

VALUVANADU CAPITAL LIMITED

CREDIT POLICY

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Policy Owner : **HOD, Credits**

Prepared by : **Credits Department**

Approved by : **MD, WTD & CFO**

Credit Policy

1. Introduction:

This Credit Policy is formulated pursuant to the applicable regulatory framework issued by the Reserve Bank of India, including the *Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025* and the *Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025*, as amended from time to time, and other applicable laws and regulations.

This Policy shall govern all credit facilities extended by **Valuvanadu Capital Limited** ("the Company"), including lending against gold jewellery and other secured and unsecured loan products. It shall be applicable to all branches, employees, credit officers, and management personnel of the Company.

This document sets out the Credit Policy framework designed to ensure compliance with the aforesaid regulatory mandates while addressing the specific operational nuances of demand loans, bullet repayment loans, and term loans, structured based on both the purpose of the loan and the repayment mechanism.

2. Corporate Governance and the Role of the Board

This Credit Policy has been formulated in accordance with the regulatory framework prescribed by the Reserve Bank of India and approved by the Board of Directors of the Company. The Board shall exercise overall oversight of the credit function and shall ensure that the Policy remains aligned with applicable RBI Directions, statutory requirements, and the Company's risk management framework. The Board shall review this Policy at least once in every financial year and shall also undertake an immediate review and approve necessary amendments whenever there are changes in applicable RBI guidelines, regulatory instructions, or material changes in the Company's business operations. The Board shall further ensure that appropriate internal controls, monitoring mechanisms, and reporting systems are in place to ensure effective implementation of this Policy across all branches of the Company.

3. Comprehensive Loan Categorization

A fundamental requirement of the new RBI directions is the clear classification of loans based on their purpose and their repayment structure. This taxonomy is critical for the application of prudential norms, such as Loan-to-Value (LTV) caps and credit assessment depth.

i. Classification by Repayment Mechanism

The Company shall offer three primary repayment structures, each subject to distinct regulatory nuances:

- a. **Demand Loans / Call Loans:** A loan facility which does not carry a fixed repayment schedule and is repayable on demand by the Company; however, the maximum tenure shall not exceed twelve (12) months from the date of disbursement. Interest may be serviced monthly/quarterly as stipulated in the sanction terms/ loan agreements. In exceptional cases where a tenure exceeding twelve (12) months is proposed, specific written justification shall be recorded by the Branch Head and prior approval shall be obtained from the Managing Director/Whole-Time Director.
- b. **Bullet Repayment Loans:** A loan facility under which the entire principal amount together with the total accrued interest is payable in a single lump sum at the time of maturity. The tenure of such loans shall not exceed twelve (12) months. The Loan-to-Value (LTV) ratio shall be computed in accordance with the regulatory framework and the Company's approved LTV methodology.
- c. **Term Loans:** A loan facility repayable through Equated Periodic Instalments (EPI) or Equated Monthly Instalments (EMI), comprising both principal and interest components, structured to ensure full amortisation of the outstanding loan amount over the specified tenure. The repayment schedule, interest rate, and other terms shall be clearly disclosed in the Key Fact Statement (KFS) and the Loan Agreement.

ii. **Classification by Purpose**

The classification of loans based on purpose is essential for determining the applicability of Loan-to-Value (LTV) restrictions and other regulatory requirements.

- a. **Consumption Loans:** Consumption Loans refer to credit facilities extended for personal, household, or non-business purposes, including but not limited to medical emergencies, education expenses, social ceremonies, or other personal financial needs. Such loans shall be subject to the applicable LTV caps and other regulatory restrictions as prescribed by the Reserve Bank of India from time to time.
- b. **Income Generating Loans:** Income Generating Loans refer to credit facilities extended for productive economic activities, including business working capital, agricultural or farm-related activities, trade finance, or acquisition of income-producing assets. While such loans may not be subject to the same tiered LTV caps applicable to Consumption Loans, the Company shall exercise enhanced due diligence, prudent risk assessment, and appropriate internal controls when sanctioning loans exceeding the LTV limits prescribed for Consumption Loans.

4. Loan to Value Ratio:

The Maximum LTV ratio against the eligible gold collateral shall not exceed LTV Ratios as provided in the table below.

Loan (Purpose)	Type	Repayment Options	Mode	Maximum LTV Ratio
Consumption		Bullet		1. Up to 2.5 Lakhs : 85% 2. 2.5 Lakhs to 5 Lakhs : 80% 3. 5 Lakhs and above : 75 % (including interest)
		Demand, Term		1. Up to 2.5 Lakhs : 85% 2. 2.5 Lakhs to 5 Lakhs : 80% 3. 5 Lakhs and above : 75 % (excluding interest)
Income Generating		Bullet		92%(including interest)
		Demand, Term		92%(excluding interest)

i. LTV Calculation Method for Different Loan Types:

a. Bullet Repayment Loans:

In the case of Bullet Repayment Loans, the Loan-to-Value (LTV) ratio shall be calculated by taking into account the **total amount repayable at maturity**, which includes both the principal amount and the total interest payable for the entire tenure of the loan.

b. Demand Loans:

In the case of Demand Loans, interest shall be serviced on a **quarterly basis** or at such periodic intervals as stipulated in the loan terms. The borrower shall be liable to pay the interest as and when it becomes due, in accordance with the terms and conditions specified in the loan agreement. Accordingly, for the purpose of calculating the Loan-to-Value (LTV) ratio, only the principal amount of the loan shall be considered, and the maturity amount including interest shall not be taken into account for LTV computation.

- ii. **Ongoing LTV Maintenance and Breach Mitigation:** The LTV ratio must be maintained on an ongoing basis throughout the tenor of the loan. In the event of a breach, typically due to a sharp decline in market gold prices, the Company shall take the following measures:
- a. **Margin Calls:** Issuing a notification to the borrower to pledge additional gold or make a partial principal payment to bring the LTV back within the permissible limit.
 - b. **Portfolio Monitoring:** Regular tracking of gold price movements against the outstanding portfolio to identify potential "at-risk" accounts before they become delinquent.
 - c. **Strict Renewal Checks:** A loan shall not be renewed if it has breached the LTV limit at the time of maturity, unless the borrower infuses additional collateral.

5. Credit Underwriting and Assessment Methodology

While gold loans are secured by high-quality collateral, that should be granted based on an appropriate credit assessment. The depth of due diligence must be commensurate with the size of the loan and the borrower's risk profile.

i. Tiered Credit Assessment

- a. **Loans < 2.5 Lakh:** The Company may adopt a simplified approach for small-ticket loans, reducing the documentation burden for rural and self-employed borrowers.
- b. **Loans > 2.5 Lakh:** A detailed credit assessment is mandatory. This must include an evaluation of the borrower's repayment capacity, source of income, and economic profile which shall be verified and certified by Branch Manager.

In case of Loan amounts exceeding 15 Lakhs, the Risk Management Department shall re-confirm credit assessment and conduct profile verification, wherever necessary.

6. Prudential Framework for Lending against Gold and Silver

- i. **Eligible Collateral and Weight Limits:** The Company shall accept only gold ornaments/Jewellery and gold coins of 22 carats as collateral and shall not accept silver as collateral for loan facilities. Primary gold such as bullion, bars, or ingots, and financial assets backed by gold (such as Gold ETFs or gold-backed mutual fund units) shall not be accepted as collateral for providing loans
- ii. In case of gold ornaments, the Company has fixed a ceiling of **one kilogram (1 kg)** as the maximum quantity that may be accepted from a single customer

at any point in time. In addition, the maximum quantity of **gold coins accepted as collateral shall not exceed fifty grams (50 g)** per customer.

- iii. Branch Head shall obtain a declaration from the borrower regarding the rightful ownership of the collateral. For cumulative pledges exceeding 20 grams of gold, a record of ownership verification must be maintained at branch level.
- iv. Valuation and Assaying Standards: In order to prevent the overvaluation of collateral, which may increase credit risk, the Company shall adopt and follow a uniform valuation methodology. The reference price for gold shall be the lower of the following:
 - a. The average closing price of gold of the relevant purity during the preceding thirty (30) days, or
 - b. The closing price of gold of the relevant purity on the preceding day.

Such reference prices shall be sourced from the **India Bullion and Jewellers Association Ltd. (IBJA)** or from a SEBI-regulated commodity exchange.

- v. All pledged ornaments shall be valued solely on the basis of their intrinsic gold content. The weight of precious stones, gems, lac, impurities, or other alloys shall be deducted while determining the net weight of gold eligible for valuation.
- vi. The assaying and purity verification process shall be conducted in the presence of the borrower. Upon completion of the valuation process, a duplicate copy of the pawn ticket or e-certificate shall be issued to the borrower detailing the gross weight, net weight, deductions, and the final value used for sanction. Additionally, photographs of all pledged ornaments shall be taken and stored in the Company's system for record and audit purposes.
- vii. The Company shall maintain a maximum exposure limit of 1.5 Crores rupees per individual borrower under gold loan facilities.
- viii. The Company shall ensure that the gold loan portfolio is maintained at approximately **90%** of the total loan book.

7. Purpose of Loan and End-Use Monitoring

The Company shall record the specific purpose of the loan, whether for consumption or income-generating activities, at the time of loan sanction. In the case of income-generating loans, the Company shall maintain appropriate documentation to establish the stated purpose of the loan and, wherever necessary, monitor the end use of funds to ensure that the loan amount is utilized for productive economic activities.

The end-use assessment parameters for income-generating loans shall be as follows:

Assessment Parameter	Loans ≤ 2.5 Lakh	Loans > 2.5 Lakh
Income Verification	Self-Declaration	Documents to be verified
Credit Rating / Score	Not Mandatory	Required
End-Use Monitoring	Periodic Review	Periodic Review
KYC Adherence	KYC	KYC + Repayment Check

8. Credit Assessment.

The Company shall undertake a detailed credit assessment, including evaluation of the borrower's repayment capacity, in cases where the total loan amount against eligible collateral exceeds **2.5 lakhs** rupees, as set out below:

- i. The Branch Manager / Branch In-charge shall conduct a detailed enquiry into the borrower's income, expenditure, and repayment capacity.
- ii. The Risk Management Department may, wherever considered necessary based on the loan exposure, customer history, and customer profile, conduct an independent profile verification or undertake a reconfirmation review based on available records and risk parameters to validate the assessment submitted by the Branch Manager.

9. Specialized Credit Operations: Renewals, Top-ups, and Takeovers

In order to maintain credit discipline and prevent the **evergreening of loans**, the Company shall regulate the modification or extension of existing credit facilities through **renewals, top-ups, or takeover of loans** in accordance with prudent lending practices and applicable regulatory guidelines

i. Loan Renewals and Top-ups

The renewal of an existing loan or the sanctioning of a top-up loan (additional credit against the same collateral) is permitted only under the following conditions:

- a. **Formal Request:** The borrower must submit a formal application for the renewal or top-up.

- b. **Standard Asset Status:** The existing loan must be classified as "standard" and must not have any outstanding defaults.
- c. **LTV Compliance:** The revised exposure (Outstanding + New Top-up) must remain within the tiered LTV caps.
- d. **Interest Payment:** Renewal is permitted *only after the full payment of all accrued interest.*

10. Takeover of Gold Loans

The Company may facilitate the takeover of gold loans from other financial institutions to provide better terms to the borrower.

- a. **Purpose Categorization:** All takeover loans shall be treated as "consumption loans" if the proceeds are used to settle the previous debt, unless the borrower demonstrates a specific income-generating end-use for any additional funds.
- b. **Disbursal Rule:** Disbursement must be made directly to the bank account of the borrower or to the previous lender through formal banking channels. In the case of income-generating takeovers, payment may be made to the end-beneficiary.
- c. **LTV Consistency:** The takeover must adhere to the current LTV and valuation standards of the Company, regardless of the valuation used by the previous lender.

11. Gold Assayers/Valuators and Assaying Procedures

To ensure transparency, accuracy, and consistency in the valuation of pledged gold ornaments, the Company shall appoint trained and competent employees as Gold Assayers/Valuators and follow a standardized assaying process across all branches.

- a. **Qualification and Appointment of Gold Assayers/Valuators:**
The Company shall identify employees with sufficient experience and sponsor them to undergo a technical training program conducted by empanelled professional institutions specialized in gold assayer training. Employees who successfully complete the course and obtain the required certification shall be designated as Gold Assayers/Valuators of the Company.

Only such trained and certified employees shall be authorized to undertake the valuation of pledged gold ornaments at the Company's branches.

- b. **Standard Assaying Procedures**

The Company shall follow a standardized gold valuation procedure across all branches to ensure uniformity and reliability in the assessment process. The standard procedure shall include the following steps:

i. **Visual Inspection and Weighing:**

The gold assayer shall conduct a physical inspection of the pledged ornaments to check their condition and authenticity. The ornaments shall then be weighed using a calibrated digital weighing scale to determine the gross weight.

ii. **Touchstone and Acid Test:**

The ornament shall be tested using the touchstone method, followed by the application of appropriate nitric acid solutions to determine the approximate purity or karatage of the gold.

iii. **Net Weight Calculation:**

The assayer shall determine the net gold weight by excluding or estimating the weight of non-gold components such as stones, lac, enamel, or other materials present in the ornament. The final loan amount shall be calculated based on the net weight of the gold and its assessed purity.

The above procedures shall be uniformly followed across all branches, and the Company shall maintain documented guidelines to ensure consistency in the valuation process.

12. Procedure in the Event of Loss of Security or Deterioration of Quality

The Company shall exercise utmost care in the safe custody and preservation of pledged gold ornaments. However, in the unlikely event that during internal audit inspections or any other review it is found that the pledged security is missing, lost, or has deteriorated in quality while in the custody of the Company, the borrower shall be entitled to fair compensation.

Upon completion of the necessary internal enquiry, the Company shall compensate the borrower by providing gold ornaments of equivalent weight and purity. In cases where equivalent ornaments are not available with the Company, the borrower shall be compensated by payment of the prevailing market value of gold equivalent to the weight and purity of the pledged ornaments.

13. Other Loans Products

In addition to loans against gold jewellery, the Company may extend select secured and unsecured loan products subject to prudent underwriting standards, regulatory compliance, and the Company's risk management framework. These products are intended to diversify the Company's lending portfolio while maintaining disciplined credit assessment, monitoring, and recovery practices.

A. Personal Loans

i. Product Structure and Loan Variants

The Company may offer Personal Loans to eligible individual borrowers for legitimate personal or household financial requirements. Personal Loans may be offered in the form of Demand Loans, Term Loans, or Bullet Repayment Loans, depending on the borrower's profile and repayment capacity. The maximum tenure shall not exceed **five (5) years**, and the maximum exposure per customer shall be limited to **Rs.40,00,000/-**. However, the exposure limit is not applicable to the takeover facility specified in Clause No. 10.

ii. Eligibility Criteria

Eligible borrowers shall be individuals aged between 18 and 75 years, including salaried employees, professionals, and self-employed persons, subject to satisfactory credit assessment and verification of repayment capacity. A minimum credit score of **400** may be required for eligibility, if the unsecured loan amount exceeds Rs.25,00,000/- or 25% of the total exposure, excluding the proposed loan, of the customer.

iii. Documentation Requirements

The Company shall collect appropriate documentation which may include KYC documents, bank statements, income proof or declaration, security cheque, and co-borrower details wherever required. In addition, the Risk Management Department or the Loan Sanctioning Authority may, based on the nature of the proposal and their assessment, require any additional documents on a case-to-case basis.

iv. Credit Assessment

A detailed credit assessment shall be conducted by the Branch Head for new customers, including evaluation of income, repayment capacity, and credit history.

v. Interest, Charges and KFS Disclosure

Interest rates and penal charges shall be applied in accordance with the Company's Interest Rate Policy, and interest shall be compounded monthly. Processing charges and pre-closure charges, if any, shall be disclosed in the Key Facts Statement (KFS).

vi. Turnaround Time and Communication of Decision

The Company shall endeavour to sanction eligible Personal Loans within **five (5) working days** of receipt of complete documentation. In case of rejection, the applicant shall be informed within two (2) working days of the decision.

vii. Recovery and Credit Reporting

In the event of default, the Company shall follow a structured recovery process as outlined below:

- After two defaults, a due notice shall be issued to the borrower.
- After three defaults, a legal notice shall be issued.
- If the default continues, the Company shall initiate appropriate legal proceedings, if the principal balance exceeds Rs.25,000/-. Company may also initiate legal proceedings irrespective of loan outstanding wherever it feels necessary, on a case-to-case basis.
- Details of borrowers classified as defaulters shall be reported to Credit Information Companies in accordance with applicable regulatory requirements.

B. Business Loans

i. Product Structure and Loan Variants

The Company may offer small-ticket Business Loans to eligible borrowers engaged in established business activities for the purpose of supporting working capital and business operations. Business Loans may be structured as Demand Loans, Term Loans, or Bullet Repayment Loans, with a maximum tenure of **Five (5) years** and a maximum exposure per borrower of **Rs.1,00,00,000/-**.

ii. Eligibility Criteria

Eligible borrowers shall be individuals aged between 18 and 75 years engaged in an existing and verifiable business. The Company shall not extend loans for the purpose of starting a new business venture. A minimum credit score of **400** shall be required.

iii. Documentation Requirements

Applicants shall be required to submit KYC documents, bank statements, proof of business existence (such as licence, Udyam registration, GST registration, partnership deed, or company incorporation certificate), income proof or declaration, security cheque, and co-borrower details wherever required.

In addition, the Risk Management Department or the Loan Sanctioning Authority may, based on the nature of the proposal and their assessment, require any additional documents on a case-to-case basis.

iv. Credit Assessment

A detailed credit assessment shall be conducted by the Branch Head/Business in-charge for all new borrowers, including verification of business activity, cash flow assessment, and repayment capacity.

v. Interest, Charges and KFS Disclosure

Interest rates and penal charges shall be governed by the Company's Interest Rate Policy, with monthly compounding of interest. Processing charges and pre-closure terms shall be disclosed in the Key Facts Statement (KFS).

vi. Turnaround Time and Communication of Decision

The Company shall endeavour to sanction eligible Business Loans within **five (5) working days** of receipt of complete documentation. In case of rejection, the applicant shall be informed within two (2) working days of the decision.

vii. Recovery and Credit Reporting

In the event of default, the Company shall follow a structured recovery process as outlined below:

- After **two** defaults, a due notice shall be issued to the borrower.
- After **three** defaults, a legal notice shall be issued.
- If the default continues, the Company shall initiate appropriate legal proceedings, if the principal balance exceeds Rs.25,000/-. Company may also initiate legal proceedings irrespective of loan outstanding wherever it feels necessary, on a case-to-case basis.
- Details of borrowers classified as defaulters shall be reported to Credit Information Companies in accordance with applicable regulatory requirements.

C. Loan Against Property (LAP)

The Company may offer Loans Against Property (LAP) to eligible borrowers against the collateral of immovable property for legitimate personal, business, or financial requirements. Such loans may be structured as Demand Loans or Term Loans, based on the borrower's profile, repayment capacity, and the nature of the facility. The loan amount shall be determined based on the realizable value of the property, applicable Loan-to-Value (LTV) norms and Repayment Capacity of the borrower. The

maximum tenure shall not exceed **Fifteen** (15) years, and the maximum exposure per borrower shall be limited to **Rs. 1,50,00,000/-**.

i. Eligibility Criteria

- Eligible borrowers shall be individuals aged between 18 and 65 years, including salaried employees, professionals, self-employed persons and business owners, subject to satisfactory credit assessment and verification of repayment capacity. A minimum credit score of **400** shall be required for eligibility.
- The loan shall be secured by mortgage of an immovable property owned by the borrower or by the guarantor acceptable to the Company.
- The property offered as collateral must have a clear, marketable, and unencumbered title and must be acceptable to the Company from a legal and technical standpoint.

ii. Documentation Requirements

Applicants shall be required to submit the following documents:

- Standard KYC documents, financial documents, bank statements, and income proof/declarations as applicable.
- Property documents including original title deeds, prior title documents, tax receipts, RoR, Possession Certificate, Location Certificate, Encumbrance Certificates, approved plans, and any other documents required for legal and technical verification.
- The original title deeds and relevant property documents shall be deposited with the Company by the property owner (borrower or guarantor) for creation of an equitable mortgage.
- The Risk Department or Loan Sanctioning Authority may require any additional documents on a case-to-case basis depending on the risk assessment of the proposal.

iii. Credit Assessment

A detailed credit assessment shall be conducted by the Branch Head/Business In Charge for all new borrowers, including verification of business activity, assessment of cash flow, and evaluation of repayment capacity. In addition to the above, the following assessments shall also be carried out:

- A title scrutiny and legal due diligence report shall be obtained from the Company's empanelled advocate to confirm that the property has a clear and marketable title and is free from encumbrances.

- A valuation report shall be obtained to determine the fair market value and realizable value of the property.
- The loan amount, Loan-to-Value (LTV) ratio, repayment capacity, and overall risk profile shall be assessed in accordance with the Company's credit and risk policies.

iv. Interest, Charges and KFS Disclosure

Interest rates and penal charges shall be governed by the Company's Interest Rate Policy, with monthly compounding of interest. Interest Rate, Processing charges and pre-closure terms shall be disclosed in the Key Facts Statement (KFS).

v. Turnaround Time and Communication of Decision

The Company shall endeavour to sanction eligible Business Loans within **five (5) working days** of receipt of complete documentation. In case of rejection, the applicant shall be informed within two (2) working days of the decision.

vi. Recovery and Credit Reporting

Customer is liable to pay the principal amount on maturity or monthly interest as defined as "minimum amount due" in the loan agreement. In the event of default of the said principal amount or minimum amount due, the Company shall follow a structured recovery process as outlined below:

- After **two** months of defaults, a due notice may be issued to the borrower.
- After **three** months of defaults, a legal notice shall be issued.
- If the customer fails to regularise the account by paying the principal and interest due, even after receipt of the notices, the Company shall initiate appropriate legal proceedings, including enforcement of the security created over the mortgaged property.
- Details of borrowers classified as defaulters shall be reported to Credit Information Companies in accordance with applicable regulatory requirements.

14. Responsible Business Conduct and Customer Protection

The Company is committed to conducting its lending operations in a responsible, transparent, and customer-centric manner. In line with applicable regulatory requirements and the Company's internal governance standards, all lending activities shall be guided by the principles of fairness, transparency, responsible lending practices, and protection of borrower interests. The Company shall ensure that its policies, procedures, and customer interactions are designed to prevent unfair or

predatory practices and to promote informed financial decision-making by borrowers.

i. Fair Practices Code and Language of Communication

The Company has adopted a Board-approved Fair Practices Code (FPC) which governs its interactions with borrowers throughout the loan lifecycle. All customer-facing communications, including loan application forms, sanction letters, loan agreements, notices, and the Fair Practices Code, shall be made available in a vernacular language or in a language understood by the borrower. This is intended to ensure that borrowers are able to clearly understand the terms and conditions of the loan facility and are able to make an informed financial decision..

ii. Key Facts Statement (KFS) and Transparency

In order to ensure transparency and full disclosure of credit terms, the Company shall provide a **standardized Key Facts Statement (KFS)** to the borrower prior to the execution of the loan agreement.

The KFS shall clearly disclose, among other things:

- a. **Annual Percentage Rate (APR):** The total annualized cost of credit, including the applicable interest rate and all associated charges such as processing fees, assaying charges, valuation charges, and any other applicable fees.
- b. **Amortization Schedule:** Where applicable, a clear schedule showing the breakdown of principal and interest components over the tenure of the loan..
- c. **Validity Period:** The KFS shall remain valid for a minimum period of **three (3) working days** in the case of loans with a tenure of **seven (7) days or more**, enabling the borrower to review the loan terms before accepting the facility.

No fee or charge that is not expressly disclosed in the KFS shall be levied on the borrower at any stage of the loan without the borrower's explicit consent. Charges such as auction expenses, legal charges, or other contingent costs, where applicable, shall be appropriately disclosed in the loan agreement.

15. Penal Charges and Interest Rate Reset

The Company has adopted a **Penal Charges Framework**, which replaces the earlier practice of levying penal interest. The framework governing the levy of penal charges has been incorporated in the Company's **Interest Rate Policy**, as approved by the Board of Directors. The Company shall ensure that the levy of penal charges is transparent, reasonable, and in accordance with the applicable regulatory framework.

- a. **No Capitalization:** Penal charges levied for non-compliance with the material terms and conditions of the loan agreement shall **not be capitalised** and shall not be added to the outstanding principal amount for the purpose of further interest computation.
- b. **Reasonableness:** Penal charges shall be reasonable and commensurate with the nature and extent of the default, and shall not be used as a means for revenue enhancement. The applicable penal charges shall be clearly disclosed in the **KFS**, loan agreement, and other customer communications, wherever applicable.
- c. **Interest Rate Structure - Reset of Floating Interest Rate:** At present, the Company extends loan facilities **only at fixed interest rates**. The Company does not offer loan products with floating interest rates. Accordingly, provisions relating to interest rate reset applicable to floating rate loans shall not apply to the loan products currently offered by the Company. In the event that the Company introduces floating rate loan products in the future, appropriate provisions governing interest rate reset and borrower options shall be incorporated in accordance with the applicable regulatory framework and the Company's internal policies.

16. Third-Party Arrangements: LSP, DSA, and Recovery Agents

The Company currently does not engage any third parties such as Lending Service Providers (LSPs), Direct Sales Agents (DSAs), or Recovery Agents for the sourcing, processing, servicing, or recovery of loan facilities. All lending activities, including customer interaction, loan appraisal, disbursement, servicing, and recovery, are carried out directly by the Company through its own employees and branch network.

The Company shall ensure that all customer dealings are conducted in accordance with its internal policies, the **Fair Practices Code**, and applicable regulatory requirements.

In the event that the Company proposes to engage any LSPs, DSAs, or Recovery Agents in the future, such engagement shall be undertaken only after establishing appropriate Board-approved policies, due diligence procedures, contractual safeguards, and monitoring mechanisms, in compliance with the applicable regulatory framework.

17. Operational Infrastructure and Collateral Management

The Company recognises that the safe custody and security of pledged gold ornaments are critical to maintaining borrower confidence and safeguarding the Company's assets. Accordingly, the Company has established and implemented

robust operational controls, security procedures, and internal monitoring mechanisms to prevent theft, damage, misplacement, or fraud in relation to pledged collateral.

i. Handling and Storage of Collateral

- a. **Employee Only Handling:** Pledged collateral shall be handled, recorded, and stored only by authorised employees of the Company at its branches. The Company shall not permit the storage or handling of pledged collateral through any third-party service provider.
- b. **Safe Locker:** All branches extending loans against gold shall be equipped with secure vaults or safe deposit lockers suitable for storing gold and other valuables. No gold loan facility shall be offered or operated from any branch that does not have adequate vault facilities and security arrangements.
- c. **Transportation:** Transportation of pledged collateral between branches shall be undertaken only under exceptional circumstances, such as for the purpose of conducting auctions, branch relocation or closure, or other operational requirements. In such cases, transportation shall be carried out strictly in accordance with the Company's approved security and transportation protocols to ensure the safety and integrity of the collateral.

ii. Release and Auction Procedures

- a. **Timely Release:** Upon full repayment of the loan, including all applicable charges, the Company shall ensure that the pledged collateral is returned to the borrower within seven (7) working days from the date of settlement of the loan account. Any delay beyond this period shall attract compensation payable to the borrower in accordance with the applicable regulatory requirements.
- b. **Transparent Auctions:** In the event of default and where recovery through other means is not feasible, the Company may initiate the auction of pledged collateral in accordance with the terms and procedures set out in the **Company's Auction Policy**.
- c. **Conflict of Interest:** The Company shall ensure that it does not participate, either directly or indirectly, in the auction of pledged collateral. Directors, employees, and related parties of the Company shall also be prohibited from participating in such auctions in order to prevent any conflict of interest.

18. Digital Lending and Technology Standards

The Company does not engage in digital lending through Digital Lending Apps (DLAs), Lending Service Providers (LSPs), or any third-party digital platforms. All loan applications are processed through the Company's own internal software application

and through its branch network. Borrower information is collected directly by the Company's employees and stored securely within the Company's internal systems.

i. Data Privacy and Storage

The Company shall ensure that all borrower data collected through its internal systems is handled in accordance with applicable regulatory standards and internal data protection policies.

ii. Need-Based Data Collection:

The Company shall collect only such information from borrowers as is necessary for the purpose of loan processing, credit assessment, regulatory compliance, and customer servicing. Prior consent of the borrower shall be obtained wherever required before collecting personal information.

iii. Secure Storage of Data:

All borrower data collected and maintained by the Company is stored securely within the Company's systems and on servers located within India. The Company has implemented appropriate safeguards to prevent unauthorized access, misuse, or disclosure of borrower information.

iv. Biometric Data:

The Company does not collect or store biometric data of borrowers unless specifically permitted under applicable statutory or regulatory guidelines.

v. Reporting of Digital Lending Apps (DLAs)

As the Company does not deploy or participate in any Digital Lending Apps (DLAs) or digital lending platforms, the reporting requirements relating to DLAs on the RBI's CIMS portal are presently not applicable. In the event the Company adopts any such platform in the future, it shall comply with all applicable regulatory requirements, including reporting and certification obligations.

19. Loan Agreement Framework and Legal Compliance

The loan agreement is the primary legal document governing the relationship between the Company and the borrower. It shall clearly define the rights and obligations of both parties and must be legally valid, transparent, and enforceable. The Company shall ensure that all loan agreements are executed in accordance with applicable regulatory requirements and internal policies.

i. Mandatory Clauses for Loan Agreements

The Company shall ensure that every loan agreement contains, at a minimum, the following provisions:

- a. **LTV Maintenance:** A clause specifying that the Loan-to-Value (LTV) ratio must be maintained throughout the tenor of the loan and clearly outlining the consequences in the event of any breach of the prescribed LTV limits.
- b. **Interest Rate:** The applicable rate of interest, the method of calculation, and the frequency of interest application shall be clearly disclosed in the loan agreement in accordance with the Company's Interest Rate Policy.
- c. **Penal Charges.** Any penal charges applicable in the event of delay or default shall be clearly specified in the loan agreement in line with the Company's approved Penal Charge Framework, which forms part of the Company's Interest Rate Policy.
- d. **Auction Triggers:** Clear and detailed conditions under which the Company may initiate the auction of pledged collateral in the event of default, including the notice period to be provided to the borrower prior to the auction.
- e. **Surplus Refund:** An explicit commitment that any surplus realized from the auction of pledged collateral, after adjustment of all dues, shall be refunded to the borrower within seven working days from the date of receipt of such surplus.

20. Conclusion

This Policy has been formulated in accordance with the applicable regulatory framework governing Non-Banking Financial Companies and is intended to ensure that the Company's gold loan operations are conducted in a prudent, transparent, and responsible manner. The Company shall ensure strict adherence to the provisions of this Policy across all its branches and operational units. Any deviation from the Policy shall require appropriate internal approval and must remain within the boundaries of applicable regulatory guidelines. The Policy shall be reviewed periodically and updated, wherever necessary, to align with changes in regulatory requirements, operational practices, and risk management considerations.
