



MANAPPURAM ASSET FINANCE LIMITED(MAAFIN)

LOAN POLICY

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1. Introduction

The Loan Policy of the Company constitutes the cornerstone for maintaining sound asset quality across its loan portfolios. The Policy is aligned with the Reserve Bank of India's Master Directions on Scale-Based Regulation, issued under the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions, and Framework for Scale-Based Regulation) Directions, 2025, Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 and Reserve Bank of India (Non-Banking Financial Companies- Credit Facilities) Directions, 2025.

The Policy lays down comprehensive principles governing acceptable risk tolerances and establishes key control mechanisms for effective identification, measurement, mitigation, and management of credit risk. It articulates the Company's overarching philosophy and structured approach towards credit underwriting, portfolio management, and continuous monitoring of credit exposures, thereby ensuring prudent growth, regulatory compliance, and sustained asset quality.

While the Company's core business is predominantly focused on gold loans, it has strategically diversified its lending portfolio to include Vehicle Finance, SME, and Micro SME loans. Accordingly, this Loan Policy is structured into two distinct sections: (i) Gold Loans and (ii) Other Loan Products.

2. Objectives

The main objectives of the Lending Policy are to:

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

3. Validity / Authority of the Loan Policy

The Policy shall be reviewed and amended from time to time, as may be necessary, to remain aligned with the Reserve Bank of India's Master Directions, evolving regulatory requirements, changes in the business strategy, and the prevailing economic environment. In any case, the Policy shall be subject to a minimum annual review

4. Common Procedure for all Loans:

4.1 Know Your Customer (KYC), Due Diligence: 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 proof qualifying for "Officially Valid Documents". Documents in support of KYC compliance shall be submitted at the time of the first loan when the "Customer ID" (master) is created in the system and a Unique Customer Identification Code (UCIC) shall be allotted to the customer, which shall be used for identification of the borrower irrespective of any facilities availed by them. For example, if a gold loan customer avails of a Vehicle Loan, the UCIC shall be that of gold loan. Thereafter, periodic updation of the OVDs shall be done based on the risk categorization of the borrower, as per the KYC and Anti Money Laundering Policy of the Company.

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

A clear and visible photograph of the borrower using the web camera should be captured and stored in the system.

The system of capturing and confirming the mobile phone numbers across the counters should also be extended to cover all the customers.

Bank account details as per the regulations and requirements, shall be obtained invariably.

Adequate customer due diligence shall be ensured, to the extent feasible and desirable, before the loan is sanctioned. There should be no prima facie circumstances to indicate that the prospective borrower's title to the gold ornaments could be defective. The loan application form must also contain an undertaking of the borrower certifying his/her undisputed ownership of the gold ornaments.

4.2 Loan Application Forms, Key Fact Statement (KFS), Loan Sanction Letter Loans shall be disbursed only against a fully completed and properly signed loan application form. Loan application forms and documentation requirements should comply with the Fair Practice Code and KYC Policy of the Company. The various loan schemes (loan per gram, interest rate structure, penal charges, compounding if any, other charges, Annual Percentage Rate etc.) should be explained to the prospective borrower and an appropriate scheme offered based on the borrower's needs/preference. A Key Fact Statement (KFS) incorporating loan related details such as type of loan, loan amount, loan disbursement (lumpsum/tranche), rate of interest (annualized), interest rate type (fixed/floating), repayment type, loan tenure, processing fees and other charges, overdue/penal charges, Annual Percentage Rate (APR), as per the sample format attached to the RBI Circular No DOR.STR.REC.13/13.03.00/2024-25 dated April 15, 2024 on Key Fact Statement (KFS) on loans and advances, shall be issued to the prospective customer in the language of the region or in a language as chosen by the borrower in duplicate, so as to enable the prospective customer to take an informed

decision. The KFS shall be provided with a unique proposal number and shall have a validity period of at least **Three working days** for loans having tenor of 7 days or more, and a validity period of **One working day** for loans having tenor of less than 7 days. The duplicate copy of the KFS, duly signed by the customer, shall be collected and kept with the loan documents.

The guidelines under Fair practices code prescribed under Master Direction on SBR, viz acknowledgement of loan application to the borrowers, communication in vernacular or language understood by the borrower, providing reasons and quantum of penal charges for material breach of terms and conditions, indication of penal charges in reminders for non-compliance of material terms and conditions etc., shall be followed while communicating with borrowers. There shall be no capitalization of penal charges, i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. Therefore, the Company may charge interest on unpaid interest (Including in unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.

The borrower shall declare the purpose of the loan, in the loan application and shall certify that proceeds of loan will be utilized for the specific purpose.

4.3 Credit Risk and Risk-Based Pricing

All borrowers shall be assessed and assigned a credit risk grade based on the Company's approved internal risk assessment framework. The pricing of credit facilities shall be determined by applying an appropriate credit spread (credit risk premium) over the Company's Benchmark Lending Rate (MBLR), commensurate with the borrower's risk grade.

The credit risk grade assigned to a borrower shall be uniformly applicable across all borrowings of the borrower from the Company, irrespective of the lending vertical or product category, unless specifically exempted under an approved policy deviation

4.4 Joint Lending and Co-origination Arrangements

The Company may, with a view to building domain expertise and portfolio diversification, enter into Memoranda of Understanding (MoUs) with banks and/or other Non-Banking Financial Companies (NBFCs) possessing established experience in such lending segments.

Pursuant to such MoUs, the Company may participate in joint lending or co-origination arrangements in respect of Gold Loans, SME, Vehicle, and Corporate Loans, subject to strict adherence to applicable regulatory guidelines, including those issued by the Reserve Bank of India, and the Company's internal policies, risk appetite framework, and approval matrix.

In line with RBI guidelines permitting commercial banks to engage with NBFCs under co-lending arrangements for the creation of Priority Sector assets, such arrangements shall provide for appropriate sharing of risks and rewards between the participating institutions, with clearly defined roles and responsibilities relating to origination, credit appraisal, servicing, recovery, and asset classification.

The Managing Director shall be authorized to approve and execute joint lending and co-origination arrangements with banks and other NBFCs, within the limits approved by the Board and in compliance with applicable regulatory requirements.

5. Gold Loan

5.1. Nature, Type and Tenor of Loans

The Company will normally accept only Household Used Jewellery, Ornaments and Coins, as security since they are presumed to carry the invaluable 'emotional attachment' of the owner.

New gold Jewellery, Ornaments, and Coins may also be selectively accepted, subject to laid down controls, provided there are no other adverse indications.

Loans against ornaments and coins shall be subject to the following:

(i) The aggregate weight of ornaments pledged for all loans to a borrower shall not exceed 1 kilogram for gold ornaments.

(ii) The aggregate weight of coin(s) pledged for all loans to a borrower shall not exceed 50 grams in case of gold coins.

Loan schemes are devised in conformity with the Loan Policy of the Company and also the regulatory directives of the RBI, as applicable. Loan schemes and terms & conditions thereof heeds to the directions to NBFCs primarily engaged in lending against gold Jewellery, Ornaments and Coins, prescribed in Scale Based Regulations.

Suitable norms, encompassing inherent / typical risk factors (e.g. restricted items, prohibited items, large number of similar items, large weight items, baby Jewellery, Ornaments and Coins.) should be devised, approved internally and periodically reviewed. The Company shall not grant any advance for the purchase of Gold in any form including Primary Gold, Gold bullion, Gold Jewellery, Ornaments and Coins. Suitable controls, both system (IT) & non-system based, shall be put in place and compliance monitored.

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

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

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

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

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 MD. Example: Online Gold Loans, Online Collections.

5.2 Verification of ownership:

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

5.3 Appraisal of Security (Gold), Delegation of Financial Powers Gold Jewellery, Ornaments and Coins shall be accepted as security for loans only after proper appraisal by the staff before the loans are sanctioned. Gold Jewellery, Ornaments and Coins of purity below 58.33% (<14 Ct) shall not be accepted. In cases where purity is less than 22 carats, collateral shall be translated to 22 carats for determining LTV & loan amount and shall state the exact grams of the collateral. In other words, Jewellery, Ornaments and Coins of lower purity of gold shall be valued proportionately. The pawn ticket issued shall contain a certificate to the borrower for having assayed the gold and should state the purity (in terms of carats) and the weight of the gold pledged.

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

Additionally, the existing risk graded system, related to the Weight/amount of loan for pre-disbursement verification of gold ornaments, shall be continued as the guiding principle. The limits must be reviewed periodically and modifications, if required, put up for approval of the MD.

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

5.4 Loan to Value (LTV) or Loan Per Gram

As per the prevailing regulations, NBFCs shall maintain LTV ratio as directed by the RBI vide its Master Directions 1. Reserve Bank of India (Non-Banking Financial Companies - Credit Facilities) Directions, 2025 No. DOR.CRE.REC.266/07-01-008/2025-26 Dated 28th November 2025 and 2. Reserve Bank of India (Non-Banking Financial Companies - Responsible Business Conduct) Directions, 2025 No. DOR. MCS. REC. No. 281/01 - 01 - 039/2025 -26 Dated 28th November 2025. and amendments/modifications 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 regulatory ceiling. The Sales Head of the GL Department shall prepare a reasoned proposal and put it up to the MD for approval.

The total eligible amount of the loan shall be calculated by the system (IT) based on the weight of the gold Jewellery, Ornaments and Coins net of stone weight and subject to deductions for lower purity, wastages, as applicable. Operating instructions for deductions on account of purity, wastage, local variations etc. have been issued and will be amended, suiting to market conditions by the MD.

Considering the risk gradation arising from differential rates, as a general rule, LTV, tenor and frequency in servicing interest and interest rate on the loan should be positively correlated i.e. a short-term loan with low LTV and borrower servicing interest frequently shall get the benefit a lower rate of interest. However, exceptional deviations could be made to accommodate various contingencies such as competition, local issues, special / temporary offers etc. Such deviations shall be approved by the MD on the proposal put up by the Head of the Sales Dept.

As per the current RBI guidelines, gold Jewellery, Ornaments and Coins for determination of LTV shall be computed by taking into account of the preceding 30 days' average of the closing price of 22 carat gold as per the rate as quoted by India Bullion and Jewelers Association Ltd (IBJA) or closing pricing of the corresponding purity on the previous day, whichever is lower.

5.4.1 Procedures for maintenance of LTV

The Company shall endeavor to maintain the Loan to Value (LTV) ratio as stipulated by Reserve Bank of India from time to time. The relevant terms and conditions as applicable for the loan shall be incorporated in the pawn tickets, so that the gold Jewellery, Ornaments, and Coins can be auctioned, if the loan outstanding breaches the applicable LTV norms.

5.5. Precautions for repledging of gold loans

A separate identifier for repledged loans shall be incorporated in the gold loan module and trail of repledges shall be displayed in loan statements. When a customer repledges a loan through the OGL application, the borrower shall declare the end use of the excess portion. Gold Jewellery, Ornaments and Coins are compulsorily be re appraised at branches in the presence of the customer, once loans crossed 365 days from the loan date. Further, repledging is blocked, if re appraisal is not completed within 365 days from the loan date. As a proactive measure, SMS alerts shall be sent to customers crossed 330 days from the loan date, to ensure timely compliance. The process applies to both online and offline gold loans.

5.5.1 Controls on number of inventories and repledges, cash disbursement etc.

The number of live inventories to a single customer is restricted to 5 numbers. Exception to the general rule of 5 inventories shall be approved by the MD.

Number of repledges in single inventory shall be restricted to 18 per month. Repledges above this shall be allowed only with the approval from the CEO on the recommendations from the Operation and Business Head of GL.

Disbursal of cash is restricted to Rs 19,500. Above this amount, shall be made through UPI/IMPS/NEFT/RTGS to the bank account of the borrower.

Lien on the security of the gold loans shall not be marked for any other loans / liabilities of the borrowers.

5.6. High / Large Value Loans, Maximum Exposure per Borrower

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.

High value loans to single customer (or closely connected group of individuals) should be controlled and monitored as such customers may fall under 'high risk' category. Limits up to which branches may sanction loans to a single borrower (including closely connected group of individuals) should be defined and reviewed periodically. Such limits shall be got approved by the MD. Maximum lending limit may be linked to risk perception in different regions/states. Any exposure beyond the limit should be subject to sanction at Head Office.

A structured credit check /profiling format should be used (form MS143) for recommending limits higher than the maximum permissible, at the branch level. Further, in all cases where the loan exposure to a borrower touches Rs 5 lakh, address of the borrower must be verified. Due care in large value accounts will be exercised to ensure that funds are not going to Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner, without offending the borrower.

Within the prudential limit mentioned in (c) above it shall be further ensured that generally exposure taken on a single borrower does not exceed Rs 5 Crore (Rupees Five crore). A single borrower shall include a family unit, a closely associated group such as employer-employee etc. Loans above Rs 20 lakhs shall be approved by the Authorities in Head office, as per the delegation matrix.

5.7 High Individual Exposures - Delegation of Financial / Sanctioning Powers

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

5.8. Custody of Gold, Storage Arrangements, Security

As an internal control mechanism Gold Jewellery, Ornaments and Coins and Cash shall be in the joint custody of the 2 seniors most officials/ employees in the branch, normally designated as Branch Head and Assistant Branch Head. Suitable control systems should be in place so as to ensure that the same official /employee does not get custody of the 2 different keys even if at different points of time during posting at the branch. The set of duplicate keys is to be kept in the locker under the joint locker key with GL Operation Head and GL Business Head. The duplicate keys should be properly packed before deposit into the locker.

A proper and systematic procedure should be laid down for handing over charge from one official to another on account of transfer, leave, resignation etc. so that accountability can be clearly fixed wherever 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.

Overnight storage of pledged gold Jewellery, Ornaments and Coins 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.

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.

All gold Jewellery, Ornaments and Coins 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 Jewellery, Ornaments and Coins must be insured at 'replacement value' through adequate inclusion of 'making' charges along with the market value of the gold in the cover policy.

6. OTHER LOANS

6.1 General

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

Verification of OVDs and other KYC documents.

Verification of credit information reports, defaulters list, CERSAI etc.

Due diligence on prospective borrowers and group.

Business performance and status of economic activity.

Track record of repayment / capacity to repay based on cash flows of borrowers.

Scrutiny of financial statements of the borrowers and guarantors.

Valuation of securities and validation of title of the borrowers/mortgagors on the securities.

Purpose of the credit facilities.

Adequacy of collateral/guarantees offered.

6.1.2 MSME LENDING:

The Micro, Small and Medium Enterprises (MSME) sector is one of the fastest-growing and most significant contributors to the Indian economy. The enactment of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 has provided a comprehensive statutory framework, facilitating the structured growth and development of the sector.

6.1.3. Borrower Selection and Credit Appraisal:

Borrowers shall be selected based on their experience, track record, credit history, and compliance with the Company's Know Your Customer (KYC) and due diligence requirements.

The Company's sales team and/or Credit Head shall conduct visits to the borrower's residence, office, factory, or business premises, as applicable, to assess the quality of management, nature of business operations, and the borrower's financial and funding requirements.

For loan proposals up to ₹30 lakh, the Company shall evaluate the project cost, promoter's contribution, existing cash flows, and cash surplus available for debt servicing, based on documentary evidence and/or structured interactions with the borrower.

All borrowers shall be assigned a credit rating in accordance with the Company's approved internal credit assessment model. The sanctioned loan amount shall be determined after due consideration of the borrower's repayment capacity, cash surplus available for servicing the debt, and the adequacy and enforceability of collateral security, wherever applicable.

6.1.4 Products under SME:

Loan to Business / Service Providers.

Loan Against Property

6.2 Vehicle and Equipment Finance:

The Company extends finance for both new and used commercial vehicles, with this lending vertical having a geographically diversified presence across multiple states. Borrower selection is based on factors such as experience in the relevant line of activity, credit history, income-generating potential, and repayment capacity.

In addition to commercial vehicles, the Company also finances the acquisition of passenger vehicles, construction and industrial equipment, tractors, e-auto rickshaws, and other similar assets.

6.2.1 Target Market

The target customer segments include: Customers engaged in the road transportation industry, as well as captive users who utilize commercial vehicles for transportation of goods and services related to their core business activities.

Customers engaged in the construction and infrastructure sectors, including captive users involved in infrastructure development, who deploy construction equipment for activities such as mining, earthwork, civil construction, road and bridge construction, demolition, drilling, irrigation, material handling, weight lifting, and allied operations.

6.2.2 Sourcing of Business

The Company may source business through Direct Selling Agents (DSAs) / Business Associates (BAs) across its branches. DSAs/BAs shall be empaneled strictly for referral purposes only. All customer interactions relating to credit appraisal, documentation, sanction, disbursement, and legal communication shall be carried out exclusively by the Company's employees.

6.2.3 Security / Collateral

The primary security for the loan shall be hypothecation of the financed vehicle or equipment, with the Company's name noted in the Registration Certificate (RC) and insurance policy.

In case the borrower is a company or other corporate entity, creation and registration of charge with the Registrar of Companies (ROC) shall be mandatory.

6.2.4 Collection and Recovery

The Company shall follow the collection and recovery procedures as laid down in its approved Collection and Recovery Standard Operating Procedure (SOP). Loan agreements and sanction letters shall clearly specify the recovery process to be followed in the event of delays, overdue, or defaults.

Loan agreements shall also contain a legally enforceable repossession clause. In the interest of transparency and fairness, the terms and conditions of the loan agreement shall explicitly provide for the following:

Notice period to be given to the borrower prior to taking possession of the secured asset;

Circumstances under which the notice period may be waived;

Procedure for taking possession of the secured asset;

Provision for granting a final opportunity to the borrower for repayment before sale or auction of the asset;

Procedure for restoration of possession to the borrower, where applicable; and

Procedure for sale or auction of the repossessed asset.

All collection, repossession, and recovery actions shall be conducted in compliance with applicable laws, regulatory guidelines, and the Company's internal policies.

6.3 Securitization of Portfolios

Securitization involves the pooling of identified loan assets and the subsequent transfer or sale of the associated cash flows from such pooled assets to investors through a Special Purpose Vehicle (SPV), in accordance with applicable regulatory guidelines.

The Company shall not undertake securitization transactions or assume securitization exposures involving the following:

Prohibited Securitization Exposures

Re-securitization exposures.

Structures where short-term instruments, which are periodically rolled over, are issued against long-term assets held by an SPV.

Synthetic securitization structures.

Ineligible Underlying Assets

The Company shall not securitize portfolios comprising any of the following underlying exposures:

Revolving credit facilities.

Restructured loans and advances that are within the specified monitoring / performance period, as defined under applicable RBI guidelines.

Exposures to other lending institutions.

Refinance exposures to All-India Financial Institutions (AIFIs).

Loans with bullet repayment structures for both principal and interest.

Loans with a residual maturity of less than 365 days.

The Company shall undertake securitization of its loan portfolios and/or acquisition of securitized portfolios strictly in compliance with the Reserve Bank of India guidelines, including but not limited to the Minimum Holding Period (MHP), Minimum Retention Requirement (MRR), due diligence, risk transfer, capital adequacy, and disclosure requirements, as may be applicable from time to time.

6.4 Transfer of Loan Exposure

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

Type of loan transfers: -

Transfer of standard loans

Transfer of stressed loans

Transfer of loans to Asset Reconstruction Companies (ARCs)

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

6.5 Risk Vetting of Credit Proposals:

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

7. Regulatory Restrictions on Loans and Advances

7.1 Lending to Related Parties

The Company shall ensure that any lending to related persons, related parties, or specified employees is undertaken in a transparent and prudent manner, strictly on an arm's length basis and in accordance with the regulatory framework and guidelines issued by the Reserve Bank of India. Such lending shall be subject to clearly defined governance arrangements, exposure limits, and approval mechanisms approved by the Board of Directors. Loans to related parties above the prescribed materiality threshold of Rs. **5 Cr** shall be approved by the Board of Directors or by a Committee authorized by the Board, while loans **below the threshold of Rs. 5 Cr** may be sanctioned in accordance with the approved delegation of powers. Any Director, Key Managerial Personnel, or specified employee having a direct or indirect interest in the concerned proposal shall disclose the nature of such interest and recuse themselves from the deliberation and decision-making process.

The Company shall maintain appropriate records of all related persons, related parties, and credit facilities extended to such entities, and such exposures shall be periodically reported to the Board. Aggregate exposure limits for lending to related parties, including limits for a single related party or group of related parties, shall be prescribed within the prudential norms and reviewed periodically by the Board or the Risk Management Committee. Internal Audit shall quarterly review such transactions to ensure adherence to the approved policy, regulatory requirements, and prescribed approval procedures, and any deviations shall be reported to the Audit Committee of the Board. Employees shall also be encouraged to report any concerns relating to irregular or conflict-ridden lending through the Company's whistleblower mechanism.

8. Definition of consumer credit:

Excluding the exempted categories, the following categories of loans sanctioned through verticals will come under Consumer Credit.

Loans for the acquisition of consumer durables,

Unsecured personal loans,

Personal loans secured by immovable property (other than for business/commercial purposes),

Personal loans to professionals (excluding loans for business purposes),

Loans given for other consumption purposes (e.g., social ceremonies, etc.).

Top up loans against movable property viz, vehicles.

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

9. Credit Monitoring and Supervision

9.1 End Utilization of Funds

The Company proposes the following measures to ensure end utilization of funds for credit facilities sanctioned under SME Loans.

An undertaking to be obtained from the borrowers to utilize the funds for the purpose, for which it is granted.

Credit audit of accounts in random basis within 45 days of disbursement of the loan. All loans selected on a random basis, credit audit by the Credit Monitoring team or Internal Audit or Vigilance, to be undertaken.

10. The Company Benchmark Lending Rate (BLR)

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

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

Cost of capital (Regulatory capital): As the CAR requirement comes with a cost, it is necessary that appropriate cost based on regulatory capital be considered as a component of MBLR. While computing the capital charge appropriate split between Tier 1 and Tier 2 be made with a minimum target ROE, as fixed from time to time

11. Risk Based Gradation of Interest Rates

The Lending Rate will be different for different categories of borrowers, considering profile of the customer, tenure of customer relationship, past repayment track record, customer segment, market reputation, inherent credit and default risk in the products, subventions and subsidies available, ancillary

business opportunities, future potential, group strength and value to lender group, overall customer yield, Loan-to Value (LTV) ratio, nature and value of primary and collateral security etc. The Lending Rate is determined on a case-to-case basis.

12. Differential Pricing

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

13. Oversight of ALCO

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

How the credit risk is factored in the determination of pricing.

Whether the price of product takes into consideration of the tenor and liquidity risks.

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

14. Exit from Exposures

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

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

Deterioration in external credit rating.

Reduction in profit.

Increase in leverages.

Default in payment of statutory dues.

Substantial related party transactions detrimental to the interest of the ~~lender~~ company.

Diversion of funds.

Exercise of exit option shall be in line with Fair Practice Code and subject to enabling clauses in the loan agreement.

MD shall have the powers to approve exit from exposure.

14.1 Prudential Exposure Ceilings

As part of good risk management practices, the Company has fixed exposure ceilings based on various parameters to avoid concentration risks.

Total exposure to an individual or a group is fixed at Rs 500.00 lakhs (inclusive of a maximum unsecured exposure of Rs 5.00 lakhs)

14.2 Delegation of Powers

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

SL NO	Exposure Limit	Request	Recommended	Approver
1	Up to 15 Lakhs	By Branch level itself		
2	15 to 20 Lakhs	Branch	BH	AH
3	20 to 35 Lakhs	Branch	BH/AH / Sales Head / Operation Head	Business Head, GL
4	35 to 50 Lakhs	Branch	BH/AH / Sales Head / Operation Head /Business Head	CEO/CFO
5	Above 50 Lakhs – 5 crore	Branch	BH/AH / Sales Head / Operation Head /Business Head/CFO/CEO	MD

B. In respect of Non-Gold business verticals, credit sanctioning and operational delegated powers shall be governed by the respective Board-approved Credit Policies of those verticals.

15. Sharing of Credit Information / Classification of Customers

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

Following directions of the regulators, the Company has become member of all the four 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.

The quality of data submissions shall be assessed, and efforts shall be made towards improving data quality and minimizing data rejection.

15.2 Filing of records of charges with the Central Registry

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

Particulars of creation, modification or satisfaction of security interest in immovable property by mortgage other than mortgage by deposit of title deeds.

Particulars of creation, modification or satisfaction of security interest in hypothecation of plant and machinery, stocks, debts including book debts or receivables, whether existing or future.

Particulars of creation, modification or satisfaction of security interest in intangible assets, being know how, patent, copyright, trademark, license, franchise or any other business or commercial right of similar nature.

Particulars of creation, modification or satisfaction of security interest in any 'under construction' residential or commercial or a part thereof by an agreement or instrument other than mortgage

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

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

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

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

Upgradation of accounts classified as NPAs

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

17.Non - Cooperative Borrowers

Master direction – Reserve Bank of India (Non-Banking Financial Company-Scale Based Regulation) Directions, dated October has stipulated that all NBFC-Factors, NBFCs-D and non-deposit taking NBFCs of asset size of Rs. 500 Crore and above (Notified NBFCs) shall also identify “non-cooperative borrowers” in line with the banks/FIs.

Definition of Non cooperative Borrower

A non-cooperative borrower is one who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay thwarting lender’s efforts for recovery of their dues by not providing necessary information sought, denying access to asset financed/collateral securities, obstructing scale of securities etc. In effect, a non-cooperative borrower is a defaulter who deliberately stone walls legitimate efforts of the lender to recover their dues. A non-cooperative borrower in case of a company will include, besides the company, its Promoters, and Directors (excluding independent directors and directors nominated by the Government and the lending institutions). In case of other business enterprises, non-cooperative borrower would include person who are in-charge and responsible for the management of the affairs of the business.

The cut off limit for classifying borrowers as non-cooperative would be those borrowers having aggregate fund-based and non-fund-based facilities of Rs.25 lakhs from the Company.

17.1 Procedure/mechanism.

It would be imperative on the part of the banks /FIs/NBFCs to put in place a transparent mechanism for classifying borrowers as non-cooperative. A solitary or isolated instance should not be the basis for such classification. A Committee consisting of the Senior Management shall identify the non-cooperative borrowers, based on the recommendations of the monthly review committee of Corporate Loans.

Chief Executive Officer
Chief Risk Officer
GM- Credit Business Head (concerned vertical)

Show Cause Notice:

If the identification committee concludes that the borrower is non-cooperative, it shall cause issue a Show Cause Notice to the borrower concerned (and the promoter/whole time directors in case of companies) and call for their submission. The committee shall consider the submissions made and if the submissions are found to be not satisfactory /unacceptable, order shall be issued recording the borrower to be non-cooperative along with the reasons for such classifications. If found necessary, the Committee can also give the borrower an opportunity for personal hearing.

The Show Cause Notice shall be suitably drafted by the Business Vertical and sent to the branches for onward submission to the Borrower/s dully reproducing the same in the branch letter head and signed by the Branch head.

Review Committee:

The order of the Committee shall be reviewed by the Review Committee consisting of the following members:

MD

Independent Directors (Two – as decided by the Board)

The order shall become final only after it is confirmed by the Review Committee.

Fresh Exposure & Provision:

Fresh Exposure to entities classified as non-cooperative will by implication entail greater risk and hence such exposures require higher provisioning. Provision against such accounts shall be the provision, as applicable to sub-standard assets, in respect of the new loans sanctioned to such borrowers, as also new loans sanctioned to any other company that has in its board of directors any of the whole-time directors/promoters of the non-cooperative borrowing company or any firm in which such non-cooperative borrower is in charge of management of the affairs. However, for the purpose of asset classification and income recognitions, the new loan would be treated as standard asset.

18. Responsible lending: Release of movable or immovable property documents on repayment or settlement of loans.

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

Release the original movable / immovable property documents within a period of maximum 30 days after full repayment / settlement of the loan account.

Remove the charges registered with any registry (CERSAI, ROA, ROC, RTO, NACH etc.) by filing satisfaction of charges within a period of maximum 15 days.

The borrower shall be given the option of collecting the original movable / immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per his/her preference.

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

In case of any delay in releasing original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, borrower shall be compensated at the rate of ₹5,000/- for each day of delay.

If delay in releasing the original documents due to issues related with borrower/title holders (non-reporting of all concerned title holders etc.), it shall be communicated to the borrower within a period of 30 days from the date of closure of the loan account.

In case of loss/damage of original movable/immovable property documents, either in part or in full, the branches shall assist the borrower in obtaining duplicate/certified copies of the moveable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. (However, in such cases, an additional time of 30 days will be available to complete the procedure, and the delayed period penalty will be calculated thereafter, i.e., after a total period of 60 days).

To address the contingent event of demise/death of sole borrower/joint borrower, a well laid out procedure for return of original movable/immovable property documents to legal heirs, suitable nomination clause nominating an individual to receive the documents shall be incorporated in the loan documents. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.

The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

19. General

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

The Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability.

Loans to directors, their relatives and related entities shall not be sanctioned. Related entities mean, group companies where promoters of the Company and Directors of the Company have ownership interest. Entities in which independent directors of the Company and its subsidiaries are in the Board of Directors shall not be considered as related entities for the purpose of granting loans.

The Company shall not sanction any demand / call loans.

The Company shall not sanction any capital market exposures (IPO funding and loan against collateral of shares)

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

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

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.

Credit facilities under various verticals shall be administered under detailed credit policies approved by the Board.

20. Overriding Powers of MD

MD shall have powers to:

Revision in delegated matrix.

Revision of exposure ceilings.

Relaxation in threshold parameters.

Relaxation in approving borrowers in negative list.

Relaxation in financial parameters, moratorium period.

Waiver of Collateral.

Approval of Product variants, securitization etc.

Modification of schemes including enhancement of exposures.

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