

MUTHOOT MONEY LTD - LOAN POLICY

I. POLICY FOR "LOAN AGAINST GOLD JEWELLERY"

Product:

To provide loans to customers against pledge of gold jewelry as collateral security.

Nomenclature and tenure of the loan

Nomenclature:

The loan is given as a demand loan.

Tenure of the loan

All gold loans are sanctioned for a maximum tenor of 12 months unless otherwise specified under a particular scheme.

Eligible customer:

Any individual who is the lawful owner of the Gold Jewellery offered as security as per the declaration of ownership submitted by him and fulfilling the KYC norms as per RBI guidelines.

Purposes:

The loan can be extended to anyone who is having short term fund requirements like working capital for establishment/ expansion of business activity or meeting personal liquidity requirements or domestic needs including medical expenses etc. Loans shall not be used for any speculative or illegal or unlawful purposes violating the laws of the Country.

Quantum of finance:

Quantum of finance will be decided on the basis of net weight of gold of 22 carat ornaments tendered as security, its purity and subject to RBI guidelines issued from time to time regarding loan to value.

Minimum loan amount per pledge: Minimum amount of loan per pledge would be Rs.1500/- subject to the conditions that a) minimum weight of gold offered for pledge should be 1 gram (net weight) and b) minimum 25% of the eligible loan amount should be availed.

Quantum and purity of gold that can be pledged and deductions to be considered

The minimum net weight of gold jewellery that can be considered for pledge is one gram. The ornaments shall be of minimum 22 carat purity. The weight of pearl, diamond, coral or any other stone or foreign material other than gold contained or forming part of the ornament irrespective of its value shall be deducted from the gross weight of the ornaments to arrive at the net weight for calculating the eligible loan amount.

Interest and charges:

Interest and other charges to be levied shall be governed by the interest rate policy adopted by the Board. The Board, or a committee empowered by the Board shall review the interest rates and other charges periodically and approve necessary revisions as per the business requirements. Any revision in interest shall only be with prospective effect.

Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The interest rates shall be decided based on the cost of funds, and also gradation of risk, the underlying principle being higher the risk higher the interest, within the ceiling rate decided by the Company. No loan shall be granted at a rate of interest less than the average cost of funds of the Company without the specific approval of the Board.

The interest shall be calculated for the actual number of days the loan remains outstanding from the date of loan disbursement to the date of closure. However, if the borrower closes the loan within 7 days from the date of disbursement, then a minimum interest for 7 days shall be payable for gold loan schemes where the minimum effective interest rate is more than 11%. For gold loan schemes with minimum effective interest rate is 11% and below, a minimum interest for 15 days

shall be payable, if the borrower closes the loan within 15 days from the date of disbursement.

If the amount of interest so calculated is less than Rs.50/- then a minimum interest of Rs.50/- will be charged. A rebate in interest rate may be provided for encouraging timely repayment of interest or closure of the loan on or before the specified tenor as per different slabs built into each scheme.

For the purpose of calculation of interest, a year will be reckoned as 365 days. Interest will be calculated on monthly compounding basis.

If the due date for payment of interest falls on a Sunday/Holiday, the Company may, at its discretion, allow the borrower to pay interest on the next working day without slab change, treating the intervening Sunday/Holiday as grace period.

Penal interest:

In the event of failure on the part of the borrower to repay the loan along with interest and other charges on the due date or within the grace period permitted, penal interest as decided by the Company from time to time and intimated to the borrower upfront shall be charged over and above the regular interest for the period the loan remains outstanding over and above the due date.

Other charges

In addition to interest the Company may levy other charges as below. The rate at which such charges are to be levied shall be decided by the Board or a Committee empowered by the Board for fixing interest rates and other charges.

1. Security Charges
2. Processing charges
3. Service Charges
4. Documentation Charges
5. Notice Charges
6. Charges for lost tokens
7. SMs Charges
8. Auction expenses
9. Cheque re-issue charges
- 10..Dormancy charges
- 11.Part release charges
- 12.Transaction charges (under specified schemes)

13. Any other charges as decided by the Board or the Committee empowered by the Board which will be intimated to the customer upfront.
14. Stamp duty will be collected in States where it is mandated as per the Stamp Act/State government directives.

Documentation:

1. Loan Application
2. Demand Promissory Note and take delivery letter.
3. Terms and Conditions Letter, which also includes declarations and undertakings by the borrower and acknowledged by him and any other documents that may be specified by the Company.

3. Consent to obtain Aadhaar details for authentication with UIDAI for “eKYC” purpose.

Any one or more of the following Officially Valid Documents (OVDs) specified by RBI as address/ID proof for completing the KYC of the customer.

Identity Proof: Passport/PAN/Driving License/Voter ID card/Ration Card/ Aadhar Card or any other identity card issued by a government authority, PSU or nationalized bank, containing the photograph of the customer

Address proof: If any of the documents taken as identity proof also contains the address of the borrower, no separate address proof will be insisted upon. In other cases, the following documents will be taken towards address proof:

Ration card/latest electricity/landline telephone bills/bank passbook/bank/ Aadhar Card or any other documents issued by a government authority, PSU or nationalized bank, containing the address of the customer

Jewellery Handling:

- Gross weight of the jewellery to be taken and appraised for assessing the purity. Purity Check shall be conducted as per the various methods prescribed by the Company to make sure that the jewellery offered for pledge is of an acceptable level of purity.
- Net weight of the jewellery to be arrived at after deducting the weight of stones embedded in the ornament completely disregarding the value of such stones. Appraiser to sign the appraisal form as proof of having done the appraisal.

- Jewellery to be packed securely along with the weight slip and kept in the strong room/safe.
- Separate packets to be prepared for each loan.

Ownership of gold:

Before disbursement of the loan, branch executives should enquire with the customers about the ownership of the jewellery being pledged for loan and the loan should be granted only after they are convinced about the genuineness of the ownership of the gold ornaments by the borrower and his capacity to own that much quantity of gold. Related authenticated information regarding ownership of gold jewellery offered as security for the loan are collected from the customers.

In cases where the weight of the gold jewellery pledged by a borrower at any one time or cumulatively for various loans outstanding in his name is more than 20grams, the declaration should also contain an explanation specifically as to how the ownership was vested with the customer(For eg. Inherited, received as gift, purchased etc).

Pledge by third party for raising loans on behalf of the customer will be allowed only on the strength of Notarized Power of Attorney.

Issuance of Certificate of Purity

A certificate of purity of the gold jewellery pledged as security for the loan will be incorporated in the Sanction Letter given to the borrower for the limited purpose of determining the maximum permissible loan and arriving at the reserve price for auction.

Only gold jewellery of 22 carat will be accepted as security for the loan. However, in case the purity of the jewellery is found to be less than 22 carat, an option can be exercised by the Company, at its discretion, to translate the weight of the gold by converting it into proportionate weight of 22 carat gold and state the exact grams of the gold available as security accordingly.

Since the purity certificate is issued purely based on the averments and declaration given by the borrower and the standard methods of verification adopted by the Company and in the absence of any fool proof method of assessing the purity of gold, no disputes/claims based on the certificate issued in this regard will be entertained by the Company.

Loan to Value

The ceiling rate for granting the loan conforming to the guidelines issued by RBI from time to time as also the rate per gram under each scheme shall be centrally updated in the CBS in a non-editable format and advised to Branches periodically.

Change in rate of interest and schemes will also be updated in the CBS in the same manner and intimated to branches periodically from Head Office.

Renewal of Loans

Renewal of gold loans will be permitted ensuring sufficient cash flow from the borrower and subject to the following conditions:

- 1) The existing loan should be closed by repaying the entire principal and interest up-to-date
- 2) The eligible loan amount for the new loan will be calculated as per the LTV prevailing on the day. Shortfall in the principal amount/interest, if any, will have to be remitted by the borrower.

However, there could be instances where the loan proceeds on renewal as per the current LTV will be sufficient to take care of the liability towards closing the existing loan and there may not be any real cash flow. With a view to monitoring such accounts more closely considering the higher risk they pose in a falling gold price scenario, the following options will be examined in the case of such large value loans at the time of sanction. .

- 1) Sanctioning such loans for a shorter tenure
- 2) Sanctioning the loan at a reduced rate of LTV

The overall gold price scenario and the steps taken to mitigate the risk posed due to renewal of accounts without cash flows during the quarter will be discussed in the Risk Management Committee meetings

To contain the overall risk arising out of renewal of loans without sufficient cash flows towards closing the earlier loan, the aggregate amount of such renewed loans will be restricted to 40 % of the gold loan portfolio of the Company.

Safety Measures-

Utmost care is to be taken to ensure the safety of the ornaments pledged by the customer. With this in view the following arrangements shall be in place in all the Branches.

1. Strong rooms or FBR safes.
2. Armed guard(s)/watchman at vulnerable Branches as decided by the Company.
3. Burglar alarms, Closed Circuit Cameras and such other devices as deemed necessary shall be installed in vulnerable Branches.
4. Insurance cover against burglary/fire/natural calamities or such other risks the Company may decide to insure against.

The adequacy of the safety measures put in place as also the insurance cover shall be reviewed on an ongoing basis.

Items not to be considered for accepting as security for the loan.

- Melted bar /Primary Gold
- Jewellery of a temple/church or any religious institutions.
- Item specified by the Company in the negative list updated from time to time.
- Items where the borrower is unable to give a proof or declaration of ownership.
- Items which are not permitted to be taken as security by RBI

Release of Jewellery:

Jewellery shall be released to the same customer on receipt of full dues including the principal, interest, penal interest and other charges, if any. Release, whether partial or in full can be done only after verification of signature, original KYC documents and customer copy of the original pawn ticket (Token). If token is lost indemnity in stamp paper of required value to be obtained before release of jewellery. In case the customer is deceased, the ornament will be delivered to the legal heirs as per the procedure stipulated by the Company for settlement of Deceased Loan accounts

Fraud Prevention

All kinds of fraudulent activities or attempt to defraud, whether it is by the employees or outsiders, must be brought to the knowledge of the Management as soon as it is detected for proper action as per company guidelines.

Spurious Gold/Stolen gold.

On finding Spurious or stolen gold pledge attempt, following steps shall be taken by the branch

Attempt by any suspicious customer trying to pledge stolen /spurious jewellery should immediately be reported to the Chief Vigilance Officer at Head office and the Vigilance Officer at the Regional Office and to the local police.

Inspection:

All Branches will be periodically inspected and audited by internal audit staff at intervals specified by the Company. The audit Department will, at random, verify the quantity and purity of gold ornaments accepted by Branches for pledge. They will also audit various accounting procedures followed at Branches and ensure that the circular instructions issued by the Company from time to time are strictly being adhered to.

Auction:

If the loan account is not closed on completion of tenure and even after sending reminders through SMS, notices/Registered notices at frequencies stipulated by the Company, the ornaments will be auctioned after giving a minimum of 14 day's prior notice by way of an auction notice sent by an authorized auctioneer. The auction will be announced to the public through advertisements published in at least 2 newspapers, one in vernacular language and another in a national daily newspaper. Muthoot Money Ltd, its Group Companies and its other related entities will not be allowed to take part as a bidder in auction to ensure that there is an arms length relationship in all transactions during an auction process. The borrower, if he chooses, can participate in the auction process complying with the conditions stipulated by the Company/auctioneer.

The proceeds of auction, net of auction related expenses and incidental charges shall be appropriated towards the loan outstanding. The Company may decide to recover the shortfall, if any, after such appropriation by resorting to various steps including legal action. Excess, if any, shall be refunded to the customer. GST as applicable will be recovered.

Staff Training:

All the employees, as soon as they are inducted into the Company shall be trained on methods of assessing the purity of the ornaments. Refresher programme will be conducted to keep them updated.

Sourcing and Recovery

Sourcing and recovery shall be by MML branches. If found necessary services of outside agencies can be availed.

Asset Classification and income recognition

Asset classification and income recognition in case of all loans sanctioned under the various schemes formulated to cater to different segments, will be as per the norms prescribed by Reserve Bank of India from time to time.

Ancillary Business

The Company may, with a view to augmenting its non-fund based income, enter into arrangements with any Company or entity for selling Insurance, Mutual fund or any other products, strictly within the norms prescribed by the regulators in the respective area and those stipulated by Reserve Bank of India from time to time. .
