



PRODUCT & CREDIT POLICY

Business: MSME

Product: Micro LAP

Approval Date: - 14 August 2024

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REVIEW CALENDER

Scheduled Board Review – Annually unless in the opinion of Managing Director/Joint Managing Director a review of this needed sooner.



Introduction:

Micro LAPs are secured loans backed by property, which gives a sense of security to the lender, which is provided to Working capital for starting a micro business running the business, business development, income generation purposes, and medical exigency or for Personal use to address their credit needs. Basis certain pre-defined rules and parameters, the borrower is assessed individually and based on its fulfillment, and the loan is sanctioned.

Objectives of the Policy:

To ensure that a good quality portfolio is sourced and maintained, backed by due diligence and proper monitoring of the portfolio.

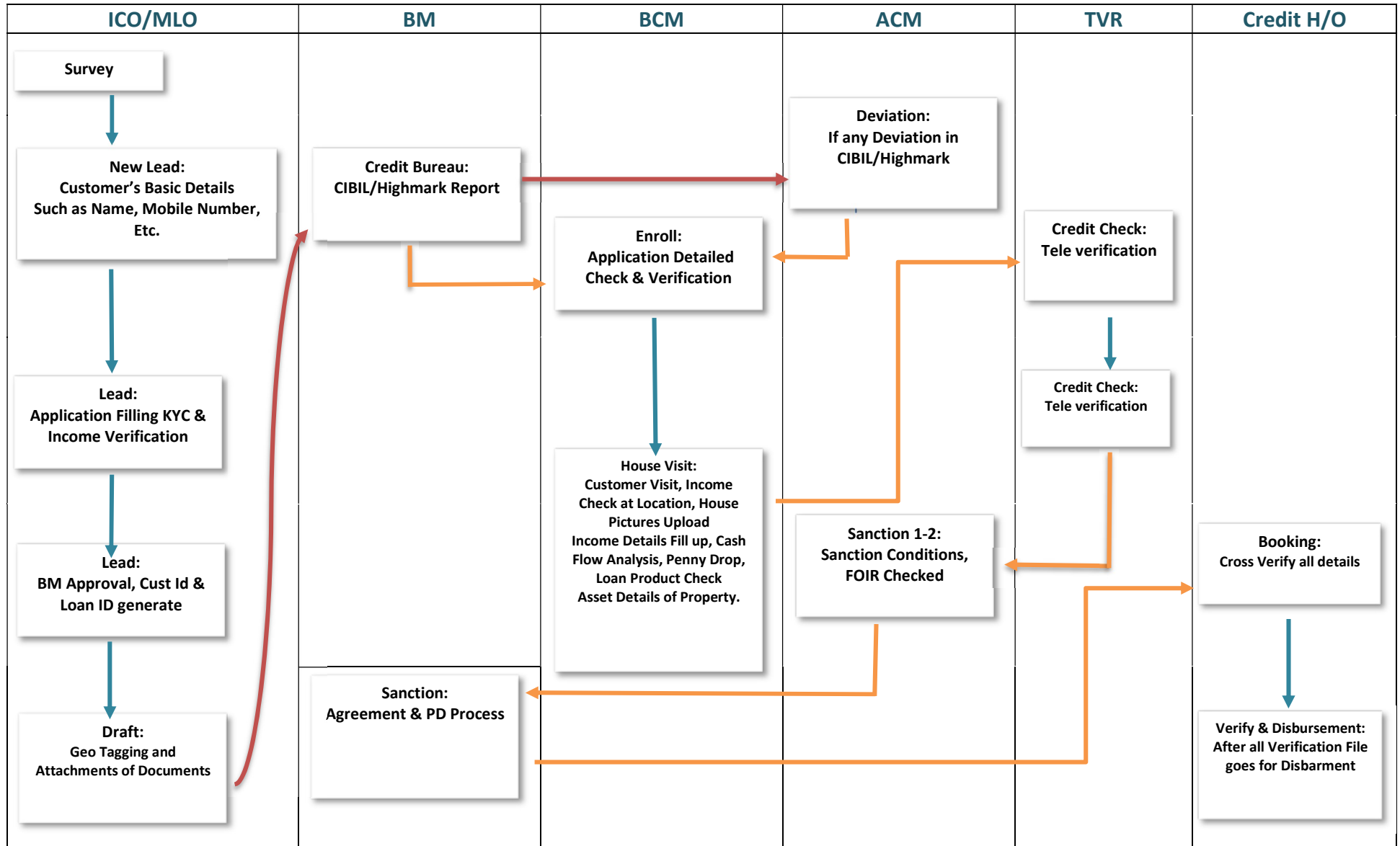
Key Process Responsibilities

The responsibility of different activities during the process would be as follows:

Process	Responsibility
Lead generation/sourcing	Mortgage Loan Officer (MLO)
CPV/House Visit/Credit Checks/Recommendation	Branch Credit Manager (BCM-Mortgage)
Tele Verification	TVR Team
Legal & Technical	External empaneled Lawyer
Valuation	External empaneled valuer
Document, Data verification and Approval	Area Credit Manager (ACM/BH)
Loan Booking	Branch Manager
Verification (Data Review)	Central Credit Team (Head Office)
Disbursement and PDD storage	Operations team



CREDIT - PROCESS FLOW CHART





Policy Parameters

Micro LAP under MSME concept is a simplified product based on cash flow assessment of the borrower (CAM). The focus customers for this product are funding income generation activities predominantly in the rural, & semi-urban market space. The product is aimed at meeting various requirements of the customers by providing timely and affordable credit. The product has been designed considering the challenges in availability of formal documented income with this set of customers through training in a simplified manner with shorter response times

Objective: The objective of this product policy is to explain the Micro LAP loan product features and to describe credit policies for customer selection along with the collateral and Property details and max. LTV allowed for funding on particular collateral property.

SRN	Parameters	Applicable Rules
1.	States	<u>Gujarat:</u> All Branches. <u>MP & Telangana:</u> All Branches.
2.	Location for Sourcing	<ul style="list-style-type: none">• With in radius of Municipality/Taluka Location and upto 35Km from Branch location• Gram Panchayat property has to be located within 25KMs from the Branch location (outside Municipal Corporation)<ul style="list-style-type: none">- The identified area should have State transport Connectivity.- The place wherein sourcing identified must have proper Mobile Signal network availability.- Identified area should have Electricity connectivity and the collateral has proper electricity connection.
3.	Customer Segment	<ul style="list-style-type: none">- Self Employed Non-Professionals like Trader, Manufacturer, and Service Provider etc.- Farmers and Allied Income Earners i.e. Farmers, Milk income from own cattle etc.- Self Employed Professionals like Doctors, Medical Shops & Clinics etc.- Salaried individuals – Working in Government, Public Limited Company, Private Limited Company, Partnership Firms, Proprietary Firms (Bank Credit as well as cash) <p>The collateral to be owned by family- applicant or co-applicant / and within family.</p>



4.	Purpose of loan	<ul style="list-style-type: none"> - To fund working capital requirements for the Business Enterprise like stock purchases, cattle purchase, to start another shop, to add product range etc. - For consumption purposes like house renovation, Marriage/medical expenses/ education or any other function in the family etc... 	
5.	Property and LTV grid	Residential house with residual age of the property < 10 years Free Hold (where title holds available)	65% 60%
		Commercial property with residual age of the property < 10 years Free Hold Gamtal	60% 55%
LTV can be increased by 5% with the deviation can be approved by Credit Head. In any case, LTV cannot go beyond 70% for both commercial /residential properties. Anything above, would be approved jointly by Jt. MD/CRO.			
6.	Required Property Documents	<ul style="list-style-type: none"> - Residential and Commercial properties are acceptable - All Property Owners should be taken on deal structure <p><u>Required Property Documents – As per the legal checklist</u></p> <p>Vetting of original title documents/Document showing allotment is mandatory. External Lawyer must conform that there is no restriction on its mortgage, transfer and usage.</p>	
7.	Legal & Technical	<ol style="list-style-type: none"> 1) Legal report to be vetted by Credit Head 2) Minimum 4 photographs of the property from outside and inside (kitchen mandatory in case of residential property). The photos to be captured along with geotagging by valuer. 	



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8.	Valuation	From empaneled valuer
9.	Loan Size	Minimum 2 lakh – Maximum 10 lakh
10.	Loan Tenure	24 months to 84 months
11.	ROI	21% to 26% (weighted average should be maintained 24% for disbursements on monthly basis) (The rate of interest charges to the customer would depend on the multiple factors like the credit Evaluation of the borrower, past credit history, CIBIL/Highmark score, loan size, tenor of loan, repeat or new to Arman etc.)
12.	Processing Fees	2% + GST and life insurance for applicant.
13.	Insurance	Actual premiums not exceeding – 5 % of the sanctioned amount.
14.	Coverage	Life cover for the loan tenure for the entire loan amount under the Individual Master policy for Applicant & Co-applicant is mandatory.
15.	Approval Authority	Up to Rs.5 lakh – ACM – Mortgage Rs.5.01 lakh – Rs.10 lakh – CH
16.	Source of Income to be considered for eligibility	<p>a) Income earned from all legitimate sources including business income / salary income / agriculture and agri-allied income will be considered.</p> <p>b) Salaried – At least one year continuity in the same job.</p> <p>c) Pension Income – Pension income to be considered till the age of 65 years at the end of loan tenure.</p> <p>d) Self-employed – At least 2 years continuity in same business</p> <p>e) Agricultural Income – only to be considered as additional income – not as a primary source of income... Minimum 5 vigha land with ownership of applicant and/or family members staying in joint family.</p> <p>For the cases where cash flow assessment is done basis income documents, following documents shall be required:</p> <ul style="list-style-type: none">- Standard Income documents like ITRs for last two years to be collected (ITRs means Acknowledgement, Computation of Total Income, Balance Sheet and Profit & Loss Account).- Gap between both returns should be of 6 months- The trend of Turnover and Profit should be positive- TO & NP should not be increased by 150% of previous ... In case of such incident, need to consider average of last 2 years.- Non-Standard Income documents to be collected i.e. Assessed Based Income



		<p>e.g. Agri and agri-allied income – 7/12 & 8A abstract to be collected, copies of sale bills for crops sale ... Purchase and sale bill copy for stocks ... Milk Statement for last 12 months etc...</p> <ul style="list-style-type: none"> - For Salaried customer, salary slip or certificate for last three months is mandatory. - If applicants have more loan obligations and without credit track record Income proof should be mandatory. <p><u>Profiles of Assessed Based Income Program / No Income Document Program:</u></p> <p><u>Some examples of profiles:</u></p> <ol style="list-style-type: none"> 1. Barber shop 2. Provision Store 3. Transporter / Traveler 4. Tailor Shop 5. Contractor (Civil Contractor / Labor Contractor) 6. Fabrication Work 7. Centering Material Supplier 8. Building Material Supplier
17.	FOIR	Maximum at 65% of the 'net surplus cash (post all business & Household expenses)'
18.	Emi Date	NACH to be presented on 3 rd and 7 th of every month
19.	Collection Method	All the EMIs will be collect through NACH. In case of bounce of NACH, Cash collection will be done only on issuing cash receipt
20.	Part Prepayment	<ol style="list-style-type: none"> a. 1-6 months of loan disbursement, no part-prepayment allowed b. 7-12 months of loan disbursement, part-prepayment allowed with 5% of charges on amount paid as a part-prepayment. c. 13 months and above of loan disbursement, part-prepayment allowed with 4% of charges on amount paid as part-prepayment. <p>Condition of Part-prepayment: Maximum 25% of Principal Outstanding in a financial year allowed</p>
21.	Foreclosure	1-6 months loan disbursement, foreclosure is not allowed, Above 06 months 05% Foreclose Charges + GST will be collected.
22.	Penal charges	In case of any default/delay in the repayment of principal instalments due on the facility penal charges shall be levied, the penal charges will be calculated @ 2% per month on the Overdue amount (principle/Interest or any other amount) for the Overdue period along with Applicable taxes until compliance. The penal charges shall not be added to principle or capitalized.
23.	Bounce Charges	The E NACH, Manual NACH, Cheque bounce or non-Payment of Instalment on the due date would result in bouncing charges. The Bounce charges shall not exceed Rs: 500 per such instance. Further these charges shall not be capitalized



Legal Checklist:

Free Hold:

- Sale Deed, Sub-Registrar's Receipt & Index II
- N.A. Order
- Construction Permission
- Approved Plan
- 7/12, 8A & 6 abstracts / Property Card
- Latest House Tax Paid Receipt
- Chain Documents – if applicable

(*) Exposure up to Rs.5 lakh can process with Single Sale Deed with restriction of tenure to 5 years and ROI would be 24%.

Free Hold with Co-op Housing Society formed:

- Photocopy of Sale Deed, Sub-Registrar's Receipt & Index II in the favour of Co-op Hsg Soc
- NA Order
- Construction Permission
- Approved Plan
- Allotment letter in favour of our applicant
- Share Certificate in favour of our applicant
- Original Sale Deed, Sub-Registrar's Receipt & Index II in the favour of our applicant in case purchased in resale or Hsg soc formed on or after 01-Sep-2001
- POA as per requirement
- NOC from Society
- Latest House Tax Paid Receipt

Gamtal Property:

- Certificate issued by Talati cum Mantri for property under "Gamtal", Ownership for ___ years, No Dues and Border (Chatuhsima)
- Assessment of Tax ("Aakarni Patrak") – Latest



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- Latest House Tax Paid Receipt
- In case of ownership < 13 years
 - ✓ Family Tree (Pedhinamu) to ascertain legal heirs
 - ✓ Resolution stating how did applicant become owner of the property
- Abstract 2 (Gam no namuno no 2)

CUSTOMER ACCEPTANCE CRITERIA – ASSESSED BASED INCOME

Sr No	Criteria	Eligibility
1	Age – to consider income for eligibility	<p>Minimum 21 years at the time of application</p> <p>Maximum at the end of tenure:</p> <p>Salaried: 60 years at the end of tenure or retirement age whichever is earlier.</p> <p>SENP: 65 years at the end of tenure.</p> <p>Farmer / Income Agriculture and allied activities: 65 years at the end of tenure.</p>
1.1	Age – as a property owner	<p>Till the age <= 65 years on date of application. If the property owner is > 65 years old, need to collect following documents:</p> <ul style="list-style-type: none"> a. Family Tree i.e. Pedhi Namu (of live property owner) b. NOC from all legal heirs
2	Business Stability	<p>3 years in same line of business and total 5 years in business</p> <p>1 year in the same organization with total 3 years of working experience in case of salaried customer</p>
3	Residence Stability	Minimum 1 years in the same property and 3 years in same area
4	Type of House	Complete House with plaster, flooring, slab with RCC / stone / stone +lime, With basic amenities and proper Demarcation with matching boundaries as per document – Minimum 400 sq ft plot size
5	Location of Residence / Business	35 Kms from branch office
6	Minimum House Hold Income (*)	Rs.3 lakh minimum
7	Bureau Score	<p>Minimum 650(CIBIL) (-1 and 0 to be consider as +ve)</p> <p>CIBIL of male applicant / co-applicant CIBIL & CRIF of female applicant / co-applicant</p> <p>Deviation approval should be taken by Credit Head if the score is below 650(CIBIL).</p>
8	Property Norms	<ul style="list-style-type: none"> ✓ Free Hold Property ✓ Free Hold Property with Co-operative Housing Society Formed ✓ Lease Hold Property – with Government Authorities sub to balance lease covering the loan tenure with minimum unexpired – Tenure 5+ years (**) ✓ Gamtal Property
9	Electricity Meter	✓ It should be in the name of applicant or family member staying in joint family



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		✓ Meter number must match during verification
10	Structure of the property	✓ Ceiling with Concrete ✓ Ceiling with Nalia ✓ Ceiling with Asbestos Roof

(*) House Hold Income = Income of the family (Applicant + 2 co-applicants maximum)

(**) e.g. we are offering tenure of 7 years, then the minimum unexpired tenure of lease should be 12 years

**BT + Top-up:**

All Other criteria as per above except changes as under

SI #	Criteria	Description
1	Approved Location	<u>Gujarat:</u> Dahod, Divada, Bhiloda, Dabhoi, Vadali, Padra, Kheda, Godhra, Lunawada, Shahera, Modasa, Bayad, Mansa Himmatnagar, Kheralu, Dakor <u>MP & Telangana'</u> All Branches
2	Additional Documents to be collected and process to be followed	<ol style="list-style-type: none">1. Undertaking from the customer stating will produce the No Dues Certificate and Original documents on required stamp and notarized2. Branch shall collect the receipt for the foreclosure cheque paid to respective Bank / FI.3. Foreclosure Letter and List of Documents from the organization of which we are doing BT4. Original property documents to be marked as PDD for the BT case and OTC for the Top-up case5. Link the BT case with Top-up case6. Both applications to be logged in at the same time. And BT case EMI to be obligated at the time of eligibility calculation of Top-up loan
3	Minimum Original Loan Amount Availed	Rs.250000/-
4	Minimum number of EMIs should be paid	12 months
5	Bounces	Not more than 3 EMI bounce during last 6 months... No bounce allowed in last 3 months
6	Payment of EMI post bounce	In case of bounces within last 12 months, only when the payment being done within 10 days of EMI due date.
7	Multiplier to be applied	12-18 MOB – 1.25 times 19-24 MOB – 1.50 times >=25 MOB – 1.75 times Sub to eligibility as per CFA

(*) Bounces can be ignored if due to technical reasons



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File flow

Sr No	Step	Responsibility
1	Sourcing	MLO
2	Lead Generate	MLO
3	Lead Approval	BM / AMM
4	Login	MLO
5	Bureau Check	BCM / ACM
6	Initiate TSR / Valuation	BCM / ACM
7	CPV / PD	BCM / ACM
8	Recommendation & Decision	BCM / ACM / BCM / Product Head
9	Print Sanction Letter	BCM / ACM
10	TVR post sanction	TVR team at HO
11	Create Charge, Agreement sign and E-NACH registration	MLO / BM / AMM
12	Checking all required original documents, sanction letter, agreement etc.	BCM / ACM
13	Vetting Report by empaneled lawyer	BCM / ACM
13	Booking & Disbursement	Ops & A/c Team at HO

Formats to be prepared:

Sr No	Format Required	Stage
1	Authority letter from customer/s to check Banking	Application
2	Undertaking from customer/s to submit the original property documents at the time of disbursement of BT case	Disbursement
3	NOC from Society	Disbursement
4	Dual Name Affidavit	Post approval before agreement signed
5	Dual DOB Affidavit	Post approval before agreement signed
6	End use letter	Post approval before disbursement
7	Address Mismatch Affidavit	Post approval before disbursement



Annexure -1

List of Negative and Cautious Customer profiles

SL No	Negative Profiles and Cautious
1	Lawyers / Lawyer in family (father, mother, spouse, son, daughter, brother, or any other family member associated in judiciary and living in customer house)
2	Policemen or direct family members of policemen including paramilitary forces, CRPF, PAC or home Applicants. Guards etc. Paramilitary Force people like Army, CRPF can be Co-Applicants provided they are localized on duty.
3	Politicians / Person residing in community dominated or politically sensitive areas.
4	Press & Media persons
5	Leasing Business / Small Financiers / Chit Financiers / Local money lenders, Collection agencies and Video parlors and etc.
6	Collection Agencies / Video Parlors
7	Jewelers or Jewelry companies who take deposits from public under saving schemes
8	RTO Agents / Sr. RTO officials / Forest Officials / Trade Union Officials
9	Vehicle Dealer / Automobile Consultant / DSA / DMA of any Finance Company
10	Employees of vehicle dealers / automobile consultant / DSA / DMA of any Finance company
11	Criminal background / Under world Connection / Terrorist / Persons engaged in smuggling
12	Any person where it is not possible to collect or repossess due to violence / danger to field staff
13	Production or trade in weapons and ammunitions
14	Production or trade in illicit alcoholic beverages
15	Gambling, casinos and equivalent enterprises
16	Production or activities involving harmful or exploitative forms of forced labor / harmful child labor
17	Butcher
18	Stand-alone cyber café
19	Production or trade in any product or activity deemed illegal under country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES
20	HUF and Power of Attorney holder
21	Minors / Insolvents / Person of Unsound mind
22	Social Club / Trusts / Charitable entities
23	Person disqualified by the law



**Annexure -2
KYC POLICY**

SL No	List of Standard KYC's
1	Aadhar Card and Voter or Pan card is mandatory for All type of Borrowers
2	Voter ID Cards
3	Passport
4	Driving License
5	PAN Card
6	Ration Card
7	Electricity Bill, Akarni, Water Bill or House Tax Receipt for Address Proof
8	Latest Utility bills issued by Government of public offices including Electricity bill, Gas Bills or New Gas Card, (Not more than 06 months Old)
9	Bank Account Statement (Not more than 06 months Old or Based on credit Requirement) (Penny Drop will be required in the Fin page)
10	Registered Property/Land Documents Copy

Below for Only Rajasthan: -

1. Only the documents given below will be accepted as proof of address in the RURAL VILLAGES OF RAJASTHAN (Decision taken by BRM only with Original Documents verification).
Electricity Bill, House Tax Bill, Jamabandhi and House Patta attested by Public Authority/Secretary/Patwari.



Annexure -3

Deviation Matrix

BCM	Branch Credit Manager
ACM	Area Credit Manager
RCM	Regional credit Manager
CM	Credit Manager
CH	Credit Head

Type of Deviation	New to Company Existing	Approved by
Score CRIF/CIBIL	< 550	CM/CH(Auto Rejected By System)
Score CRIF/CIBIL	550 to 600	RCM/CM/CH(By System)
CRIF Code	11 to 18	ACM/RCM
Delay Repayment for Renewal Loans(Arman and NAMRA)	More than 5EMI's Delay last 12 months - Paid post due date but before Month End	RCM/CM/CH
	Up to 5EMI Delay last 12 months - Paid within 7 days of due date.	ACM/RCM
SMA /DBT/LSS	During >12 months	RCM/CM/CH
	During < 12 months	CM/CH
Written Off/Settlement/Wilful defaulter/Suit Filed	All Trade lines	CM/CH
DPD days	Up to 30 Days	RCM(By System)
DPD Days	1-90 DPD During last > 12 months of application with regularised at the time of application	ACM
	1-90 DPD During last > 12 months of application with not yet regularised at the time of application	RCM/CM
	> 90 DPD During last > 12 months of application with regularised at the time of application	RCM
	> 90 DPD During Last > 12 months of application with not yet regularised at the time of application	CM/CH
	1-90 DPD During last < 12 months of application with regularised at the time of application	ACM
	1-90 DPD During last < 12 months of application with not yet regularised at the time of application	RCM/CM
	> 90 DPD During last < 12 months of application with regularised at the time of application	RCM/RCM
	> 90 DPD During last < 12 months of application with not yet regularised at the time of application	CM/CH
Overdue Amount	Up to 100	System Generated
Overdue Amount	Up to 5000	RCM
	Above 5000	CM/CH



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Banking	More than 3 NACH / ECS bounce during last 6 months - Paid within 10 days of bounce	RCM/CM
	More than 3 NACH / ECS bounce during last 6 months - Paid post 10 days of bounce but before ME	CM/CH
	Up to 3 NACH / ECS bounce during last 6 months - Paid within 10 days of bounce	RCM
	Up to 3 NACH / ECS bounce during last 6 months - Paid post 10 days of bounce but before ME	CM/CH
Residence Stability	< 1 year	RCM
Business / Job Stability	< 3 years in same Business < 5 years in Business < 1 Year in same Company < 3 Year in Job Experience	RCM/CH
Distance coverage from Branch	by 5 KMs	RCM
	> 5 KMs	CH
Business Profile	Negative and Cautions Profile	RCM/CH
LTV	< 5%	CH