CONSOLIDATED LENDING POLICY

Chemmanur Credits and Investments Limited (CCIL) is an NBFC (Loan Company) concentrating mainly on Lending against gold ornaments and also in other areas of lending. In the Consolidated Lending Policy, detailed policy guidelines are given for lending through various schemes.

1) LOAN SCHEMES:

A. GOLD LOAN

1. Features:

(a) Gold Loans are granted against Pledge of household ornaments.
(b) Gold Loan Schemes are devised to suit the varying needs of different types of customers.
(c) There are loan schemes with different tenure and the customer can select suitable scheme.
(d) Eligibility for loan is evaluated based on the purity of the ornament.
(e) The amount of loan sanctioned for a particular customer will be subject to all applicable regulations issued by RBI from time to time.
(f) Rate of interest is decided on two factors of risk criteria, viz. 1. Loan to Value (LTV%) and 2. Period of the loan.
(g) Minimum period of interest is fixed as 3-7 days depending on the scheme opted by the borrower.
(h) Repayment can be made on daily, weekly or monthly basis or as per the convenience of the borrower.
(i) Part payment towards principal is allowed in the scheme.
(j) Part release is also allowed by re-pledge of the remaining ornaments as a new loan.
(k) Repayment or part payment can be done by third party but redemption and release is allowed only to person who pledges or an authorized representative.
(l) Reminders are made through the following means:
   a. Phone Calls
   b. SMS
   c. Notice by post on 85th day, 175th day or 360th day for loans with one year tenure. For loans with lesser tenure the reminders are made within the tenure of the loan.
(m) Gold is auctioned in loan accounts which are defaulted beyond the tenure of the loan, as per the Board approved auction procedure of the Company as given separately in this policy.

2. Schemes:

The Company will formulate various loan schemes for lending against gold ornaments to suit the requirements of the customers. There will be schemes formulated with lower LTV and lower interest rates to suit customers who opt for the lesser interest burden. Similarly the loans with maximum LTV (Within the maximum allowable LTV as per the regulations of the RBI) with comparatively higher rate of interest will also be offered to suit the customers who want more loans per gram of gold ornament pledged.

3. Benefits of our Gold Loan Schemes:

a. Speedy disbursal of loan
b. Easy disbursal formalities/documentation.
c. Service charges taken only once in a life time for a customer.

d. Once a customer receives a loyalty number there is no need to produce any identity document/photo. Once a unique Customer ID is created on submission of officially valid documents (OVD), loans can be availed at the specified branch anytime across the counter with least formalities.
e. No advance interest is collected.
f. Loan is granted after proper appraisal and weight assessment of ornaments.
g. Interest is charged under diminishing balance method.
h. Repayment of Gold Loans can be made at any branch of the company.
i. Online repayment module is also available

4. Loan to Value (LTV) % Fixation Policy:

Loan to Value (LTV) % is fixed based on the circulars and directions issued by the Reserve Bank of India from time to time. The maximum LTV allowed now is 75% of the 30 days' average price of 22 carat gold declared by India Bullion and Jewellers Association Ltd.

5. Sanction of GoldLoan Limit:

In order to have an overall control over the sanction of loans to a single borrower and to ensure the need for having in-depth knowledge of the borrower who avails loans, the sanction powers for Aggregate Limit of Gold Loans are delegated to various authorities of the Company as given under:

Approval Matrix

Sanctioning level	Maximum Aggregate Loan Limit per Borrower (Rs.)
Branch Manager	8,00,000
Area Manager / Regional Manager	12,00,000
Zonal Manager	20,00,000
By Head Operations / CFO	30,00,000
HO Gold Loan Sanction Committee	Specific cases above Rs.30 Lakh up to Rs.50 Lakh to a single borrower duly recommended by BM, AM/RM and ZM shall be considered by a committee comprising of any two of CFO / Head Operations / Head Sales on submission of all relevant details well in advance (3 working days). Details required to be submitted are: 1. Field verification by AM/RM and ZM jointly with their recommendation. 2. CIBIL report of the customer. 3. Information on the business of the borrower such as ITR, Annual Return etc. if desired by the committee
Maximum limit per borrower	**Rs.50,00,000/-**

Limit is applicable on the aggregate of outstanding loan principal of the borrower and the proposed loans at that point of time. This shall be strictly enforced with system-enabled restrictions for various levels of sanctioning authorities.

Branch Manager: Up to Rs. 500000/-.
Area Manager : Above Rs. 500000 to Rs. 800000/-.

Zonal Manager: Above Rs. 800000 Rs. 1200000.
Head Office: Above Rs. 1200000 to Rs. 2000000.
(Mail is to be forwarded to Chief Financial Officer and Head (OP&RM) for processing.)

A limit on the individual borrower exposure at Rs. 20,00,000/- is fixed in normal cases.

6. Collecting copy of PAN Card:

A copy of the PAN Card shall be collected by the Company for all borrowers. who avail gold loan of Rupees five lakhs and above. Loans aggregating below Rs.5 lakh can be considered to a borrower who does not have PAN, on submission of declaration in Form 60 by the borrower.

7. Interest rates:

While fixing interest rates on Gold Loan Schemes, the Board of Directors of the Company or a Committee drawing power from the Board of Directors shall be governed by the following principles. In addition to cost factors set out hereunder, the Board or the Committee shall be guided by the market conditions and various rules and regulations, if any, prescribed by the Reserve Bank of India or such other competent authority from time to time.

Interest rates on Gold Loan shall always be expressed in simple (annualised) rates. Interest charged under various Gold Loan Schemes shall have the following components:

a. Basic Interest Rate
b. Risk Interest Rate
c. Additional Interest Rate

a. Basic Interest Rate

Basic Interest Rate represents the rate chargeable under every Gold Loan Scheme irrespective of the risk weight attached to the schemes or the type of scheme. Basic Interest shall be arrived at after considering the following aspects:

I. Cost of Working Capital Funds

This component represents the interest and other incidental charges payable by the Company for servicing the borrowed funds deployed by the Company. Major contributing factor to this component includes interest payable on Secured Non-Convertible Debentures and Subordinated Debts, Interest on Bank Borrowings and other incidental charges thereto.

II. Overhead Cost

This represents the Employee cost to the Company and other operating & miscellaneous overheads including all fixed and variable expenses, processing fee, intermediation fee and all incidental expenses.

III. Return on Capital Employed

After considering the above cost factors, the Board/Committee shall take into consideration a fair return on capital employed which is to be generated by the management for servicing the owners capital employed in the business.

Thus the basic interest rate will be fixed as a mark up on the current cost of funds. The current cost of funds for this purpose means the cost of borrowing of the relevant month including the incremental cost, if any, for borrowing and the overhead costs and a fair return on capital employed. For the purpose of market penetration and taking into account competition in the market, the basic interest rate in certain schemes will be fixed at rates with low mark up on the cost of funds with emphasis on regular monthly payment of interest.

b. Risk Interest Rate

Risk Interest shall be determined by taking into account the degree of risk involved in loans under each loan scheme. While the rate shall be the lowest for the schemes where advance amount vis-à-vis the weight of gold is the lowest, it shall be increased for schemes offering higher advance amount for the same weight. Further, irrespective of the scheme, the risk interest shall also be determined after taking into account the period of the loan and the defaulted period in payment of interest as the incidence of risk goes up with the passage of time.

c. Additional Interest Rate

Loans outstanding for more than the tenure of the loan can be charged additional interest in order to ensure adherence by the borrower to the terms and conditions on loan tenure and also to compensate for the extra effort to be taken on recovery. The Company may introduce gold loan schemes with upfront interest or schemes with minimum amount of interest and a specified lock in maturity period, duly acknowledged by the customer.

8. Other information:

The loan agreement shall contain the rate of interest due, risk interest for default in interest payment, and the rate of additional interest for payment of overdue loans for more than the tenure of the loan.

A copy of the loan agreement containing DPN and terms and conditions will be handed over to the customer at the time of granting the loan.

Interest rate structure applicable on loan accounts containing all details like comprising of basic rate, risk interest and additional interest, approach for gradation of risks etc. shall be displayed on the web site of the Company. Changes in these rates/details will be updated from time to time.

9. Ownership of gold ornaments pledged:

The customers will have to give a declaration in prescribed format showing the ownership details of the Ornaments which will contain the following:

Name, Address, Description of the ornaments offered for pledge such as Name of the items, Gross and net weight, How the ornaments were acquired, Name of the jewellery/ person from whom this was acquired and the period of ownership. If the ornaments are purchased from jewellery the customer can be requested to produce the bill wherever possible.

10. Insurance:

The gold ornaments pledged in the Company are kept in the strong rooms or safe with dual control at the respective branches where the pledge is made. Since the risk element is attached to this, the Company will ensure that adequate insurance coverage is in place against risks such as burglary, fire, special perils etc., The insurance coverage is to be reviewed on an ongoing basis and the enhancement, if any, required to cover the security as per the business growth of the branches are to be ensured.

The Company will also make adequate insurance arrangements to cover the gold and cash in transit as well as fidelity insurance.

11. Auction of the ornaments Pledged in overdue gold loans

The Company shall follow up with the borrowers for release of the pledged ornaments before putting the same in the auction list by sending registered notice reminding the borrowers. Even after putting the ornaments in the auction list, a further opportunity shall be given to the customer to get the pledged items released by all possible means of settlement.

(a) Criteria for Auctioning

The Company normally categorizes those pledges which are not released within the loan tenure and become overdue, as time barred pledges and the same will be put in the auction list. Such items will be sold by public auction as per the terms of this policy. Though normally the Company includes the accounts which are time barred pledges for auction, in periods where the gold price is on downward trend and the realisation of the loan dues is difficult the Company can start the auction procedures even before the accounts are categorised as time barred pledges, after giving proper prior notice to the customer. However this will be done only after a decision taken at the Management committee of the Company.

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(b) Intimation of auction.

If the loan is not settled by the customer even after receipt of the registered notice sent in respect of the time barred pledges, final auction intimation shall be given to the customer by registered post with acknowledgement due giving him another 15 days' time and intimating him of date and place of auction. This intimation shall contain the details of loan such as the loan number, date of loan, net weight of the ornament pledged, principal amount, interest, additional interest and other charges due from the customer, and total amount due. The Company shall keep the post office receipt towards proof of intimation/ notice to the customer.

(c) Auction Procedure

I. Registration:

The Company shall obtain registration under respective rules and regulations in force particularly under GST rules. All the terms and conditions prescribed under such rules/regulations shall be complied with.

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II. Auctioneers:

The gold ornaments pledged will be auctioned only through auctioneers approved by the Board.

III. News Paper advertisement.

The auction shall be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper well in advance before the auction. The auction list shall also be displayed at respective branch office(s).

IV. Venue of auction.

The auction shall be conducted in the taluka or town in which the branch that has extended the loan is located. The auction shall be made at the branch office of the company or at the venue mentioned in the auction notice situated within the taluka or town.

Gold jewellery from different branches in a district can be pooled and auctioned at any location within the district, subject to meeting the following conditions:

a) The first auction has failed.

b) The NBFC shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met as per RBI/2019-20/148 DOR.NBFC (PD).CC.No.108/03.10.001/2019-20 January 21, 2020.

V. Registers and records.

The Company shall maintain auction files in which all the necessary documents in respect of the auctions are filed. It shall be kept under the custody of a responsible officer of the Company. A separate attendance register showing the names and signatures of the bidders who have attended the auction shall be kept. A sale register shall also be kept in which details such as the name of successful bidder, weight of the ornament auctioned, Reserve Price, the price at which the ornaments are auctioned and the last bid price of the unsuccessful bidder are recorded.

VI. Auction on "as is where is basis".

The auction of the ornaments shall be done on "as is where is" basis.

VII. Inspection

The bidders shall have the right to inspect the ornaments before the auction in the presence of the authorised officer of the Company.

VIII. Reserve price

The Company shall fix a Reserve price for each lot to be auctioned. This price shall not be less than 85% of the previous 30 days average closing price of 22 carat gold as declared by India Bullion and Jewellers Association (IBJA) and value of jewellery of lower purity in terms of carat shall be proportionately reduced. The auction shall commence at a price above the reserve price. The bidder who quotes the maximum price above the reserve price shall be the successful bidder. The bid amount shall be inclusive of GST as applicable for the sale of gold ornaments in public auction.

Reserve price fixed for each lot shall be declared before commencement of the auction and recorded in the Attendance Register, Sale Register and the terms and conditions sheet signed by the bidders.

The successful bidder shall sign a consent letter towards payment of the bid amount finalised within the stipulated time.

IX. Proof of identity

The bidders shall produce proof of their identity in order to be eligible for participating in the public auction. Any one of the documents such as Aadhaar card, election ID card, Driving license etc., which are acceptable as identity document shall be accepted by the Company towards ID proof from the bidder. Such proof of identity shall be handed over to the auctioneer of the Company along with a copy of the same for Company records. A token will be issued by the Company duly signed by the auctioneer to each bidder, who alone will be permitted to enter the auction hall.
As a policy, the Company itself shall not participate in the auctions held.

X. Earnest Money Deposit

An amount of Rs.5,00,000/- is prescribed as Earnest Money Deposit (EMD) by those who wish to participate and bid at the auction. This amount can be paid by bank remittance (RTGS/ NEFT/IMPS) to the Company's bank account well in advance. The EMD is refundable to the unsuccessful bidders immediately after completion of auction to the credit of their Bank account. In the case of successful bidders EMD will be adjusted against bid amount due from them.

XI. Minimum payment on bid.

On the date of auction, successful bidders shall remit a stipulated percentage of the bid amount on the spot as decided and declared by the Company, if required so. The EMD already paid will be adjusted against the stipulated percentage remitted as above. The balance amount or the full amount (in case the spot payment is not stipulated) shall be paid within 3 working days.

In case, the successful bidder fails to deposit the stipulated percentage of the successful bid amount as declared by the Company, then the Company will have the right to forfeit the EMD amount towards the loss of the Company. In such case, the next highest bid may be considered for acceptance at the discretion of the Company.

XII. <u>Delivery of the ornaments</u>

The Company shall deliver the auctioned gold to the successful bidder on or after the date of deposit of the bid amount in full.

XIII. <u>Notice to the Borrowers</u>

A post auction notice with full details of the value fetched in the auction and the outstanding dues adjusted shall be sent to the customer. The notice shall contain details such as principal, interest, additional interest and other charges recovered as against the amount received in auction with place and date of auction conducted and the amount of deficit / surplus on account of the auction.

XIV. <u>Deficit on auction</u>

The Company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrowers in whose accounts there has been deficit.

XV. <u>Surplus on auction.</u>

Any amount over and above the loan outstanding shall be payable to the borrower. The amount realised on auctioning of the gold ornaments over and above the amount due from the borrower, shall be treated as auction surplus. The amount of loss, if any, incurred in the auction of the ornaments pledged by the same borrower previously shall be adjusted from the auction surplus. Of the balance amount, the auction surplus of borrowers who are having outstanding gold loans will be credited to those existing accounts under intimation to them. Remaining surplus amount shall be transferred to a separate Bank account and cheques will be issued in the names of the borrowers and forwarded to their address.

d) <u>Disclosure in Annual reports</u>

The Company shall disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.

12. <u>Systems and Procedures to deal with fraud in gold loans:</u>

The Company is dealing mainly in granting of gold loans after accepting the gold ornaments from the customers for pledge. Gold being an asset liquidity of which is high, the chances for fraud is comparatively more than other articles received as security. Hence a system should be in place to take preventive measures to check fraud as well as measures to deal with the frauds once happened.

The frauds can be of the following categories:

1. Frauds Committed by borrower.
2. Frauds committed by the staff members.
3. Frauds committed by the staff in connivance with the customers or outsiders.

Company will take the following measures in order to detect/ prevent the frauds:

1. Persons with NBFC experience and trained in gold appraisal shall be given preference in recruitment.
2. The staff new to the field will be given adequate on the job training before entrusting the work of appraisal.
3. The duties such as cash handling, gold appraisal, system entry and loan sanction will be handled by different staff.

4. The gold ornaments accepted for pledging will be additionally appraised by the Branch Manager.
5. The ornaments pledged will be kept under the joint custody of the branch Manager and the joint custodian of each branch and the strong room will be operated by them jointly.
6. The gold ornaments pledged will be inspected by the gold inspectors on periodical intervals and there will also be surprise checks in between the regular gold inspections.
7. The correctness of the physical cash maintained at the branch will be checked by the gold inspectors, internal auditors as well as by the Area and Zonal Managers on their visits to the branch.
8. The ornaments checked by the gold inspectors will be sealed with a bar code control and the bar code will be entered in the software.
9. Periodical branch audit by the internal auditors are arranged to verify adherence to the systems and procedures as also the instructions given by the corporate office to the branches by circulars and other communications.
10. The vigilance officers will initiate legal actions and take steps to recover our dues in cases of frauds detected.

B. GRAMIN SHAKTHI LOAN.

1. Overview

The Gramin Shakthi Loan (GSL) is given to such individuals of the society, who are engaged in small scale businesses, but are currently dependent on informal sources of funding. This loan shall enable them to increase the scale of their business, thus improving their quality of life.

Keeping this in mind, we designed a new product named Gramin Shakthi Loan (GSL), which is customized to meet applicants' financial needs that can make the difference to their bottom line.

2. Objective

Gramin Shakthi Loans help the individuals to mitigate their difficulty in meeting business requirements or to raise working capital funds. Gramin Shakthi Loans sanctioning will be based on level of business, but meet business requirement of running/new small business.

3. Loan Features

- Secured Loan.
- Business loan.
- Personal Purpose.
- Loan to Self Employed Persons

4. Purpose

- Meeting working capital needs.
- Acquiring assets for business/professional needs.

5. Eligibility

- Regular income with capacity for repayment of the loan with interest.
- Persons mainly engaged in buying and selling of goods/commodities either as retailer/wholesaler.
- Self-employed persons with regular income engaged in service sector.

6. Loan Amount

- Rs. 25000/- to Rs. 1,50,000/- (Fixed based on Activity & level of business)

7. Interest Rate

- The interest rate is @ 25 % PA (diminishing rate)

8. Loan Tenure/Repayment

- 12 to 24 Months
- Repayable in equated weekly/monthly instalments commencing from one week/month after disbursement.

9. Security

- Demand promissory note
- Hypothecation of goods/stock/equipment/machinery
- Personal guarantee of close relatives/persons acceptable to the Company

10. Loan Charges

Insurance Coverage

Life insurance coverage of all borrowers and their eligible spouses shall be arranged from a reputed Insurance Company.

11. Loan Processing Fees

A non-refundable processing fee amounting to **1.6 % + GST** of the loan amount is charged for each loan.

C. MICRO FINANCE LOAN.

The micro finance loans are given only to the members enrolled in the microfinance program of the Company.

A. Loan Type

The following types of loans are offered:

1. Income Generation Loans (IGL)

IGL loans are offered for starting or expanding an income generation activity by the member or her family. This is compulsorily the first loan offered to a member enrolled in the microfinance program.

2. Mid Term Loan (MTL).

MTL loans are booster loans offered to existing loan clients of microfinance program. They are offered between 20th and 26th week from disbursement of IGL loans

3. Income Booster Loans (IBL)

IBL loans are booster loans offered to existing loan clients of microfinance program. They are offered between 30th and 36th week from disbursement of IGL loans

4. Consumer Loans (CL)

Loans are offered to existing microfinance customers to purchase the following items:

(i) Quality consumer appliances to improve their quality of life.
(ii) Insurance products from approved insurance companies.

5. Education Loans (EL)

EL loans are offered to existing loan clients of microfinance program to support the school education of their children.

6. Festival Loans (FL)

FL loans are offered to existing loan clients of microfinance program to help them celebrate important festivals

B. Interest Rate Norm

The interest rate will be determined by the Board from time to time taking into account relevant factors such as cost of funds, margin, risk premium and other relevant factors.

Interest Rate shall be fixed at reasonable rate covering cost of funds, risk premium, margin, etc. in terms of the quantum of each component based on objective parameters.

A ceiling on the interest rate and all other charges shall be fixed at 28% per annum based on the above parameters.

Interest shall be calculated on weekly diminishing balance based on predetermined weekly repayment schedule.

C. Loan Tenure

The maximum loan tenure for the loans is 52 weeks in the initial year and could be 104 weeks from second year onwards

D. Various Loan Charges

- **Loan Cover Insurance Fees**

  Insurance premium for the member and the guarantor of the loan charged by Insurance Company is payable by the borrower.

- **Loan Processing Fees**

  A non-refundable processing fee as a percentage of the loan amount as decided by the Management Committee from time to time is charged for each loan.

E. Recovery Procedure

1. The regular loan recovery will take place in the center meeting of the loan client
2. The recovery can be solicited at client's work place or home only if she does not come for repayment at the center meeting for two or more successive weeks
3. No physical or mental abuses shall be used against any of our member for loan recovery

F. Other conditions

1. The KYC documents of the borrower Viz. Photo, copies of Identity proof, Address proof after verification with the originals are obtained.
2. The annual house hold income of the member shall not be higher than Rs.3,00,000/-
3. Only 30% of the total loans would be offered to non-income generating purpose.
4. All loans would be sanctioned after verifying the credit worthiness and repayment obligations of the customer through Credit Bureaus (CB). There should not be any repayment arrears.

The computation of loan repayment obligations shall take into account all outstanding loans of the household with all financial institutions. The outflows are capped at 50% of the monthly household income which shall include repayment of principal and interest towards all existing loans including the loan under consideration.

5. The maximum total loan offered to a member in the 1st year is Rs.60,000 and from 2nd year onwards it is Rs.65,000/-.
6. No collateral shall be collected from members against the loans.
7. The loans will be sanctioned at the branch in the presence of the Field Officer who sources the loan by the reporting manager or a higher authority.
8. A moratorium equalling the frequency of the repayment would be there between the loan disbursement date and the first instalment payment date.
9. There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
10. The loan document will have all the clarity required by the member with regard to the terms and conditions of the loan.
11. All documents which are acknowledged by the members shall be in vernacular language.

12. An acknowledgment receipt shall be issued to the members while collecting the loan application, which shall reflect the requested loan amount, loan charges, loan ID etc and also shall give the expected time period to sanction the loan.
13. A loan card shall be provided to the borrower which shall incorporate the following:
    (i) Information which adequately identifies the borrower;
    (ii) Simplified factsheet on pricing;
    (iii) All other terms and conditions attached to the loan;
    (iv)Acknowledgements by CCIL of all repayments including instalments received and the final discharge; and
    (v) Details of the grievance redressal system, including the name and contact number of the nodal officer of CCIL.
14. A separate receipt shall be given in the center, which shall reflect the summary of all the transactions that have taken place in the center in the particular meeting.
15. The interest and fee structure of each loan and the contact details of the grievance redressal officer would be displayed on the notice board in the branches. The interest and fee structure shall be displayed on the company website also.

D. CONSUMPTION LOAN

G. Overview

The Consumption Loan (CL) is given to self-employed individuals of the society, who are having regular income with capacity to repay the loan with interest. CCIL consumption loans are easy-to-get, quick and convenient. Customers can use a consumption loan for a variety of purposes, including personal expenses, travel, wedding expenses, home renovation, in a medical emergency, or to buy a gadget, insurance products or home and kitchen appliances for improving the life style.

CCIL provides consumption loans with hassle-free documentation and quick disbursals. Customers can get loan disbursed in just one week.

Besides speedy and transparent processing, CCIL offers a host of other benefits on its consumption loans including flexible tenures and competitive interest rates.

H. Objective

Consumption Loans help the individuals to mitigate their difficulty in meeting regular and occasional fund requirements for variety purposes. Consumption Loans sanctioning will be based on customer credit history with CCIL and repayment capacity.

I. Loan Features

- Personal Purpose.
- Unsecured loan.
- Loan to Self Employed Persons.

J. Purpose

- Meeting regular and occasional fund requirements for variety purposes.

K. Eligibility

- Existing customers of Chemmanur credits and Investments limited with good repayment track record.

- Regular income with capacity to repay the loan with interest.

L. Loan Amount

- Maximum of Rs. 25,000/- (Loan amount sanctioned based on purpose)

M. Interest Rate

The interest rate shall be capped at 28% pa (diminishing rate)

N. Loan Tenure/Repayment

Loan tenure shall be for 6 Months to 24 Months. Loan is repayable in equated weekly/monthly instalments commencing from one week/month after disbursement.

O. Security

Demand promissory note

Personal guarantee of close relatives/persons acceptable to the Company

P. Loan Charges

a. Loan Cover Insurance premium

Life insurance coverage premium shall be secured from a reputed insurance company to cover the life of all borrowers.

b. Loan Processing charges

A non-refundable processing charges amounting to **1% + GST** of the loan amount shall be charged for each loan.

E. <u>SMALL LOAN.</u>

A. Overview

Small Loans are intended for eligible customers, who are having regular income with capacity to repay the loan with interest. Small Loans are easy-to-get, quick and convenient. Customers can use this loan for emergency requirements including personal expenses, travel, wedding expenses, home renovation, in a medical emergency, or to buy a gadget, insurance products or home and kitchen appliances for improving the life style.

CCIL provides Small Loans with hassle-free documentation and immediate disbursals. Customers can get loan sanctioned within two days' time.

CCIL can easily capitalize short term, small ticket loan demand in the market.

B. Objective

Small Loans help the eligible customers to mitigate their difficulty in meeting emergency fund requirements for various purposes.

C. Loan Features

a. Purpose

Loan shall be granted for meeting emergency fund requirements for various purposes.

b. Eligibility

Borrower shall have regular income with capacity to repay the loan and interest.
Existing customers with good track record shall have priority.

c. Loan Amount

Rs. 3,000/- to Rs. 1,00,000/- based on the customer request and the repaying capacity.

d. Loan Tenure / Repayment

Loan tenure is 90 days considering the short term nature of the loan.
Loan can be prepaid at any time without any pre-closure charges.

e. Interest Rate

Interest Rate shall be capped at 28% p.a.
Additional interest @ 3% pa will be charged for overdue period beyond due date.

f. Loan Sanction

Loans shall be sanctioned based on verification and recommendation by the Branch Manager.
Approval shall be by authorised officials in Head Office.
In the case of existing customers, repayment history will also be taken into account.

g. Security

Unsecured loan

h. Documentation

Demand Promissory Note and Loan Agreement.

i. Fees / Charges

Nil

2) OTHER AREAS:

1. KYC Verification and Risk Categorisation:

The Fundamental and primary objective of this is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. Other major objectives are noted below:-

a) To lay down criteria for acceptance of customers
b) To establish procedures to verify the identification of customers.
c) To establish processes and procedures to monitor high value transactions and suspicious transactions.
d) To conduct due diligence in respect of customers and reporting of transactions wherever necessary.

2. **Definition of Customer**

For the purpose of our KYC policy, a Customer means a person as defined under RBI policy as amended from time to time. Presently customer includes:-

- A person or entity maintaining a business relationship with the Company.
- A person on whose behalf the relationship is maintained.
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company.

3. **Customer Acceptance Policy ("CAP")**

All customers are required to fill in the KYC details on the application form, to capture the relevant data for all categories of customers and provide supporting documents as given in the forms as a part of customer identification process.

4. **Customer Identification Procedures ("CIP")**

CIP means identifying the customer and verifying his/her identity by using reliable source documents, data or information. The Company shall obtain sufficient information necessary to verify the identity of each customer whether regular or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perceptions in respective cases.

5. **Documents required.**

For Individuals			
Sl No.	Proof of Identity (Self-attested copy of any one of the following)	Sl No	Proof of Address (Self-attested copy of any one of the following)
1	Passport	1	Pass port
2	PAN Card	2	Telephone Bill
3	Voter's ID	3	Electricity Bill
4	Driving License	4	Bank Account statements (not more than 3 months old)
5	ID card issued by any central/state Govt	5	AADHAAR
6	Aadhar issued by Unique Identification Authority of India		

Periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation.

6. **Monitoring and reporting of Transactions:**

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attention will be paid to complex/unusual transactions and transactions falling outside the regular/pattern of activity. Background of the customer, sources of fund and risk factors will be monitored. Higher risk accounts shall be subjected to close and detailed monitoring. After due diligence, transactions of suspicious nature will be reported by the principal officer to Director, Financial Intelligence Unit- India (FIU_IND). The role and responsibilities of the Principal Officer for KYC/ AML/ CFT (s) should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made there under, as amended form time to time.

7. **Risk Management**: All customers would be included under this policy. Customers will be categorized based on perceived risk, into three categories - A, B & C for High, Medium and Low risk. None of the entities will be exempted from KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception.

A. High Risk -Category A.
(a) Partnership Firms with sleeping partners
(b) Non face to face customers and
(c) Person with dubious reputation

B. Medium Risk – Category B.
(a) HNIs
(b) NRIs
(c) NGOs, Trusts, Charitable Organizations, Organizations receiving donations

C. Low Risk – Category C
Individuals (other than HNIs and entities whose identities and sources of wealth can be easily identified and all other person not covered under above two categories).

8. **Training.**

The Company regularly trains its employees so that the employees are adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

CMD/CEO will be authorized to amend/modify the KYC/ AML/ CFT Policy or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments from time to time.

9. **General**

Information collected from the Customer shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. These details shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required.

3) Fair Practices

The Company has framed its Fair Practices Code (FPC), which is in tune with the guidelines Issued by The Reserve Bank of India from time to time. The code prescribes fair practice Standards while dealing with the customers and to serve in the best interests of the Company. The Code is applicable to all aspects of operations of the Company. It shall be company policy to make its services available to all qualified applicants without discrimination of any kind and to treat the customers fairly. We offer all sorts of assistance and encouragement in a fair, equitable and consistent manner.

The Company is committed to ensure that the charges are properly and timely informed to the existing and prospective borrowers. Disputes, if any, will be resolved by the Grievance Redressal Mechanism set up within the Company. Company shall ensure employee accountability at all levels of the operations. The Board and senior management will be responsible to ensure company's commitment to fair and reasonable practices as also to ensure high quality services to the clients.

The Company shall ensure the fair practices in all its operations. This will be applicable irrespective of the fact that the service is provided at branches or head office or over phone or by email.

4. Prudential norms on Asset classification

Overdue : An amount is to be treated as overdue if it is not paid on the due date fixed by the company.

Company shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its loans and advances and any other forms of credit into the following classes, namely:

i. Standard assets;
ii. Sub-standard assets;
iii. Doubtful assets; and
iv. Loss assets.

"Standard Asset" means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;

"sub-standard asset" means:

1)an asset which has been classified as non-performing asset for a period not exceeding 18 months;

2) an asset where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled or restructured after commencement of operations, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms:

Provided that the classification of infrastructure loan as a sub-standard asset shall be in accordance with the provisions of paragraph 27 of these Directions;

"doubtful asset" means:
a) a term loan, or
b) a lease asset, or
c)a hire purchase asset, or
d)any other asset,

which remains a sub-standard asset for a period exceeding 18 month

"loss asset" means:

a)an asset which has been identified as loss asset by the Non-Banking Financial Company or its internal or external auditor or by the Reserve Bank of India during the inspection of the Non-Banking Financial Company, to the extent it is not written off by the Non-Banking Financial Company; and

b)an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower;

"non-performing asset" (referred to in these Directions as "NPA") means:

a) an asset, in respect of which, interest has remained overdue for a period of six months or more;

b)a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more;

c)a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more;

d)a bill which remains overdue for a period of six months or more;

e)the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/ advances, which facility remained overdue for a period of six months or more;

f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more;

g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more;

h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/ beneficiary when any of the above credit facilities becomes non-performing asset:

Provided that in the case of lease and hire purchase transactions, a Non-Banking Financial Company may classify each such account on the basis of its record of recovery;

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

<u>Provisioning requirements</u>

Company shall, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets as provided hereunder:

Loans, advances and other credit facilities including bills purchased and discounted-

The provisioning requirement in respect of loans, advances and other credit facilities shall be as under:

(i) Loss Assets	The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding should be provided for;
(ii) Doubtful Assets	(a) 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the non-banking financial company has a valid recourse shall be made. The realisable value is to be estimated on a realistic basis;
	(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. Estimated realisable value of the outstanding) shall be made on the following basis:-
Period for which the asset has	Per cent of provision

been considered as doubtful	
Up to one year	20
One to three years	30
More than three years	50
(iii) Sub-standard assets	A general provision of 10 per cent of total outstanding shall be made.

Provision for standard assets

Company shall make provision for standard assets at 0.25 percent of the outstanding, which shall not be reckoned for arriving at net NPAs. The provision towards standard assets need not be netted from gross advances but shall be shown separately as ‘Contingent Provisions against Standard Assets’ in the balance sheet.

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