AQUILA FINANCE LTD

LOAN POLICY

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CHAPTER I - INTRODUCTION & FRAMEWORK

1. INTRODUCTION

This Loan Policy serves as the foundational framework for the Company's lending activities. It is designed to guide the top management in conducting business within predefined risk tolerances, fostering a sustainable and profitable business model that generates long-term value for all stakeholders.

2. OBJECTIVES

The primary objectives of this Lending Policy are to:

i) Maintain an optimal balance between portfolio growth, profitability, and asset quality.

ii) Facilitate sustained business growth without compromising the quality of the loan asset portfolio.

iii) Ensure full compliance with all regulatory directives, including those pertaining to Capital Adequacy, Loan-to-Value (LTV) ratios, and Interest Rates.

iv) Establish robust controls for the assumption, approval, and ongoing monitoring of large exposures.

v) Ensure the adequate safeguarding of all pledged, mortgaged, or hypothecated collateral against potential loss.

vi) Implement standardized systems, procedures, and appraisal standards across all organizational levels, underpinned by sturdy internal controls.

vii) Integrate comprehensive risk management practices and internal audit procedures into the lending lifecycle.

viii) Cultivate and reinforce sound internal credit culture and ethical values across the organization.

ix) Continuously improve the credit appraisal skills and capabilities of all employees and officers involved in the loan portfolio management.

x) Enhance the Company's competitive positioning and enable it to consistently and successfully navigate market competition.

xi) Fulfill corporate social responsibility expectations and actively participate in financial inclusion initiatives.

3. LENDABLE SEGMENTS

The Company's long-term strategic objective is to evolve into a diversified lending institution capable of extending credit across various asset classes. This diversification will be strategically pursued by leveraging the strength of the existing core portfolio—gold loans. The Company shall maintain an optimal proportion between its gold and non-gold loan portfolios, adjusting in response to market dynamics. While the Company may engage in wholesale (corporate) lending subject to Board or regulatory approvals, the primary strategic focus shall remain on building a diversified retail loan portfolio. This retail portfolio shall constitute no less than 75% of the Company's overall loan book at any point in time.

4. SECURED vs. UNSECURED LENDING

Subject to approvals from its Board and adherence to regulatory requirements, the Company may sanction loans that are either secured by valuable movable/immovable assets or unsecured (other than personal guarantees, including micro-credit). However, the aggregate proportion of unsecured loans shall not exceed 50% of the total loan book as of the close of any financial year.

5. ELIGIBLE ASSET CLASSES

Subject to necessary Board or regulatory approvals, the Company may provide secured loans against the following asset classes:

I. Gold: Gold ornaments or articles made predominantly of gold.

II. Real Estate: Land and buildings, whether residential or commercial.

6. CUSTOMER ONBOARDING

The Company may source borrowers directly through its branch network, employees, or digital channels such as its website and mobile applications. It may also utilize third-party services, including Direct Sales Agents (DSAs), Loan Aggregators, and Fintech companies, subject to prevailing regulatory guidelines. Whenever third-party services are engaged, the Company shall conduct thorough due diligence on the counterparty and its key personnel. All such outsourcing must strictly adhere to the Company's Outsourcing Policy

7. LOAN PORTFOLIOS OF THE COMPANY

CHAPTER II –GOLD LOAN

Definition: Gold Loans refer to loans repayable on demand, upon recall, or as a lump sum (principal and interest) at the end of a specified tenure. The provision of such loans is subject to the following conditions:

a) A definitive cut-off date must be established by which the loan can be demanded or called up.

b) If the cut-off date for recall exceeds one year from the sanction date, the sanctioning authority must record specific justifications in writing.

c) The interest rate applied shall be in accordance with the Company's Interest Rate Policy.

d) For loans extending beyond six months, interest must be serviced on a monthly or quarterly basis.

e) If a loan is sanctioned without specifying interest servicing terms or includes a moratorium, the sanctioning authority must document the specific reasons for such terms.

f) The performance of Demand or Call loans with a tenure exceeding six months must be reviewed at least semi-annually. Management will prescribe appropriate performance measures for each product. Interest must be serviced at intervals not exceeding six months.

g) The renewal of a Demand or Call loan is contingent upon a satisfactory periodic review demonstrating compliance with all sanction terms.

GOLD LOAN POLICY

i) Nature, Type and Tenure of Loans

a) Gold loan is granted against the pledge of gold ornaments, ownership of which is vested with the applicant for the loan. The Company prefers to accept household used jewellery as security.

b) Loan Schemes: Depending on market practices, competition, and level of demand, the management is free to devise different schemes of loan products and price it differently like daily instalments payment, monthly instalments scheme(Pledge Loans) or demand or call loans. The schemes shall be devised in conformity with this Policy and also the regulatory directives of Reserve Bank of India (RBI) as applicable.

c) Prohibited Security: Loans against coins, biscuits, bars etc. may not be granted in compliance with RBI directives. Suitable controls, both system (IT) based and otherwise, should be put in place and compliance to be monitored.

d) Disbursement and Monitoring: Gold Loans will be disbursed by way of single / one time debit to each account. Borrower-wise exposure must be available at any point of time to the operating functionaries.

e) Tenure: 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. However, management may develop schemes with shorter duration loans.

f) Sanction and Disbursement: Loans against pledge of gold ornaments should be sanctioned immediately. All loans shall be sanctioned and disbursed within a reasonable time the same day. All disbursements of Rs.20,000/- and above shall be through account payee cheque or direct credit to the bank account of the borrower or his immediate family members on request of the customer.

g) Interest rate and other Charges: Interest rate and other charges on loans shall comply with the Interest Rate and other charges Policy and regulatory directives as may be applicable.

h) Renewal: The Company may permit the renewal of gold loan accounts. The renewal shall be permitted only at the prevailing LTV on the date of renewal and the sufficiency of the security shall be ensured.

i) All loan terms and conditions must strictly adhere to the Company's Fair Practices Code.

ii) Restrictions and Prohibitions on Lending

a) Credit facilities for customer segments with elevated risk profiles, including goldsmiths and jewellers, shall be subject to heightened scrutiny and judicious approval.

b) Prohibited Borrowers: Gold Loans shall not be sanctioned to the following:

1. Loan to Directors of the company, their relatives, and related entities shall be given only after the prior approval from the board and the same should be reflected in the related party disclosure.

2. Persons of doubtful integrity or those engaged in illegal/unlawful business (to the extent known).

3. Borrowers with a history of pledging spurious, stolen, or low-quality ornaments, or those who have previously caused the company material loss. An internal list of such 'blacklisted' or 'caution' customers shall be maintained and updated.

4. Gold Loans to borrowers having a history of pledging spurious / low quality ornaments or stolen gold ornaments or those who have earlier deliberately put the company to material loss of any kind should not be entertained. Suitable limits defining 'material' loss should be defined internally and got approved by the Managing Director. Procedures for immediate "freezing / blocking" such Customer IDs must be implemented. The Company shall maintain an updated list of such 'blacklisted' / 'caution' customers.

c) Gold Loans to staff members shall be restricted to a maximum of ₹5,00,000 per employee. Such loans shall not be granted from the employee's branch of posting; the employee must approach a nearby designated branch for this purpose. All terms and conditions for these loans shall be identical to those applicable to the general public. Any modification to this stipulated limit requires specific prior approval from the competent authority.

d) Loans to pawn brokers / gold financiers on re-pledge of ornaments should not be granted.

iii) Loan Application and Sanction Process

a) Application Form: The loan application form, pre-printed in a language understood by the customer, must be fully completed and signed by the applicant. A separate application form is required for each loan disbursement. All forms and documentation must adhere to the Company's Fair Practices Code and KYC Policy.

b)Scheme Disclosure: Prospective borrowers must be provided with details of the various gold loan schemes, including the applicable gold rate per gram, interest rate structure, penal interest, other charges, and terms. Based on the borrower's needs and preferences, a suitable scheme should be offered.

c) Sanction and Pawn Ticket: Upon sanction, the borrower must be provided with a duplicate copy of the loan sanction letter (pawn ticket) and a Key Fact Sheet (KFS) detailing all essential loan terms for their acceptance. The pawn ticket acts as a receipt for the pledged ornaments and constitutes the loan sanction letter, incorporating all terms and conditions. The branch must securely retain the acknowledged copy of the pawn ticket with the loan application for future reference.

iv) Know Your Customer (KYC) and Due Diligence

a) In compliance with RBI directives all customers availing loan facility shall be required to submit suitable KYC documents. Loans should be sanctioned only after full KYC compliance.

b) The company may also make use of electronic authentication of KYC documents such as e-KYC facility provided by UIDAI.

c) The Company shall strive to introduce a system of capturing the customer's photograph through a digital camera installed in the branches.

d) The system of capturing and confirming the mobile phone numbers across the counters should also be extended.

v) Ownership of Gold Ornaments

a) The branch officials should apply their own judgment to satisfy as to the ownership of the gold ornaments. A declaration of ownership should be obtained in the company approved format.

b) The loan application form must contain an undertaking from the borrower certifying his/her undisputed ownership and right to pledge the gold ornaments.

c) In case of suspicion on the genuine ownership of the ornaments, loan should not be considered without detailed enquiry.

vi) Appraisal of Gold Ornaments

a) Gold ornaments should never be appraised by an outsider and the ornaments should not be taken out of the branch for appraisal.

b) Minimum Purity: Gold ornaments with a purity below 70% (or below 18 carats) shall not be accepted as security.

c) Independent Verification: Normally the ornaments are appraised by the joint custodian or a senior staff. In addition to the appraisal by staff, the Branch Manager should also appraise the ornaments independently, strictly followed in case of high value loans.

d) Ornaments made of solid gold should be preferred. Where non-solid items are to be taken, sufficient margin is to be kept.

e) Weight of stones embedded in the ornaments should be completely ignored and only weight of gold contents should be taken into account.

f) Each item of the ornaments relating to a single transaction should be separately assessed.

Minimum Purity: Gold ornaments with a purity below 70% (or below 18 carats) shall not be accepted as security.

The gross weight and net weight (after deducting the stone weight) is arrived and the loan is decided on the basis of net weight of the ornament. Where such classification could not be made such ornaments may be avoided.

Risk-Based Deductions: Deductions on account of lower purity, wastage, and local variations shall be applied as per internal guidelines approved by the Risk/Compliance department to arrive at the net weight for loan calculation.

Ornaments with cotton silk threads, copper or silver should also be assessed and the net weight arrived at after deduction of above only has to be considered for the loan. If the gold content is comparatively lesser than other materials used as above, such ornaments are to be avoided for pledge.

The appraiser should enter the details of each ornament such as type, gross weight, net weight, and certify the same by affixing his signature in the pledge cover.

Once the appraisal is completed and the loan amount is arrived the ornaments should not be handed over to the customer. If, he/ she takes it for any reason the ornaments should be re-appraised as fresh.

Once the loan is disbursed, branch should under no circumstances part with the jewels pledged with the company.

The ornaments pledged should not be taken outside the branch for any purpose unless specific authority is obtained from Head office through the Area/ Regional Manager. This is allowed in very special circumstances and should not be taken as a routine matter.

If the notice sent by the branch to the borrower is returned, branch should make discreet enquiries of the address and also re appraise the ornaments with the gold auditor and ensure that the ornaments pledged are genuine and covers the loan.

The weighing machine (and the weights used if any) should be taken to inspector of weights and measures once in a year and got certified.

For bulk pledges to be carried out only after the ornaments brought for pledging is appraised and certified by the gold inspector. For this the branches should approach the Operations and Risk Management department well in advance.

METHODS OF APPRAISAL

The capability to assess the ornaments is gained by experience and deep knowledge gained by the appraiser through interactions with people in this line. We cannot lay down any prescribed method to appraise the gold ornaments, as to its weight and fineness. However few methods which will help to arrive at a conclusion are - Acid and salt test, Point scratching test, Weight Test, Smell test, Usability test, Flexibility Test, Sound Test.

vii) Loan-to-Value (LTV) Ratio and Monitoring

Considering the risk gradation arising from differential rates, as a general rule, LTV and interest rate on the loan should be positively correlated i.e. a lower LTV loan shall get the benefit a lower rate of interest. However, exceptional deviations could be made to accommodate various contingencies such as competition, local issues, special / temporary offers etc. such deviations shall be approved by the Managing Director.

a) The LTV shall be fixed by the management and shall at all times comply with the directives issued by the RBI. The LTV shall not exceed 75% of the value of the gold, calculated based on the preceding 30-day average closing price of 22-carat gold as published by the IBJA.

b) The total eligible loan amount shall be calculated by the system based on the net weight of the gold ornaments and the applicable LTV.

c) LTV shall be monitored on a continuous basis. An automated system shall generate alerts and management reports. Remedial actions shall be initiated as follows:

1. At 85% LTV: The borrower shall be notified via SMS/email/ordinary post to service interest or make partial payments.

2. At 90% LTV: A registered notice shall be sent to the borrower, demanding payment to reduce the LTV and initiating the auction process if there is no response.

3. At 95% LTV: Immediate steps shall be taken to auction the security after serving the necessary notices.

viii) Exposure Limits and Large Value Loans

a) To mitigate concentration risk, undue reliance on high-value loans shall be minimized.

b) Branch Exposure Limit: The maximum loan amount sanctioned to a single borrower (including a closely connected group) at the branch level shall not exceed Rs. 10 Lakhs. Any exposure beyond this limit must be sanctioned by an empowered authority at the Head Office.A structured credit check /profiling format should be used for recommending limits higher than the maximum permissible at the branch level. Further, in all cases where the loan exposure to a borrower touches Rs 10. lakh address of the borrower must be verified. Due care in large value accounts would also be necessitated by the RBI provisions relating to Anti Money Laundering / Finance for Terrorist Activities. Credit check / profiling / address verification should be done in a discreet manner without offending the borrower.

c) Prudential Exposure Limit: The total exposure to a single borrower shall not exceed 15% of the company's capital funds.

d) Customer Account Limits: The company shall restrict customers with a large number of accounts to prevent undesirable segments. The limit of 20 live accounts at any point of time and 50 accounts in the preceding 365 days period shall be considered for this purpose.

ix) Pricing of Gold Loan

Subject to the provisions of the interest rate policy, the management shall design different loan schemes and price the schemes differently, taking into account cost of funds, operating expenses, competition, and the risk associated with the lending.

x) Takeover of Gold Loans

Takeover of loans from other companies, banks etc. should not be freely permitted considering the risks involved. However, the Company may frame suitable instructions with proper internal controls for takeover of loans by issuing circular with detailing procedure.

xi) Safe Keeping of Pledged Ornaments

a) Once the process of pledge is completed, the covers containing the ornaments pledged are to be kept safely under lock and key by the appraiser.

Chief BM/JC and Appraiser together shall physically verify the contents and seal the packets. The number of packets has to be tallied with the computer generated list every day.

The pledge packets shall be arranged in trays and kept in trays inside the cabinet kept in the strong room by the BM and JC jointly.

Lodging as well as release of the jewel packets shall be entered in the GL SECURITY REGISTER kept inside the cabinet.

Chief Manager and JC (Keys holders) to authenticate each entry in the register with initials

Balance packets in custody = previous day's Balance (+) Day's no. of Packets lodged (-) Day's number of packets released.

Pledge documents to be filed serially in a file and bound in lots of 100 nos. for easy retrieval on a later date.

Release token should be filed duly affixing "Account Closed" seal and closing date.

b) Joint Custody and Dual Control:

As a fundamental internal control mechanism, all pledged gold ornaments and cash holdings shall be under the joint custody of the two senior-most officials at the branch, typically designated as the Branch Manager and the Assistant Branch Manager. This system of dual control is designed to ensure that no single individual has independent access to the primary security assets at any time.

c) Key Management:

Access to the primary storage (strong room, safes) shall be controlled by two distinct keys. These keys shall be held separately by the two designated custody officers. Under no circumstances shall one official be permitted custody of both keys, even temporarily. This segregation of access is mandatory to mitigate the risk of unauthorized entry or misuse.

d) Custody of Duplicate Keys:

Duplicate keys for all primary storage units shall be created and retained under secure custody at the Head Office. The Head Office shall establish and communicate a formal procedure for the secure storage, logging, and controlled release of these duplicate keys, which are to be used only in exceptional circumstances as per authorized protocols.

e) Insurance: All pledged gold ornaments and cash must be adequately insured at their 'replacement value' against risks such as burglary, theft, and transit.

f) Third-Party Transit: When using third-party services for transportation of gold, adequate security measures and proper insurance cover must be ensured.

g) As an internal control mechanism Gold ornaments and Cash shall be in the joint custody of the 2 senior most officials/ employees in the branch, normally designated as Branch Head / Manager and Assistant Branch Head so as to ensure that the same official / employee does not get custody of the 2 different keys even if at different points of time during posting at the branch. The duplicate keys shall be retained either in the Head Office or as per suitable arrangements made by Head Office for safe custody thereof.

h) A proper and systematic procedure should be laid down for handing over charge from one official to another arising from transfer, leave, resignation etc. so that accountability can be clearly fixed where required. No Branch Head should be normally relieved of charge unless the gold packets are subject to minimum verification (consisting of confirming intactness of the packing, affixation of security sticker, packet count and tare weight) by the reliever.

i) Overnight storage of pledged gold ornaments and cash shall be in burglar proof safes (non-strong room branches) or in steel almirahs / lockers (in strong room branches) with secure locking facility complying with high safety standards. Interim storage during transaction time at the counters should be kept to the bare minimum by quickly transferring the gold ornaments into the safes / strong room.

j) Security arrangements should be in tune with risk perception based on the location of the branch, working hours, business levels etc. Internal guidelines which are already in place must be periodically reviewed and improved as required. The use of technology through IP Based Cameras and IP Based Intruder Alarm System preferably with centralized monitoring capability and having a proper escalation mechanism should be adopted for greater effectiveness and to reduce costs.

xii) Overdue Loans and Recovery

a) If the loan is not repaid before the due date, it is considered as overdue.

b) The branch shall send regular notices to the borrower on default of interest payments. If there is no response, the branch has to inform Corporate Office to take further steps to realize the loan amount by auction of the pledged articles as per the Auction Policy of the company.

c) The company may use methods like SMS, ordinary letters, and registered letters for communication.The cost of such letters/ notices may be recovered from the borrowers.

Auction of gold:- When the efforts of the company are not met with the desired results in pursuing the borrowers and closing the loans, the company may proceed to auction of gold kept as security with it after serving necessary notices and following the procedure under the auction policy and the guidelines issued by RBI in this respect.

CHAPTER II-BUSINESS LOAN

Introduction and Governing Principles

Aquila Finance Ltd. hereby establishes this comprehensive policy governing its Business Loan product. The foundational purpose of this document is to define the operational parameters for the extension of unsecured credit facilities to the business community, ensuring that all activities are conducted within a framework of prudence and integrity. The company is fully committed to adhering to the regulatory guidelines promulgated by the Reserve Bank of India and other relevant statutory authorities. This commitment extends to upholding the highest standards of transparency and fairness in all customer interactions, thereby safeguarding the interests of both the institution and its borrowers. The product is strategically designed to cater to the financial requirements of established enterprises as well as promising new ventures, facilitating their growth and contribution to the broader economic landscape.

Product Definition and Purpose Clarity

The product offered under this policy is explicitly defined as an unsecured credit facility, thereby eliminating the requirement for tangible collateral security for loans sanctioned within the stipulated limits. The security for the facility is instead underpinned by the personal guarantee of the business proprietors, partners, or directors, linking repayment responsibility directly to the promoters. The utilization of funds is permitted for legitimate business purposes which include addressing working capital gaps, pursuing expansion or modernization initiatives, acquiring necessary equipment or machinery, and for seeding new business ventures subject to a rigorous appraisal of project viability and promoter credibility.

Eligibility and Qualification Criteria

Prospective applicants must satisfy a clearly defined set of eligibility criteria to be considered for a credit facility. Eligible entities encompass individuals of Indian nationality within a specified age bracket, sole proprietorships, partnership firms, and formally incorporated bodies such as Limited Liability Partnerships and Private Limited Companies and Individuals with Start Up Plans. A fundamental prerequisite is a demonstrated track record of business operations, requiring a minimum vintage of 1year under the current management. Exceptions to this vintage requirement for start-ups will be subject to an exceptionally strong promoter profile and project viability assessment. A sound credit history is non-negotiable, with a minimum acceptable credit score threshold being established and periodically reviewed by the credit committee. Furthermore, the business must exhibit financial stability through a minimum annual turnover and a history of profitability, and must be geographically situated within a defined operational radius of the company's branch to ensure effective monitoring.

Financial Terms and Commercial Considerations

The financial parameters of the loan are structured to offer flexibility while maintaining credit discipline. The loan amount is determined through a holistic assessment of the applicant's repayment capacity, business turnover, and overall creditworthiness. The repayment tenure is designed to align with the business's cash flow cycles, offering a range of options. The interest rate applicable to the facility is determined through a risk-based pricing model, which correlates the cost of credit to the perceived risk of the borrower. This rate, along with the detailed terms, is explicitly communicated to the borrower prior to the execution of the agreement. Borrowers are provided with the convenience of selecting a repayment frequency that synchronizes with their revenue streams.

Fee Structure and Transactional Charges

A comprehensive schedule of fees and charges is integral to this policy to ensure complete transparency. This schedule includes a processing fee payable upon application that shall not exceed 2%, applicable taxes as per statute, a pre-defined penalty for delayed payments calculated on the overdue amount, charges associated with the premature closure of the loan account, and a standard fee for any instrument dishonour. All these charges are unequivocally disclosed in the loan agreement and the accompanying key fact statement, ensuring the borrower is fully informed of all financial obligations beyond the principal and interest.

Operational Procedures and Compliance Adherence

The operational workflow from application to disbursement is designed to be robust and compliant. The company strictly follows the mandated Know Your Customer and Anti-Money Laundering standards, requiring submission of valid identity, address, business existence, and financial performance documents. The credit appraisal process is a multi-stage exercise involving initial scrutiny, a detailed analysis of credit bureau reports, an in-depth assessment of financial statements to evaluate repayment capacity, and a physical verification of the business premises. Each proposal is assigned a risk rating which informs the final sanctioning decision, which is made by authorities as per a formally delegated power matrix. The disbursement of funds is contingent upon the satisfactory completion of all verifications and the formal execution of the legal agreement.

Customer Protection and Grievance Resolution

In alignment with regulatory expectations, the company has instituted a formal grievance redressal mechanism. A dedicated channel exists for customers to lodge any complaints or concerns, with a clearly defined escalation path. The company commits to acknowledging receipt of any grievance promptly and to working towards a resolution within a stipulated timeframe, ensuring that customer concerns are addressed efficiently and fairly.

Policy Governance and Review

This policy document is not static and shall be subject to periodic reviews and revisions. Such reviews will be conducted by the senior management and the board to ensure its ongoing relevance, effectiveness, and compliance with the evolving regulatory landscape and market dynamics. Amendments will be formally approved and communicated throughout the organization to maintain consistent implementation.

CHAPTER III – PERSONAL LOAN

Personal Loan Policy

Aquila Finance Ltd. introduces its Personal Loan, short- to medium-term Unsecured financial product designed to meet the personal financial needs of individuals. It is designed to help salaried employees, self-employed persons, and professionals manage expenses such as medical emergencies, education, home renovation, travel, or debt consolidation without pledging any collateral. Personal loans are based primarily on the borrower's income stability, credit history, and repayment capacity**.** The application process is simple, with minimal documentation and quick disbursal**,** making it a convenient financial solution for urgent or planned needs. It also helps individuals build and strengthen their credit profile through timely repayments.

By establishing this policy, Aquila Finance Ltd. aims to ensure the loan operations are conducted with fairness, transparency, and adherence to regulatory standards while safeguarding the interests of both the lender and the borrower.

Operational Area (Local Limits)

The operational area of a Personal Loan refers to the geographical limit within which is authorized to source, process, and disburse loans. This ensures better customer service, easy verification, and efficient loan monitoring. The borrower's residential and employment addresses must be verified and fall within this defined operational boundary. Limiting the service area helps to maintain effective control over collections, improve customer engagement, and reduce default risks through close operational supervision.

Loan Amount (Exposure Limits)

The maximum loan amount for a Personal Loan shall be determined based on the management's discretion**,** taking into account the borrower's credit score, income level, and repayment history**.** Applicants with astrong credit profile (CIBIL score above 700), stable income,and aconsistent repayment track record are eligible for higher loan limits within the company's approved exposure norms. Conversely, borrowers with limited income or lower credit scores may be sanctioned smaller amounts or may require additional guarantors or security. This approach ensures responsible lending, minimizes credit risk, and aligns the loan sanctioning process with the borrower's genuine repayment capacity.

Loan Tenure and Repayment – Personal Loan

The loan tenure and repayment structure form a crucial part of the Personal Loan policy, ensuring flexibility for customers while maintaining healthy recovery standards for the NBFC. The tenure and mode of repayment are determined after assessing the borrower's income stability, creditworthiness, and repayment capacity.

A Personal Loan may be sanctioned for a period of up to 10 years (120 months)**,** depending on the amount, customer profile, and management approval. The tenure is decided in such a way that the monthly or periodic instalment remains affordable and proportionate to the borrower's income level. Shorter tenures result in faster repayment with lower overall interest cost, while longer tenures provide the borrower with reduced EMI obligations, offering financial comfort and better liquidity management.

Repayment can be structured as weekly or monthly collections, depending on the nature of income and convenience of the borrower. Salaried employees typically prefer monthly repayment through an NACH (National Automated Clearing House) mandate, ensuring automatic debit from their bank account on a fixed date each month. This method ensures timely payment, reduces default risk, and promotes disciplined financial behaviour.

For self-employed individuals with fluctuating income, the customer can have the option of weekly repayment**.** Collections may be made either directly by the customer at the branch orthrough authorized collection staff. Weekly collection helps small borrowers manage cash flow more easily and maintain regular repayment habits without financial stress. Each collection is recorded systematically, with receipts issued immediately to the customer to ensure transparency and accountability.

The company also places great emphasis on responsible collection practices. All collection staff are trained to adhere to fair practice codes prescribed by the Reserve Bank of India (RBI)and the NBFC's internal compliance policy. Customers are to be treated with respect, and all recovery efforts must remain transparent, professional, and within the legal framework.

Borrowers are encouraged to make timely payments to maintain a healthycredit history**.** Regular repayment not only prevents penalty charges and credit score deterioration but also improves the borrower's eligibility for future loans with higher limits and better interest rates.

In the event of delayed payments, the company will follow a structured reminder and follow-up process, including ordinary/registerednotice, phone calls, and personal visits, before initiating any legal or arbitration action.

CHAPTER IV – MORTGAGE LOAN

INTRODUCTION & OBJECTIVE

Aquila Finance Ltd. ("the Company") establishes this policy to govern the sanctioning, disbursement, and management of its Mortgage Loan product. This secured credit facility is designed to provide individuals and small business owners with access to substantial funds by leveraging the value of their owned residential or commercial property. The primary objective is to meet the diverse financial needs of customers while operating within a framework of prudence, integrity, and strict adherence to the regulatory guidelines issued by the Reserve Bank of India (RBI), including the Fair Practices Code. All operations will be conducted with utmost transparency and fairness, safeguarding the interests of both the borrower and the institution.

LOAN PURPOSE & END-USE

The Mortgage Loan product is designed to provide liquidity for various personal and business requirements that are lawful and economically sound. Permissible purposes include but are not limited to funding higher education, marriage expenses, business expansion, working capital needs, home renovation, and medical treatment. The Company strictly prohibits the utilization of loan proceeds for speculative activities, investments in capital markets, gambling, or any purpose that is illegal or contravenes public policy. While an undertaking regarding the end-use of funds will be obtained from the borrower at the application stage, the Company reserves the right to seek supporting documentation, such as invoices or estimates, to verify the declared purpose for loan amounts exceeding a predefined threshold or in cases where the stated purpose appears inconsistent with the borrower's profile. This risk-based approach ensures compliance with KYC and AML standards without unduly burdening all customers.

ELIGIBILITY CRITERIA

Eligibility for a Mortgage Loan is contingent upon the applicant meeting a comprehensive set of criteria designed to assess creditworthiness and legal capacity. The loan is open to individual Indian residents, including both salaried and self-employed persons, who possess a stable and verifiable source of income. The property offered as security must be owned by the borrower or by an immediate family member who agrees to be joined in the transaction as a co-borrower or guarantor. In instances of jointly held property, all co-owners must be made parties to the loan agreement. A fundamental requirement is that the property has a clear, marketable title, free from any encumbrances, liens, or ongoing litigation. The applicant must also demonstrate a satisfactory credit history, with a minimum credit bureau score as defined in the Company's internal risk policies, which are subject to periodic review.

SOURCE OF INCOME & REPAYMENT CAPACITY

The applicant must possess a stable, regular, and verifiable source of income that is adequate to service the proposed loan obligations while maintaining reasonable financial comfort for personal and family expenses. All declared income streams, including salary, business profits, rental income, and pension, will be subjected to verification for genuineness and consistency. For the purpose of enhancing the eligible loan amount, the income of immediate family members may be considered, provided they formally join the loan facility as co-borrowers or guarantors and furnish all requisite documentation and consent.

GEOGRAPHICAL CONCENTRATION

To ensure effective monitoring, verification, and risk management, the Company will extend mortgage loans only to Indian residents where the mortgaged property is located within the operational jurisdiction of the sanctioning branch or head office. This policy minimizes operational risks associated with property valuation, legal verification, and recovery processes. Any exception to this geographical mandate will require prior and documented approval from the Head Office, supported by a strong business justification and satisfactory verification of both the borrower and the property.

PROPERTY & VALUATION NORMS

The Company accepts both residential and commercial properties as security, provided they are situated in legally approved and readily marketable localities. A rigorous process of title verification will be undertaken for every property to confirm unambiguous ownership and the absence of any legal impediments to creating a valid mortgage. The property must be independently valued by an empanelled valuer to determine its current market value depending on the requested loan amount. The maximum loan amount sanctioned shall not exceed a specified Loan-to-Value (LTV) ratio, which is typically capped at 70% of the property's market value or as per the Company's prevailing risk policy, whichever is lower.The company's authorized valuator is permitted to approve valuations for small loan amounts.

LOAN AMOUNT, TENURE & PRICING

The final loan sanction is a function of the lower of the amount derived from the applicable LTV ratio and the amount justified by the borrower's repayment capacity. The loan tenure is flexible, extending up to ten years, allowing borrowers to select a repayment schedule that aligns with their cash flow. The applicable interest rate will be determined by a Board-approved pricing policy that considers the borrower's risk profile, the loan tenure, and prevailing market conditions. All interest rates and charges will be explicitly disclosed in the Sanction Letter and the Loan Agreement, ensuring complete transparency.

DOCUMENTATION & LEGAL FORMALITIES

A standardized set of documents is mandatory for processing every mortgage loan application. This includes KYC documents, income proofs, and complete property-related documents. The property title deeds must be submitted;(The property title deed must be submitted for all loans. Submission of the original property title deed is a mandatory requirement. However, for small-ticket loans, only theLatest Land Tax Receipt (LTR) may be accepted in lieu of the title deed.) accompanied by relevant supporting documents such as the latest tax receipts, an Encumbrance Certificate for a minimum of the past 13 years, and possession certificates. A field verification report of the borrower's premises and the property will be conducted. Furthermore, the property title will be scrutinized by a panel advocate to establish legal validity. A valuation report from an approved valuer will be obtained to ascertain the security coverage; however, for very small-ticket loans not exceeding a specified amount, as defined in the internal operational guidelines, the need for a formal valuation may be waived based on a strong track record with the borrower and the satisfactory marketability of the property as confirmed by the field verification and internal credit assessment.

REPAYMENT & ACCOUNT SERVICING

Repayment of the loan shall be through Equated Monthly Instalments (EMIs) comprising both principal and interest, unless a structured bullet payment plan is explicitly sanctioned. Borrowers are encouraged to use electronic payment modes for convenience and transparency. The Company maintains a robust loan servicing system to ensure accurate accounting, timely communication of dues, and prompt resolution of any customer queries through designated support channels.

PREPAYMENT & FORECLOSURE

The Company acknowledges the borrower's right to prepay the loan. Borrowers may foreclose their loan account either in part or in full during the loan tenure. In the case of foreclosure, a prepayment charge may be applicable.

DEFAULT, RESTRUCTURING & RECOVERY

In the event of a default, the account will be classified as overdue, and a penal charge, as specified in the loan agreement, will be levied. The Company will initiate a structured and graduated recovery process, beginning with reminders and followed by personal contact. Where feasible, the Company will explore the possibility of restructuring the loan to help the borrower overcome temporary financial difficulties. As a measure of last resort, if all resolution attempts fail, the Company reserves the right to enforce its security interest under the relevant provisions of law, which may involve taking possession of and selling the mortgaged property. All recovery actions will be conducted in a fair, non-coercive, and legally compliant manner.

GRIEVANCE REDRESSAL

A dedicated grievance redressal mechanism has been established in compliance with the RBI's Fair Practices Code. The detailed procedure for lodging and escalating complaints is provided to the borrower at the time of loan sanctioning. The Company is committed to acknowledging receipts of grievances promptly and resolving them within a stipulated timeline.

POLICY GOVERNANCE

This policy shall be reviewed annually by the Credit & Risk Department to ensure its continued relevance, effectiveness, and compliance with the evolving regulatory landscape. Any amendments require formal approval from the Board of Directors or a duly authorized committee thereof.

CHAPTER VIII - GENERAL

A) FUNDING OF ASSETS

The Company shall maintain capital adequacy in strict compliance with RBI stipulations. Owned funds shall be strategically supplemented by a diversified mix of funding sources, including bank borrowings, credit lines, and issuances of NCDs and bonds. Resources allocated for funding the gold loan portfolio must be sufficiently diversified and scalable to support the Company's growth objectives.

B) RESTRICTED PROFILES/PROPERTIES

When considering loans to borrowers or against properties classified under "Restricted Profiles" as per internal guidelines, enhanced due diligence shall be exercised. This includes imposing stricter documentation requirements, incorporating specific covenants in agreements, and applying prudent limits on loan amounts and tenures to adequately protect the Company's interests.

C) NEGATIVE PROFILES

The Management shall periodically identify and define "Negative Profiles." Loan applications from borrowers falling under this classification shall not be entertained.

D) RECOVERY OF LOANS AND COMMUNICATION

i) While many borrowers service their obligations voluntarily, the Company shall implement a systematic process for monitoring repayments. Initial recovery efforts will emphasize customer persuasion. Should these measures prove ineffective, the Company may initiate legal proceedings through appropriate judicial forums. Communication with customers may be conducted via:

a. SMS to registered mobile numbers of borrowers, guarantors, or co-obligants.

b. Ordinary post to the registered addresses of borrowers, guarantors, or co-obligants.

c. Registered post with acknowledgment due to the registered addresses.

d. Email communication to registered email IDs.

ii) The Company's collection and recovery practices shall adhere to the following principles:

a) The Company, its employees, or authorized agents shall not interfere in the borrower's affairs beyond the scope of the loan agreement, unless new, material information emerges.

b) Requests for the transfer of a loan account shall be addressed within 21 days of receipt, with consent or objections communicated transparently and in accordance with the law.

c) The Company strictly prohibits undue harassment in the recovery process, such as persistent communication at odd hours or the use of intimidation or force. Staff shall be adequately trained to interact with customers professionally.

E) ENFORCEMENT OF SECURITY INTEREST

As a recovery measure, the Company may take possession of financed or secured assets and realize the outstanding dues, including interest and charges, through a sale via public auction, following due procedure. The loan agreement shall contain the necessary provisions to facilitate this process. Such enforcement may be conducted directly or through engaged third parties, subject to prevailing regulations.

F) INTEREST RATE AND OTHER CHARGES

Interest and other charges for loan products shall be determined based on the principles of cost of funds, operational costs, and a reasonable rate of return. Pricing may be differentiated based on the risk profile of the asset class, the customer, and the loan tenure, in accordance with the Board-approved Interest Rate Policy.

G) SHARING OF CREDIT INFORMATION

a) The Company shall implement appropriate systems for the timely identification, classification (e.g., Special Mention Accounts), and reporting of customer accounts as stipulated by RBI.

b) In instances of data rejection by Credit Information Companies (CICs), the reasons shall be identified, and corrected data shall be re-submitted within 7 days of the rejection notice or as per RBI guidelines.

c) The quality of data submissions shall be continuously assessed with the aim of improving data integrity and minimizing rejections.

H) USAGE OF CREDIT INFORMATION

For all new loan proposals excluding gold loans, the customer's creditworthiness must be mandatorily verified by obtaining a report from at least one Credit Information Company (CIC).

I) NODAL OFFICERS

The Company shall appoint a Nodal Officer responsible for ensuring the accurate and timely submission of customer data to CICs, minimizing data rejections, improving data quality, and liaising with CICs for retrieving credit information used in the credit assessment process.

J) CREDIT INFORMATION COMPANIES ACT (CICRA)

i) The Company shall adhere to the timelines and procedures stipulated under CICRA and its associated rules for updating credit information, resolving disputes, providing information to customers, and processing update requests, including any applicable charges and customer notifications.

ii) Deviations from stipulated timelines shall be monitored and reported to the Board or its relevant Committees in periodic customer service reviews.

K) OTHER PROVISIONS

i) All loan terms and conditions must comply with the Company's Fair Practices Code.

ii) Loans shall be sanctioned to the Company's directors, their relatives, or related entities only after prior approval from the board. Such loans sanctioned should be reflected in the related party disclosure.

iii) Loans shall not be extended to persons of doubtful integrity or those engaged in illegal activities, irrespective of the quality of security offered.

iv) The loan sanction letter/agreement shall explicitly state the final repayment due date.

L. ASSET CLASSIFICATION

i. The classification of borrower accounts as Special Mention Accounts (SMA) and Non-Performing Assets (NPA) shall be an integral operational procedure within the Company's financial monitoring framework.

ii. SMA/NPA classification norms shall be uniformly applied to all loan accounts across the Company's portfolio, including all retail loan products, without exception based on exposure size or loan type.

iii. The Company shall maintain and periodically review detailed internal guidelines governing the specific criteria, timelines, and procedures for SMA/NPA identification and classification in compliance with RBI regulations.

M.) RE-SCHEDULING OF LOANS

Subject to RBI guidelines, the Company may, at its discretion, permit a one-time rescheduling of loans in eligible cases.

Justification & Conditions: Rescheduling may be considered for borrowers facing genuine, unforeseen hardships that impair repayment capacity, provided:

i) The account is not an NPA on the date of rescheduling.

ii) The business/repayment source is viable or can be made viable in the immediate future.

iii) The borrower and co-borrowers submit a written request detailing the reasons and proposed revised terms, along with an assurance for future timely payments.

iv) The borrower has a satisfactory repayment history prior to the hardship.

v) The borrower's reputation and creditworthiness remain satisfactory.

N) REVIEW OF POLICY AND AMENDMENTS

This Policy may be reviewed, amended, or modified by the Board of Directors through a resolution passed in a meeting or by circulation. Actions taken in good faith under a previous version of the Policy shall remain valid. The Board shall review this Policy at least annually.

O) EMPOWERMENT

The Managing Director & CEO is empowered to issue internal instructions for the operational implementation of this Policy. Deviations from Policy terms necessitated by unforeseen circumstances may be approved by the Credit Committee.

The Board Committee on Management is empowered to approve the delegation of sanctioning authority.

P. SEVERABILITY

If any part of this Policy is rendered inoperative due to changes in RBI directions, accounting standards, or regulatory pronouncements, the remaining provisions shall continue to be in full force and effect.

Q. LANGUAGE USED

Words in this Policy importing the singular include the plural and vice-versa. Words importing a specific gender include all genders.

R) EFFECTIVE DATE

This Policy is effective from the date of its approval by the Board, and as subsequently amended.

BY THE ORDER OF THE BOARD OF DIRECTORS

For AQUILAN FINANCE LTD.