jmj Finance Ltd.

LOAN POLICY

Approved by Board of Directors in their meeting held on 16th December 2019

Revised by Board of Directors in their meeting held on 8th February 2022

Revised by the Board of directors in their meeting held on 11th March 2024

Revised by the Board of directors in their meeting held on 18th May 2024

Revised by the Board of directors in their meeting held on 2nd September 2024

Revised by the Board of directors in their meeting held on 25th November 2024

A. INTRODUCTION

Extending credit facilities to customers is one of the important functions of the Company. The Company has to mitigate risk involved in appraisal and disbursement of loans and build a healthy credit portfolio to maximise the returns of the Company. This loan policy is expected to guide the Company in ensuring profitability and stability in operations relating to appraisal, disbursement and recovery of loans. The objectives of the lending policy are to –

-To address the genuine credit needs of the existing customers /prospective customers in maximum profitable manner and at low costs.

- To ensure clear cut classification of loan assets

- To ensure balance between loan disbursements, quality of assets and operating profits of the Company and achieve sustained growth.

- To lay down internal controls and other risk management practices/systems to monitor credit disbursement and recovery on a continuous basis.

- To improve the skills set of the employees and officers connected with loan portfolio at various levels.

- To protect the collaterals pledged with Company from all possible losses.

- To ensure that socio-economic obligations cast upon the Company are fully met.

- To ensure maximum utilisation of Company's resource for achieving objectives of the Company.

- To ensure compliance of guidelines/directives issued by the RBI/Government authorities on credit matters, from time to time.

B. Scope

This policy would cover main aspects of credit appraisal, sanction and disbursement for all credit related exposures, fund and non-fund based and prescribes acceptance criteria for all forms of credit dispensation. Also the policy will be a basic document for imparting knowledge to all staff along with other policies/rules laid down by the Company. All the employees and staff engaged in departments relating to loan appraisal, sanction and disbursement shall be under duty to read, understand and comply with guidelines laid down in this policy along with NPA policy, interest rate policy, Fair practice code, customer grievances policy and other company policies, as the case may be.

C. Revision

The policy shall be reviewed /revised/renewed from time to time, to adapt to the changing environmental demands and to incorporate and implement any changes in the credit strategy of the Company, with the approval of the Board/Committee of Board.

D. Customer Acceptance policy:

a. Account opening and identification

The Company shall ensure that -

i.No account is opened in anonymous or fictitious/benami name.

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ii. Parameters of risk perception are clearly defined in terms of the nature of business activity, location of the customer and his clients, mode of payments, volume of turnover, social and financial status, etc. so as to enable the bank/FIs in categorizing the customers into low, medium and high-risk ones.

iii. Documents and other information to be collected from different categories of customers depending on perceived risk and the requirements of PML Act, 2002 and instructions/guidelines issued by Reserve Bank from time to time.

iv. Not to open an account where the Company is unable to apply appropriate customer due diligence measures, i.e., the Company is unable to verify the identity and /or obtain required documents either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. The bank/FI may also consider closing an existing account under similar circumstances.

v. Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practice of banking.

vi. The Company branch shall have suitable systems in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanction lists circulated by the Reserve Bank.

b. Restrictions/Prohibition on lending to certain categories of customers/sectors

i. **Loan to staff members**: The Company may grant gold loan to staff in case of personal urgency. Loans to staff members shall have same terms and conditions applicable to common public. Any deviation in terms shall require approval of Managing Director/ Wholetime Director/ Board of Directors. Unpaid amount of interest or principle or both shall be recovered from the salary account of the employee/staff subject to HR policy and terms and conditions of the scheme.

ii. **Loans to borrowers in "black list"** or having history of pledging spurious/stolen gold ornaments or has a background of financial fraudsor who has deliberately tried to cheat the Company and created any loss to the Company, shall not be sanctioned. The Company shall electronically and/or physically maintain an updated list of customers identified by the Company as "persistent defaulter" or "blacklisted"/ "Caution" customers. The Company may also check whether the customer is blacklisted or identified as caution customer by any credit agencies/ government/competent authorities. Where the Company officials fails to identify at the first instance, but realises that the customer is a person with such a background, then procedures for freezing or blocking of customer ID of that person shall be initiated by the concerned officer. Relevant clauses of auction policy, fair practice code and NPA Policy shall be referred for more clarity.

iii. Loans to persons/customers having higher than normal risk shall be avoided/reduced. Eg. Loans to goldsmiths, Jewellery owner etc or any other persons.

The staff shall refer to Company's respective policies on customer acceptance, KYC and fair practice code for more information in this regard.

E. Loan schemes, application and related documents (All types of loans)

1. All Loan schemes shall be devised in conformity with the loan policy, credit Policy, interest rate policy, NPA policy and fair practice code of the Company and also directives of RBI as applicable to the Company, from time to time.
2. To maximum possible extent, documentations and all communication shall be in a language understood to the customer (to be specific, Vernacular language).
3. An acknowledgement shall be provided for receipt of application

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4. The concerned officers/staff of the Company shall ensure that they have obtained duly filled in and signed loan application with requisite information and attachments from loan applicants.

5. Each loan application shall have a unique number for identification purposes. Documents as per KYC compliance shall be collected at the time of creating unique customer id. KYC norms as per RBI guidelines shall be followed in this regard.

6. Loan application and related documents shall be prepared as per the Fair Practice Code and KYC Policy of the Company. However, gold loans duly filled and signed and is complete with regard to particulars/attachments shall be processed and sanctioned without much delay i.e.on the same day.

7. Loan schemes and its suitability to the customer's requirements shall be explained to the prospective borrower and all assistance for selecting the right scheme/product shall be offered by the concerned officers/staff.

8. A valid pledge and charge shall be created over the security pledged after physical verification of security as per Fair practice code and applicable clauses of this policy. Suitable clauses shall be inserted while drafting the loan documents/agreement and the signature of the Customer/applicant shall be obtained before disbursement of loan.

9. The major problem faced by the staff/officers while determining title/ownership to property or gold given as security could be reduced by obtaining collection of relevant documents proving ownership and title eg.bill of purchase, undertaking mentioning ownership/title, written authorisation to effect pledge on behalf of rightful owner, compliance with kyc procedures, interaction of clients, investigation on background of the customer etc. The staff/officers shall ensure the interaction is done in such a way to ensure genuinity and it should not look like embarrassment or serious questioning procedure. Required training shall be given to the staff/officers in this regard.

10. The officers/staff shall ensure that they issue loan sanction letter (Pawn Ticket) in duplicate, upon sanction of loan. The sanction letter shall contain the terms and conditions of the loan. A sanction letter shall serve as a document indicating application process, security appraisal process and sanction process is duly completed. An acknowledged copy of the sanction letter shall be kept along with loan application for record keeping and future reference purpose.

11. At the end of the day, the question is whether the loan processing is done according to the applicable guidelines and without creating risk or loss at the first instance.

12. The branch manager in the respective branch shall be responsible for ensuring compliance with the above procedures. But this shall not exclude other staff or officers from being answerable in failure to deliver their duties. Hence, the entire branch shall have duty to ensure compliance with applicable procedures.

13. In case of any clarification or doubts relating to loan procedure, the branch manager/officers/staff shall contact the Branch co-ordinator/Concerned officers in Head Office, without any hesitation.

F. Gold Loan

1. The Company accepts mainly Household used jewellery as security. However, the Company may accept newly purchased gold ornaments of on a selective basis subject to internally laid down controls and applicable procedures.

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2. There should be no prima facie circumstances to indicate that the prospective borrower's title to the gold ornaments could be defective. In case of gold pledged is more than 20 gram, the Company shall collect a record of verification of ownership of jewellery.

3. The tenure of loans shall be decided upon based on market practices and regulatory directives as applicable. As a general rule the initial maturity of the gold loan shall be one year which may be extended by one more year upon satisfactory servicing of interest due during the initial one-year period. However, Loan Department in consultation with the Director in charge may develop schemes with shorter duration loans also targeting a minimum ticket size after assessing demand for such loans. Loans sanctioned prior to the enforcement of this policy shall be governed by the terms and conditions agreed with the borrower.

4. All gold loans shall be disbursed within a reasonable time and possibly within 1 day where the customer has submitted all proper documents and pledge of gold ornaments. Any due diligence or scrutiny of documents shall be completed based on the norms and within the time prescribed by the Company. Loans. shall only be granted in compliance with RBI directives. Interest charges and other charges shall be as per the interest rates followed by the Company and regulatory directives as may be applicable to the Company.

5. Any changes to the loan procedures in accordance with changes in regulations or market conditions, shall be approved by the Managing Director/ Wholetime Director/ Board of Directors on recommendation made by the Loan Department, as the case may be. However, the Managing Director/ Wholetime Director shall seek the views and recommendations of Board of Directors and/or concerned Committees before finalising the changes/amendments.

6. Any change in procedures shall be formally intimated to branches by mail/by post/ by delivery by hand, immediately for implementation.

7. The branch staff shall vet the gold loan application, documentations and deal with customers in such a way that no disputes arise at the time of redemption, in future. The branch staff need to be very cautious while dealing with gold loan applications.

8. Usually, the repayment method of Gold Loan is bullet payment method.

G. Know Your Customer (KYC) for Gold loan

The Officers shall follow the fair practices code and shall ensure that the following are collected while giving gold loans-

1. Self-attested ID Proof & Address proof (Passport, Voters ID card, Driving license, Aadhar etc)
2. Photo of the applicant
3. Contact details like telephone number, mobile number and address as per proof.
4. Name & pin code of address with landmark and details of exact location.
5. PAN is mandatory for loans exceeding Rs.5 lakhs
6. Any other document/information as per the RBI guidelines on KYC.

The branch manager and the officer/staff who have done KYC entry shall be responsible in case of any error or missing details in KYC. The scan copies of documents submitted by customer shall be kept in the branch and may be provided to HO, if necessary. A customer ID (KYC ID) shall be created for each customer, to track transactions with him/her.

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Risk gradation

The branch manager/Asst manager/officer shall ensure that each loan is given a risk grade based on the background and credit worthiness of the customer. The branch shall ensure that gradation is done as normal risk, high risk and low risk on the application form itself based on the information collected from the customer. The interest rates are subject to change based on perceived risk and/or as the situation warrants and are subject to management decision based on the merit of individual cases.

Gold appraisal & due diligence

1. The concerned officers shall be under duty to perform proper appraisal before sanctioning of loan. The purity of gold ornaments shall be 91.6%.
2. In case of high value gold loans exceeding a particular amount, the Company may check the credit scores without fail.
3. The Managers/staff in the respective branch shall comply with the appraisal techniques they have learned from training at HO. The appraisal techniques will normally include nitric acid test, sound/smell test, flexibility test, pin hole test, weight test etc and personal judgement of the officer. It is advised to avoid colored gold ornaments. The officers involved in the appraisal process shall avoid any personal bias while dealing with friends, relatives etc. Proper machinery and facilities shall be available at branches. In case of any clarification, the officers/staff shall contact the concerned officer/Branch co-ordinator in HO at the earliest.
4. Where the gold ornaments have decorative stones or some other material other than gold, then the appraiser shall calculate the value of such stones/decorations and deduct the same from eligible value of gold. More attention shall be given to assessing the intrinsic value of gold. The detailed format given from HO shall be used while writing down value and calculations. The branch manager and staff who did appraisal of gold ornaments shall sign the prescribed format.

5. More the loan amount, more the risk involved. Where the loan amount is high, more care shall be exercised. It is advised to ensure purity of gold by two officers in the branch, where the loan amount is high. Senior officers shall be given priority for purity test in such cases. Existing debts of the borrowers should be analysed before sanctioning of the loan. Details of payment to be made to the applicant shall be communicated to branch co-ordinator/concerned dept in HO and approval need to be obtained as may be necessary.

6. The branch facilities, staffing structure and accounting process shall be in tune with the expected business in that particular branch. The branch manager shall formally report to the H.O, any shortcomings/lack of facilities/staff in the branch, without fail.
7. Where during an audit, the gold pledged is found to be fake or not according to above standards, then the concerned branch manager and staff who conducted appraisal shall be held responsible for the same.
8. For gold loan amount exceeding Rs.5 lakhs, PAN is compulsory.
9. The gold pledged by customers as security shall be tested for purity & quality in the presence of the customer and the details of the test shall be communicated to the customer and mentioned in the pawn ticket (sanction letter).

Loan to value (LTV)

1. The LTV shall be in compliance with RBI Directives and company policies issued from time to time.
2. The Company maintain a Loan-to-Value (LTV) Ratio not exceeding 75 per cent for loans granted against the collateral of gold jewellery.
3. Gold Loans not exceeding 75% granted against the collateral of gold jewellery is considered as secured loan.
4. Total eligible amount shall be calculated based on the weight of gold ornaments, net of stone weight and subject to deductions for lower purity or existing marks/scriblings on the ornaments,

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wastages etc. The value shall be calculated with proper prudence and care. Lower the LTV, lower should be the rate of interest. Rate of interest may also depend on competition, social set up, local issues, cultural differences, company special offers etc.

Disbursal of loan

1. The branch manager/ officers shall ensure that the original of the ID proof is verified with the copy submitted with branch office. The officer verifying shall write "Original verified" and sign below that mentioning his name. The self-attestation of customer to be obtained, thereafter, without fail.

2. Where the loan is to be disbursed to the bank account of the applicant post-approval, then specific mandate in this regard has to be obtained before disbursement without fail. The officers/staff shall ensure twice that the account number, IFSC no. and details are correct before disbursement. Adequate proof shall be maintained in the branch for disbursement of loan to customer account.

3. Terms & Conditions shall be conveyed to the customer in vernacular language by means of sanction letter or otherwise. The rate of interest, any other charges etc shall be mentioned in bold in the loan agreement.

Custody & storage of Gold

1. Within the branch, the gold storage shall be in the joint custody of Branch manager/ Head and Asst Branch Manager/ head. Both shall be having a key each and measures shall be taken to ensure that same official does not get custody of two different keys. The duplicates of these keys shall be kept at HO or any other safe and secure place as may be decided by management in HO.

2. Where the responsible officers/managers are on leave, suitable arrangements shall be made for handling of keys. However, it is the responsibility of the concerned officer to maintain proof that he had been on leave/not available at office and that his key was handed over to another person in his office with acknowledgement letter. The officer to whom keys are handed over shall ensure proper proof of handing over is prepared.

3. Gold ornaments received at counter shall be transferred to the locker room/strong room as soon as possible.

4. Proper measures shall be taken to avoid burglary, theft, mishandling or other manipulations at branch level.

5. Security arrangements (manual and electronic/computerised) shall be arranged based on the risk perception based on branch location, working hours, number of customers etc. The Company may install cameras in busy branches to monitor customers and staff. The Company may also install centralised monitoring cameras in such branches to ensure safe transactions.

6. The Company may insure the strong room/gold ornaments to reduce the risk associated with gold like theft, burglary etc.

7. Where the space available for storage is less or inadequate in terms of safety/security, the Company may appoint third party security providers for locker/ storage of ornaments and in that case, company will ensure that proper agreement is entered into with them.

8. All arrangements shall be made keeping in mind the consequences of loss/liability that will be suffered by the Company/staff in the event of burglary, loss of gold etc.

9. RBI guidelines relating to storage/locker facility shall be complied with, without fail.

10. Clear cut internal guidelines will be issued by HO with regard to acceptance, storage, transit of gold at branches.

Closing of loan/ Release of Gold

1. All dues standing due/payable to the Company from the customer, shall be fully settled before closing loan/release of gold ornaments back to the customer.

2. The branch shall verify the identity of the customer before accepting request. Branches shall to maximum possible extent avoid handing over gold to persons other than customers. Where the person coming to collect the gold is a person who is not the customer, then the branch manager shall take adequate measures to ensure that the person submits his/her ID proof, phone number and address with landmark and has authorisation letter (with reason for inability to come to branch office) signed by the original customer. The branch manager/officer may call the original customer and double-confirm the matter. The manager/staff may contact HO in case of any difficulty/doubt relating to genuinity of the person.

3. There should be clear cut communication between the branch and the HO (Accounts dept/Loan Dept) at the time of release of gold.

4. The branch manager/officers shall make all arrangements to settle the dues and release the gold without much delay.

5. The customer shall present the Pawn receipt (sanction letter)/acknowledgement receipts while requesting for closing of loan and release of Gold.

6. The branch officers/staff shall ensure that request in format prescribed by HO is obtained from the customers in this regard.

7. Where the pawn receipt is lost/ misplaced, then the branch shall obtain duly signed application/declaration from the customer subject to collection of cost of documentation.

Business Loan

The Company perceives that business loan involves high risk, as to payment of instalments and recovery in case of defaults.

KYC requirements

1. PAN Copy
2. ID proof and address proof of applicant
3. ID proof and address proof guarantor Photo of applicant and guarantor.
4. Copy of title deeds to property
5. Tax paid receipt of Land
6. Bank statement copy for past 3 months or more
7. Rent agreement /License copy
8. Location map and route map
9. Contact details (phone number) and landmark in address of applicant/guarantor
10. Details and nature of business
11. Any other documents as per the HO internal instructions.

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Appraisal and sanction

1. The officer/staff shall ensure that the title deed/property documents are submitted strictly as per the internal instructions from HO (Loan department). As mentioned in the Gold loan section above, the Id proofs shall be verified by the manager/staff by affixing a seal. All the details mentioned
2. Loan amount shall be disbursed and credited to customer SB account only via RTGS/NEFT.
3. Any dues from the applicant/guarantor could be settled at the time of loan application.
4. Signature of the applicant shall be same in all documents.
5. All business loans shall be sanctioned only from HO
6. The Company will obtain credit report of customer from credit information agencies, wherever necessary.
7. Documents shall be signed before the branch head/officers.
8. Loans are sanctioned for a particular period/term with a pre-set interest repayment schedule (Monthly/Weekly/Daily) or bullet payment method on case-to-case basis. The loans shall be sanctioned for a period not less than 6 months and not more than 36 months. However, loans sanctioned with bullet payment method shall be for a period not more than one year. Loans sanctioned prior to the enforcement of this policy shall be governed by the terms and conditions agreed with the borrower.
9. The Company can give loans as secured or unsecured on case-to-case basis. The Company shall be cautious while giving unsecured loans.
10. Branch Manager's report mandatory while forwarding documents to HO for verification. The contents of the report shall be-
    - Nature and location of business
    - Location map and route map of business place
    - Details of guarantor, relationship with applicant and employment of guarantor
    - Any other information as may be required by HO

Where all the documents submitted are complete in all terms and verification is complete from HO, the loan shall be sanctioned with 4-5 days.

H.O Officers/ Staff for loan

The HO (Loan Department) shall have Loan executives, Appraisal officers, Assistant Managers, Documentation staff and an Approval team for smooth functioning of gold loan process. The contact number of all these persons shall be provided to branch staff and all possible assistance shall be given without fail.

High Value Loans (HVL)

A gold loan of amount of Rs.5 lakhs or more to a single borrower shall be perceived as High Value Loan. High Value Loans shall be subject to detailed scrutiny at branch and HO level and shall be subject to approval by any Director, on formal recommendation by Loan department. In case of business loans and term loans, there is no such differentiation based on amount/value. All such loans shall finally be sanctioned by any director on recommendation by Loan department after detailed scrutiny and shall be reviewed in the board/committee meeting. Proper Id verification and address verification shall be done in such cases, before sanction. RBI provisions relating to money laundering/ terrorist activities shall be strictly followed in such cases.

Classification of customers and sharing of information

1. The Company has to establish proper system for identifying blacklisted/caution/ non-cooperative customers and reporting to the Central Repository that may be set up as per RBI/Government requirements.

2. The Company shall be member of 4 Credit Information Companies or such organisations as may be prescribed by RBI/ competent authorities from time to time. Company shall submit data to them in the prescribed format and within the specified time limits. The Company shall appoint a principal officer/nodal officer who shall ensure this.

Term loans

Terms loans are sanctioned for a particular period/term with a preset interest repayment schedule (Monthly/Weekly/Daily) or bullet payment method on case-to-case basis. The new loans shall be sanctioned for a period not less than 6 months and not more than 36 months. However, loans sanctioned with bullet payment method shall be for a period not more than one year. Loans sanctioned prior to the enforcement of this policy shall be governed by the terms and conditions agreed with the borrower.

KYC requirements

1. PAN Copy (Mandatory if the loan amount is Rs. 50,000/- or more)
2. ID proof and address proof of applicant
3. ID proof and address proof guarantor Photo of applicant and guarantor.
4. Copy of title deeds to property
5. Tax paid receipt of Land
6. Bank statement copy for past 3 months or more
7. Rent agreement /License copy
8. Location map and route map
9. Contact details (phone number) and landmark in address of applicant/guarantor
10. Details and nature of business
11. Any other documents as per the HO internal instructions.

Appraisal and sanction

- The officer/staff shall ensure that the title deed/property documents are submitted strictly as per the internal instructions from HO (Loan department). As mentioned in the Gold loan section above, the Id proofs shall be verified by the manager/staff by affixing a seal. All the details mentioned
- Loan amount shall be disbursed and credited to customer SB account only via RTGS/NEFT.
- Any dues from the applicant/guarantor could be settled at the time of loan application.
- Signature of the applicant shall be same in all documents.
- All business loans shall be sanctioned only from HO
- The Company will obtain credit report of customer from credit information agencies, wherever necessary.
- Documents shall be signed before the branch head/officers.
- Branch Manager's report mandatory while forwarding documents to HO for verification. The contents of the report shall be-

a) Nature and location of business
b) Location map and route map of business place
c) Details of guarantor, relationship with applicant and employment of guarantor

- Any other information as may be required by HO

Where all the documents submitted are complete in all terms and verification is complete from HO, the loan shall be sanctioned within 4-5 days.

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Credit Risk Mitigation Factors for Longer Tenure Loans

The Loan Department of the Company is directed to incorporate the following credit risk mitigation factors for longer tenure loans and establish internal departmental procedures to ensure their effective implementation.

1. Borrower Assessment

In-Depth Credit Evaluation: Perform a thorough evaluation of the borrower's financial health, including income, credit history, and past repayment behavior.

Credit Scoring Models: Use credit scoring models that weigh the risk of secured and unsecured loans, considering the borrower's risk profile and repayment capacity.

Industry and Business Risk Analysis: Assess the borrower's industry or business sector to identify specific risks associated with the economic environment or industry trends that may impact loan repayment.

2. Loan Structuring

Structured Repayment Plans: Offer flexible repayment structures like bullet payments, step-up EMIs, or graded repayment plans to ease financial pressure, especially in the early stages of the loan.

Tenure Limits: Set limits on loan tenures based on borrower risk profiles and financial capacity. For riskier borrowers, shorter tenures may be considered to minimize exposure.

3. Interest Rate and Risk Premium

Risk-Based Pricing: Apply differentiated interest rates based on the borrower's credit risk. Higher-risk borrowers should be charged higher rates to compensate for increased risk.

Risk Premium for Unsecured and Long Tenure Loans: Add a risk premium for unsecured loans, especially those with longer tenures, to reflect the higher default risk.

Periodic Interest Rate Review: Regularly review and adjust interest rates based on changes in market conditions and borrower risk. Introduce clauses for adjusting rates if borrower risk deteriorates.

4. Credit Insurance and Guarantees

Credit Insurance: If possible, secure credit insurance, especially for high-value unsecured loans. This reduces the impact of potential defaults.

Third-Party Guarantees: Where feasible, obtain third-party guarantees (e.g., personal or corporate guarantees) to provide a backup in case of borrower default, even in unsecured lending scenarios.

5. Concentration Limits

Actual Limits: The following concentration limits are introduced to mitigate portfolio risks:

- Unsecured loans exceeding ₹10 lakhs should not constitute more than 25% of the total loan portfolio.
- Loans with tenures exceeding 24 months should not exceed 50% of the total loan portfolio.
- High-risk industries (as determined by internal risk assessment) should not contribute more than 25% of the overall exposure.

These limits will be monitored quarterly and reviewed annually by the Risk Management Committee.

6. Early Warning Systems and Monitoring

Frequent Borrower Monitoring: Continuously monitor borrower performance, cash flow, and repayment behavior through regular financial reviews, especially for longer-term unsecured loans.

Early Warning Indicators: To improve monitoring of borrowers and identify financial distress early:

Delays in Payments:

- Any delay of over 15 days in EMI payment will trigger an alert for follow-up action.
- Consecutive delays in two payment cycles will initiate enhanced scrutiny of the borrower.

Drop in Credit Scores: Any decline of more than 50 points in a borrower's credit score from the previous assessment will be flagged for review.

Indicators of Deteriorating Financial Health:

- Decline in business revenues or cash flows as indicated by the borrower's bank statements.
- Increased utilization of overdraft or credit facilities, signalling financial strain.
- Borrower reported to be involved in legal or financial disputes affecting repayment ability.

These signals will be tracked and reviewed monthly by the Loan Monitoring Team.

Regular Financial Reviews: Conduct periodic financial reviews of borrowers, focusing on their business performance, sector outlook, and changes in financial conditions that may affect repayment ability.

7. Diversification and Exposure Control

Portfolio Diversification: Try to spread unsecured loan exposures across different sectors, borrower profiles, and regions to minimize concentration risk.

Exposure Limits: Set prudent exposure limits for unsecured loans to prevent overexposure to any particular borrower or industry. Higher-risk industries should have lower exposure thresholds.

8. Loan Restructuring Options

Restructuring for Temporary Distress: Offer options for loan restructuring in cases where the borrower experiences temporary financial difficulties strictly in accordance with policies and guidelines. This could include extending the loan tenure, lowering interest rates temporarily, or rescheduling payments to ease the burden.

Proactive Engagement with Borrowers: Maintain proactive engagement with borrowers showing signs of distress to explore alternative repayment plans before defaults occur.

9. Enhanced Legal and Contractual Safeguards

Tight Legal Agreements: Ensure that all loan documentation is legally sound and enforceable, with clear terms around repayment, default, and potential recourse.

Strong Recourse Mechanisms: Clearly define recourse mechanisms for recovering dues in case of default, leveraging legal actions or third-party guarantees where available.

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10. Risk Management and Governance

Dedicated Risk Oversight for Unsecured Loans: Establish specialized risk committees or oversight teams that focus on unsecured loans, with special attention to longer tenures, to monitor evolving risks.

Ongoing Staff Training: Train staff on best practices for managing and mitigating risks specifically related to unsecured loans, such as borrower assessment, early warning systems, and restructuring options.

Regular Risk Policy Updates: Review and update risk management policies and procedures regularly, ensuring they are adapted to changes in the economic environment or regulatory requirements.

11. Documentation and Regulatory Compliance

Documented Risk Mitigation Procedures: Maintain a well-documented framework for managing unsecured loans, outlining risk mitigation procedures that align with RBI guidelines and industry best practices.

Regulatory Compliance: Ensure all risk mitigation practices comply with the RBI's regulatory framework, with emphasis on unsecured loans, and maintain transparency in all borrower dealings.

Repayments & dues

In case of EMI/EWI/EDI's (Business Loan/Term loan) a payment of interest/instalment is considered as "paid" or "Complete" if the full amount due is paid on the respective date. Any money paid by defaulting customers shall first be adjusted/ charged against interests, charges, if any, and then principal amount. In case of gold loans interest is charged on diminishing balance and interest rates vary over time (Say 0-30 days, 31-60 days, 61-90 days etc) depending upon the time slabs set in the scheme. Repayment of interest/principal shall be according to terms and conditions of the scheme as agreed between the customer and the Company.

To illustrate, in case of business loan, if the interest amount/instalment to be paid on 25th February is Rs.1,000/- and if the customer pays only Rs. 950/- on the said date, then the payment is considered as "partly paid". So, the Company staff is expected to convey the same to the loanee/customers during loan sanction time.

The Company may also exercise lien over any other property/assets of the defaulting party (including cash paid or assets pledged in any other loan accounts maintained with the Company) under its custody. The Company may sell such physical assets for recovering the dues after issuing intimation notice of 12 days. However, the agreement/documentation shall contain a clause to this effect and the borrower should have understood and signed the agreement.

Maintenance of files

The files shall be maintained date-wise with numbering, stored in a safe and secure place to avoid damage of documents. Before putting documents into file, the branch staff/manager shall ensure that the documents/formats to be signed by the manager are duly signed. Overwriting in documents shall not be entertained as this may affect the legal validity of documents. Softcopies of documents has to be kept as per the instructions issued by Loan department at HO. Files relating to Closed/ satisfied loans shall be maintained at a separate place/cabin. The branch managers shall devise file system in accordance with HO instructions.

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Miscellaneous

1. The Company can give term loans as secured or unsecured on case-to-case basis. The Company shall be cautious while giving unsecured loans.

2. Rate of interest shall be determined based on cost of debt, operation costs, risk factor, tenure, competition, customer background, credit worthiness, stability of earnings, collateral value etc and also considering the interests of all stakeholders associated with the Company. The Annualised interests shall be mentioned in all applicable policies and also respective loan documentations, wherever necessary.

3. The general policy of fairness and transparency in operations shall be followed. Terms and conditions of loans should be in compliance with the Fair Practices Code of the Company.

4. Loans that are granted not in the ordinary course of business shall be treated separately and compliance with applicable laws shall be ensured in that case. In such cases, approval of Board of Directors shall be sought prior to the transaction.

5. Anti-Money laundering/Antiterrorism guidelines issued by RBI/Government of India shall be complied with.

6. Internal instructions on operations and Formats issued by HO shall be strictly followed by the branches.

7. There should be effective formal and informal communications between branch staff and HO staff. The employees/staff shall be very keen and alert with regard to communications relating to loans, from concerned departments at H.O.

8. The tenure of loans shall be decided by market practices and RBI directives.

9. The branch managers and staff shall be imparted proper training in operations and Information Technology systems from time to time, as the management may deem fit.

10. KYC to be strictly followed in all cases of loans. Incomplete KYC documentation will not be acceptable for any reason.

11. In case of loan to businesses, a dedicated team from HO shall visit and verify the business location/ shops and ensure that the repayment of loan will be secured by the business property and expected income flows.

12. The staff shall not interfere with the personal affairs of the borrower except for purpose provided in the terms and conditions of loan agreement or unless information, not disclosd by the borrower has been noticed.

13. All applicable laws relating to interest/principal payments and loan disbursements shall be followed by the Company and the staff.

14. Any formal/ written agreement containing terms and conditions like interest rate, repayment intervals, loan amounts, etc and agreed between the customer and company by signing shall be final. Any agreement, documentation and declarations signed by customer at the time of applying for loan, disbursement of loan or any other situation, shall be considered to be signed with full knowledge of terms and conditions of the particular scheme of loan.

NPA Policy & Auction policy

The Company has framed an auction policy and NPA policy as per applicable laws which is hosted on Company website and has been provided to branch managers and also Key Persons of the Company. The Company staff shall go through the same and oblige.

For JMJ Finance Limited

JMJ FINANCE LIMITED THRISSUR 680 001

Wholetime Director

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