



GOLD LOAN POLICY
28 OCTOBER 2024

Features

Thankam Finance Private Limited has designed its Gold Loan Schemes to suit the varying needs of different types of customers. The eligibility for loan is evaluated based on the purity of the ornament and production of satisfactory KYC documents. The amount of loan sanctioned for a particular customer will be subject to all applicable regulations issued by RBI from time to time. Rate of interest is decided on two factors of risk criteria.

1. LTV% (Loan to Value).

- Minimum period of interest is fixed as 7 days depending on the scheme opted by the borrower.
- The LTV can be up to 85% based on schemes and amount of loan disbursed per customer.
- Repayment can be made on daily, weekly or monthly basis or as per the convenience of the borrower.
- Part payment towards principle is allowed in the scheme.
- Part release of pledged ornament will not be permitted.
- 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 subject to production of power of attorney executed by the pledger.
- Reminders are made as per the following schedule: -
 - a) Phone Call and SMS -25th Day
 - b) Notice 85th Day, 175th Day and 360 Day in case of default.
- Gold is auctioned after 12 months as per the board approved auction procedure of the company as given separately in this policy.

2. Loan Period:

As in the case of LTV and ROI the loan period also differs from scheme to scheme, the higher the loan period the exposure to security dilution is high hence interest is at slightly higher side.

3.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.

4. LTV% Fixation Policy

Loan to Value % is fixed based on the circulars and directions issued by Reserve bank of India from time to time. Presently, it is 75%, 80% and 85% arrived at as per the guidelines issued by RBI.

5.Interest rate fixation policy

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. The rate of interest applicable

is according to the schemes where the LTV and loan period differs. The lower the loan amount and lower period, our exposure to market fluctuation, risk and security coverage are better where the rate of interest is fixed at the lowest.

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

1. Basic Interest Rate
2. Risk Interest Rate
3. Penal Interest Rate

1. 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:

a) 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, Interest on Bank Borrowings and other incidental charges thereto.

b) 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.

c) 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 owner's 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.

2. 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.

3.Penal Interest Rate

Loans outstanding for more than one year or due date specified for a particular scheme thereof shall be charged penal 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.

5.Other information

The loan agreement shall contain the rate of interest due, additional interest for default in interest payment, and the rate of penal interest for payment of overdue for more than 365 days or overdue after the expiry of loan tenor specified thereof.

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 on loan accounts containing all details like basic rate, additional interest based on risk and penal 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.

6.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, and also tare weight. How the ornaments were acquired, Name of the jewellery/ person (if available) from whom this was acquired and the period of ownership. If the ornaments are purchased from jewellery the customer may be requested to produce the bill wherever possible.

7.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, embezzlement, 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.

8.KYC Verification and Risk Categorisation:

This shall be as per the KYC policy adopted by the company and as amended from time to time.

9. Auction of the ornaments Pledged in overdue gold loans

Auction of pledged ornaments shall be as per the auction policy adopted and approved by the Board as amended from time to time.

Present Schemes, LTV, Rate of Interest, Loan period is briefed below:

Standard Scheme	75%	18% P. A.	6 Months
LOAN TO MARKET VALUE OF ORNAMENTS			
DAYS	SCHEME – 1 [50%]	SCHEME – 2 [60%]	SCHEME – 3 [75%]
RATE OF INTEREST & LOAN PERIOD			
31 days	15%	16%	18%
32-60 days	18%	18%	18%
61-90 days	18%	18%	18%
91-180 days	21%	24%	24%
180-365 days	24%	24%	26%
LOAN MUST BE CLOSED WITHIN 365 DAYS			

The most attractive factor to market the gold loan is the loans are without handling/processing/service charges.

10. Processing of Gold Loan Application

- ❖ The gold loan to be one of our prime loan products where the risk factor is comparatively low and liquidity is very high in case of any interest default or failure to redeem the gold ornaments.
- ❖ The gold loan customer is to be attended by the Branch Manager in his cabin, ID creation is to be a smooth interface with Branch Manager and Loan Customer to start a strong customer relationship.
- ❖ When customer ID creation is in process, the Branch Manager to ascertain the loan requirement and the ornament is to be passed on to the Assistant Branch Manager for the appraisal.
- ❖ Meanwhile the customer ID creation is done, the process of gold appraisal to be completed wherein the loan document is to be got printed by the Assistant Branch Manager, to be handed over to the Branch Manager for getting the signature from the customer and to sanction the loan.
- ❖ At once the process is over, the pawn ticket portion to be handed over to the customer requesting him to collect the cash from the cashier.
- ❖ Meanwhile the Branch Manager re-appraise the gold ornaments to ensure the quality and to be packed and sealed with joint signatures of Branch Manager and Assistant Branch Manager.
- ❖ There may be occasions where the Branch Manager may be out for business then in such occasions the Assistant Branch Manager to take the lead and the Junior Assistant to do the process of first appraisal and repetition to be done by the Assistant Branch Manager.
- ❖ When the Branch Manager comes back, to re-appraise the gold ornament and pack the same as mentioned above.

- ❖ Transparent plastic covers should be used for keeping the pledged jewellery items and packing slips to be used and kept inside the plastic covers along with the ornaments.
- ❖ Security Stickers in blue colours to be duly filled in and pasted on the plastic covers and to be signed by the concerned branch staff.
- ❖ The pledged gold ornaments already kept in the transparent plastic covers should be kept in the printed gold loan papers and to be tied with rubber bands.
- ❖ Separate stickers in different colours for the use of Gold auditors (Red Colour) and Vigilance Auditors (Yellow colour) will be provided to the auditors and to be used by them at the time of audit.

11.Appraisal Process

The entire branch team to get acquainted with the appraisal process, which can be attained only through practice. While the KYC documents, whether it is Ration card, Driving License, Aadhar Card, etc. are be of statutory compliance, the integrity of the consumer to be ascertained from the interface during the Customer ID creation. Most of the branch team being local, there should not any difficulty in getting the customer linked to any of the known persons in the area and one can have own methods to address this question. The point to which drive in is, one should not fall back on KYC compliance alone while granting the loan.

- ❖ The Gold ornaments to be rubbed on the test stone without causing any damage to the ornament, and the nitric acid supplied is to be applied on the golden marks on the test stone.
- ❖ On application of the nitric acid on the gold particles on test stone there should not be any reactions in case of quality gold ornaments.
- ❖ In case the colour of the gold particles changes in reaction, the purity of the gold in doubt.
- ❖ As a second step the acid to be drained from the stone and the salt water is to be applied on the gold particles, in case of no reaction the quality of the gold is ensured, in case of any reaction points out to the poor quality of the ornaments.

12.Spurious Ornaments

With the advancement in technology, high quality electroplating machines are used by the manufactures of one-gram gold ornaments which looks like original cannot be identified easily on a single touch. These types of ornaments are gold plated ornaments. So, ornaments are also made out of hollow gold pipes with copper and other alloys where in the ornament's prima-facie look as gold, known as covered ornament which is to be identified out of the sound it produces when put on the glass surface, assessment of the weight putting in our hands. As already mentioned, it is on the integrity of the client other than the value of the ornament to be looked into while processing the loan.

13.Systems and Procedures to deal with fraud:

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.

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

1. NBFC experienced staff who are trained in gold appraisal shall be given preference while recruiting.
2. The staff who are 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 Regional 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.