

Ceejay Microfinance Ltd. Microfinance Lending Policy

Effective Date: December 1, 2025

1. Purpose

This policy outlines the standards and procedures for providing microfinance loans, ensuring compliance with Reserve Bank of India (RBI) guidelines and recommendations from RBI and SROs. It establishes a framework to promote fair, transparent, and responsible lending while protecting clients from over-indebtedness and ensuring proper utilization of loans.

2. Scope

This policy applies to all microfinance loans issued by Ceejay Microfinance Ltd. and sets mandatory guidelines for:

1. Purpose of loan
2. Eligibility criteria
3. Credit assessment procedures
4. Sanction of loan and documentation
5. Disbursement of loan
6. Monitoring and utilization checks
7. Collection process
8. Interest rate pricing
9. Fee structures
10. Loan repayment discipline
11. Employee onboarding practices

3. Policy Statements

3.1 Microfinance Loan:

a) Definition of Microfinance Loan:

A microfinance loan is defined as a collateral-free loan provided to households with an annual income up to ₹3,00,000. "Household" refers to an individual family unit, including husband, wife, and their unmarried children.

b) Purpose of Loan:

Loans are provided to suitable members for their already existing business requirements or any new business where they have some experience of doing it. Hence CML microfinance loans are purely for income generating activity only.

3.2 Credit assessment procedures:

- **Household Income and Eligibility Assessment:** Loan officers will gather household income and expense details using an approved questionnaire and verify them through documents and/or field visits wherever possible. Borrowers must authenticate the final assessment. Branch managers will review and approve the verified data to ensure compliance.



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- **Income Verification:** Comprehensive credit bureau checks will be conducted at the household level for each microfinance loan, including credit reports for the client and any co-applicant, to verify debt obligations across retail and microfinance loans.
- **Cap on Microfinance Exposure:** Households with existing microfinance exposure above ₹2,00,000 are not eligible for additional loans.
- **Repayment Limitation (Fixed Obligation to Income Ratio - FOIR):** Total repayment obligations on all outstanding loans, including the proposed new microfinance loan of our company, will not exceed 50% of the borrower's monthly household income.

3.3 Loan Sanction and Disbursement Process:

- **Branch-Level File Check:** Branch reviews and transfers the loan file to the Head Office (HO) for credit checks, approval and document verification.
- **Customer Interaction (CGT, GRT & GRT-1):** Regional Officer (RO) and Branch Manager (BM) conduct Compulsory Group Training (CGT) and Group Recognition Test (GRT & GRT-1) with borrowers to explain the loan details, including loan amount, insurance, EMI, interest rates, and overdue charges in case of default.
- **Disbursement:** After completing all processes, verified and approved cheques are issued to borrowers.

3.4 Monitoring and utilization checks:

End-Use Verification: CML will strive to verify the end use of loan funds to ensure they are utilized for the stated purpose in the application. This process is aimed at promoting responsible lending and supporting clients in effectively achieving their financial goals

3.5 Collection Process:

- **Installment Schedule:** The first installment is due 29 days after date of disbursement.
- **Collection by Recovery Officer (RO):** The RO visits the borrower's centre to collect cash payments on the due date.
- **Cash Deposit and Receipt:** Collected cash is deposited at the branch by EOD, and the RO provides borrowers with a cash receipt for confirmation.

3.6 Interest Rate and Pricing Transparency:

- **Interest Rate Display:** Interest rates, loan processing fees, and any applicable late payment charges will be prominently displayed at all company offices, on the website, and in all loan-related documentation, ensuring transparency for borrowers. as detailed in **Annexure 1**.



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- **Transparent Pricing Structure:** The interest rate components—Cost of Funds (COF), Operational Expenses, Risk Margin, and Profit Margin—will clearly defined, justifiable, and approved by the Board.

Sr. No.	Component	Definition	Based on Past data
1	Weighted Average Cost of Funds	Includes all costs related to borrowing, such as processing fees, arranger fees, collateral and legal charges. Calculated based on average borrowings.	12%-14%
2	Operational Expenses	Encompasses all expenditures from loan origination to the end of the loan cycle, both direct and indirect, including head office expenses. Calculated based on average assets under management.	4%-6%
3	Risk Margin	Costs from uncollected loan receivables, factoring in past credit costs, regulatory provisioning, expected credit loss (ECL), and overall business environment assessment.	4%-6%
4	Profit Margin	Based on management's expectations for pre-tax Return on Assets (RoA).	4%-6%

3.7 Loan Processing Fee (LPC):

The processing fee is capped at 2.0% of the loan amount (excluding applicable taxes), as per RBI guidelines and recommended by SROs and Board.

3.8 Late Payment Interest (LPI):

In the event of overdue EMIs, a Late Payment Interest (LPI) charge of 24% per annum shall be applied on the overdue portion.

3.9 Loan Repayment Discipline:

- **Restriction on Loans to Delinquent Borrowers:** Loans will not be provided to borrowers with non-performing asset (NPA) status of 90+ days past due if the outstanding loan amount exceeds ₹3,000.
- **Delinquency Reduction Goal:** The Company will strive to reduce delinquency rates to the 30+ days past due level over time, promoting a disciplined repayment environment.

3.10 Employee Hiring and Verification:

- **Relieving Letter Requirement:** Employees hired from other microfinance institutions shall provide a relieving letter within three months. Failure to submit this document will result in discontinuation of their services.



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- **Employee Exit Policy:** Ceejay Microfin Ltd. will ensure that relieving letters for former employees are issued promptly, barring any justifiable reason for withholding.

3.11 Qualifying Assets:

The definition of 'Qualifying Assets' for NBFC-MFIs is aligned with the definition of 'Microfinance Loans' outlined above. In accordance with regulatory requirements, a minimum of **60% of the total assets** of Ceejay Microfinance Ltd. must be allocated to microfinance loans. This ensures that the primary focus remains on serving low-income households and fostering financial inclusion.

Furthermore, the Company is currently engaged in providing personal and other loans, which constitute up to **40% of the total assets**. This strategic decision allows the Company to diversify its offerings while still adhering to the regulatory framework. The personal loan business is conducted in a manner that complements our microfinance operations, enabling us to serve a broader segment of the market while maintaining compliance with all relevant guidelines.

4. Policy Review and Amendments:

This policy will be reviewed quarterly by the Board of Directors and revised as necessary to reflect any regulatory changes or organizational needs.



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Methodology

Interest Rate would be a summation of the cost of funds, operational expenses, Risk Margin, and the expected return on assets.

The pricing of the Microfinance Loans would be approved on a periodical basis by the Board. The reset pricing would be applicable only on fresh disbursements and the existing loans would continue at the existing pricing till maturity.

Pricing Components

Sr. No.	Component	Rationale	Pricing Range for Microfinance Loans
1	Interest Rate	The interest rate charged on the microfinance loans would be a summation of cost of borrowings, operational expenses, risk margin, and the expected return on assets.	28-28.75%
2	Processing Fees	Processing fees are expected to cover the cost of origination of the loans and make a small contribution towards the overall spread.	2%
3	Late Payment Charges	The regulator has allowed the Regulated Entities to charge penalties for delayed payment on the overdue amount and not on the entire loan amount.	24%

Disclosure

- I. All pricing-related information shall be disclosed to borrowers through a simplified factsheet along with the loan card.
- II. All amounts, including any fees and charges, shall be explicitly disclosed in the factsheet.
- III. The pricing factsheet shall also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households.
- IV. The maximum interest rates charged on microfinance loans shall be displayed in all offices and on the website of Ceejay Microfinance Ltd.
- V. Any change in interest rates or other charges shall be informed to the borrower well in advance, and these changes shall be effective only prospectively.
- VI. The annualized rate of interest shall be published so that borrowers are aware of the exact rates charged to their accounts.
- VII. Rates of interest and the approach for gradation of risks shall be made available on the company's website and updated whenever there is a change.



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