the Company.
   i. Clear and visible photograph of the borrower using the web camera should be captured and stored in the system.
   ii. The system of capturing and confirming the mobile phone numbers across the counters should also be extended to cover maximum number of customers.
   iii. Adequate due diligence shall be ensured, to the extent feasible and desirable, before the loan is sanctioned. There should be no prima facie circumstances to indicate that the prospective borrower's title to the gold ornaments could be defective. The loan application form must also contain an undertaking of the borrower certifying his/her undisputed ownership of the gold ornaments.

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

v. APPRAISAL OF SECURITY (GOLD), DELEGATION OF FINANCIAL POWERS

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

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

c. Additionally, the existing risk graded system, related to the Weight/amount involved, for pre-disbursement verification of gold ornaments shall be continued – the guiding principle being that for larger loans more senior / experienced employee(s) should reconfirm the appraisal done by a junior / less experienced employee. Accordingly, for all loans at least 2 employees at the branch should independently assess the purity. The limits must be reviewed periodically and modifications, if required, put up for approval of the Managing Director & CEO duly recommended by the Executive Director & Dy. CEO / Executive Director

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

vi. LOAN TO VALUE (LTV) OR LOAN PER GRAM

a. The LTV should be in compliance with RBI directives in force from time to time. Flexibility in the fixation of differential LTV for specific customer categories, branches, areas / locations, periods etc. may be provided within the overall lending policy. The Head of the Marketing Department shall prepare a reasoned proposal, obtain the recommendations of the Executive Director & Dy. CEO /Executive Director and put up to the Managing Director & CEO for approval.

b. The total eligible amount of the loan shall be calculated by the system (IT) based on the weight of the gold ornaments net of stone weight and subject to deductions for lower purity, wastages as applicable. Deductions applicable on account of purity, wastage, local variations etc. should be got periodically approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO / Executive Director.

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

vii. HIGH / LARGE VALUE LOANS, MAXIMUM EXPOSURE PER BORROWER

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

b. High value loans to single customer (or closely connected group of individuals) should be controlled and monitored as such customers may fall under 'high risk' category. Limits up to which branches may sanction loans to a single borrower (including closely connected group of individuals) should be defined and reviewed periodically. Such limits shall be got approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO/Executive Director. Maximum lending limit may be linked to risk perception in different regions / states. Any exposure beyond the limit should be subject to sanction at Head Office/Regional Office by an empowered authority (para viii below).

c. A structured credit check /profiling format should be used (form MS143) for recommending limits higher than the maximum permissible at the branch level. Further, in all cases where the loan exposure to a borrower touches Rs 5 lakh, address of the borrower must be verified. Due care in large value accounts would also be necessitated by the RBI provisions relating to Anti Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower.

d. Within the prudential limit mentioned in (c) above it shall be further ensured that the exposure taken on a single borrower does not exceed Rs 1.5 Crore (Rupees one crore fifty lakh). A single borrower shall include a family unit, a closely associated group such as employer-employee etc.

e. Loans to large value customers (say above Rs 10 lakh per customer) must not exceed 15% of the total loan book.

viii. HIGH INDIVIDUAL EXPOSURES - DELEGATION OF FINANCIAL / SANCTION POWERS

High value exposures to individual borrowers (or closely related / connected group) shall be sanctioned as under.

Detailed instructions for appraisal of enhanced limits along with responsibility areas, documents required, procedures etc. should be defined and put up to the Managing Director & CEO for sanction by Risk Management Department duly recommended by the Executive Director & Dy. CEO / Executive Director. The delegation of powers for sanctioning the enhanced limits may be reviewed periodically and approved by the Managing Director & CEO on the recommendations of the Executive Director & Dy. CEO / Executive Director.

ix. CUSTODY OF GOLD, STORAGE ARRANGEMENTS, SECURITY

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

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

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

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

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

x. LOCKER FACILITIES.

a. For the safe custody of customers' valuables, provision of Locker Facility at Company's selected branches may be provided. The company shall frame suitable internal guidelines for provision of the locker facility and the same shall be approved by MD and CEO. Guidelines shall be framed considering the factors such as tenure of locker facility, nominee, rent, branches where the locker facility will be provided, locker operating time etc., and also considering the extant RBI and other statutory directions.

b. Any subsequent amendments thereto shall be approved by MD and CEO unless and otherwise considered necessary for review by the Board.

E-Locker Facility (Gold Depository Services)

c. Apart from the normal facility, the Company may extend an E-Locker facility to the customer's wherein the customer's depositing gold with Company under the arrangement shall have the option to avail gold loan through the Company's online gold loan platform. The customers shall be provided a bona fide receipt (thereby taking over the liability in terms of custody) for the quantity and quality of gold deposited under the E-Locker facility. A network enabled keyless E- Locker facility shall be provided for the storage of gold.

d. Company may frame suitable guidelines/ instructions considering the factors such as registration formalities, documentation requirement, eligibility norms and other requirements as applicable, and also considering the extant RBI and other statutory directions. Any subsequent amendments thereto shall be approved by MD and CEO unless and otherwise considered necessary for review by the Board.

e. Wherever such locker facilities are extended by the company as explained in points (a) and (b) above, suitable disclosure shall be incorporated in the loan document / agreement to communicate to the customers that the activity is not regulated by the Reserve Bank.

D. CORPORATE LOANS

a. The Loans granted would be in the nature of Term Loans to NBFCs, NBFC – MFIs and Housing Finance Companies.

b. A Board approved product program/manual shall be put in place governing the operations and relevant guidelines to be complied with, while extending corporate loans. The directions stated in the program/ manual should be within the scope of the relevant directions issued by RBI from time to time and other statutory directions in place.

c. The Financial Resources and Management Committee of the Board shall take appropriate steps for implementing the proposal including the authorization to officers, arrangement and allocation of resources and such other matters incidental and ancillary thereto.

E. LOANS TO SUBSIDIARY COMPANIES

a. The Loans granted would be in the nature of Term Loans to Subsidiary companies.

b. A Board approved product program/manual shall be put in place governing the operations and relevant guidelines to be complied with, while extending loans to subsidiary companies. The directions stated in the program/ manual should be within the scope of the relevant directions issued by RBI from time to time and other statutory directions in place.

c. The Financial Resources and Management Committee of the Board shall take appropriate steps for implementing the proposal including the authorization to officers, arrangement and allocation of resources and such other matters incidental and ancillary thereto.

F. LOANS TO MSME SECTOR/MORTGAGE LOANS

i. The Financial Resources and Management Committee of the Board shall take appropriate steps for implementing the proposal including the authorization to officers, arrangement and allocation of resources and such other matters incidental and ancillary thereto.

ii. A Board approved product program/manual shall be put in place governing the operations and relevant guidelines to be complied with, while extending loans to MSME borrowers. The directions stated in the program/ manual should be within the scope of the relevant directions issued by RBI from time to time and other statutory directions in place.

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

iv. <u>Negative Profiles</u>

Extension of loans to borrowers classified as “Negative” as defined in the program manual shall be contained and not provided for.

a. Directions governing provision of working capital loans to MSME borrowers shall be framed taking into consideration the inherent risks and relevant guidelines issued by RBI and other statutory bodies from time to time. Initially working capital term loan shall be extended on the security of stock in trade up to Rs. 25 lakhs and for period up to 24 months.

b. Any subsequent amendments to the directions or tightening or relaxation of norms prescribed in the product program/manual shall be approved by MD and CEO.

G. COMMERCIAL VEHICLE LOAN

Suitable guidelines for provision of Commercial Vehicle loan shall be framed and put before the Board for consideration. While framing the guidelines factors such as documentation requirements, categorization of vehicles, caveats to protect the risk inherent in the business, eligibility norms for provision of loans, customer service requirements etc, shall also be considered apart from the extant RBI directions and other statutory directions. Any subsequent amendments thereto shall be approved by MD and CEO unless and otherwise considered necessary for review by the Board.

H. TAKEOVER OF LOANS

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

I. FUNDING OF ASSETS

Capital adequacy norms as stipulated by RBI shall be complied with by the Company. Owned funds should supplement a suitable mix of bank borrowing / credit lines and NCDs. Resources for funding the gold loans should be well diversified and adequate to meet with growth plans. Tenure of funding should, as far as possible, match with the gold loan maturity profile (historical repayment data/trends may be extrapolated)

J. RECOVERY OF LOANS, SENDING OF NOTICES, AUCTION OF SECURITY

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

K. SHARING OF CREDIT INFORMATION/ CLASSIFICATION OF CUSTOMERS

1. **Reporting to Central Repository of Information on Large Credits (CRILC)**

a. Appropriate systems shall be put in place to identify and classify customers into appropriate categories (Special Mention Accounts) as stipulated by RBI and reporting thereof within the defined time limits to Central Repository of Information on Large Credits (CRILC).

b. The Company shall ensure that the credit information of all the customers having fund based and non-fund based exposure of Rs. 5 Crores and above or such limit as stipulated by RBI from time to time gets reported in the prescribed format with all relevant details within the defined time lines to CRILC.

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

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

a. The company shall become member of all CICs (Credit Information Bureau (India) Limited, Equifax Credit Information Services Private Limited, Experian Credit Information Company of India Private Limited and CRIF High Mark Credit Information Services Private Limited) and submit data to them in the prescribed format and within the specified time limits.

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

L. USAGE OF CREDIT INFORMATION

While extending loans to customers above Rs. 10 lakhs or where the cumulative exposure of a customer exceeds Rs. 10 lakhs, the credibility of the customer shall be confirmed by obtaining credit information from at least 1 Credit Information Company (CIC). The cap of Rs. 10 lakhs shall be subject to revision based on circumstances demanding as such or decision of the management from time to time.

M. NODAL OFFICERS

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

N. CREDIT INFORMATION COMPANIES ACT (CICRA)

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

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

O. OTHER DIRECTIONS

a. The Company shall not undertake unsecured loans in the normal course of business. Unsecured loans, if granted, shall be subject to proper and acceptable credit appraisal procedures and within the overall limits laid down by regulatory guidelines if any and the Loan Policy with the sanction from MD & CEO.

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

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

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

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

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

Amendments:

1. Sections F to O are amended in the Board dated 30th October 2014.
2. Section C(v)(e & f) are amended in the Board dated 17th March 2015. These sections are removed in the Board dated 8th February 2017 since these are procedural in nature.
3. New Section C(i)(g) is added in the Board dated 8th February 2017
4. Section C(viii), Section K(1) and K(2) (Old section I) are amended in the Board dated 8th February 2017
5. New Sections D & E are inserted in the Board dated 8th February 2017

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