

Gold/Silver Collateral Valuation Methodology & LTV Disclosure.

A process followed by the Bank and as required under the RBI norms is to evaluate the purity along with net weight of the gold jewellery/ornaments provided by the customer to pledge against the loan amount required. The process is majorly divided in following steps;

Steps	Process
Determination of net weight	<p>In presence of borrower, the gold/silvery jewellery or ornaments shall be weighted. For the purpose of valuation, only intrinsic value of the gold contained in the eligible collateral as net weight shall be considered, post deduction of all other non-gold components like precious stones or gems and beads, lac, enamel, solder etc. For the gross weight of the jewellery/ornaments.</p> <p>(Gross weight – deductions = Net weight)</p>
Purity Assessment	<p>The purity of the jewellery or ornaments shall be assessed by the valuer by using standard assaying techniques like stone & acid test, pointed scratching test etc.</p>
Price used for valuation	<p>Gold or silver accepted by the Bank as collateral shall be valued based on the reference price corresponding to its actual purity (caratage). For this purpose, the lower of ;</p> <ol style="list-style-type: none">1. The average closing price for gold or silver, as the case may be, of that specific purity over the preceding 30 days, or2. The closing price for gold or silver, as the case may be, of that specific purity on the preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used.
Loan Rs. 5.00 lakh and above.	<p>For loan against gold / silver ornaments of Rs. 5.00 lakh and above, valuation of the gold/silver ornament/jewellery shall be assessed by two different appraiser.</p>
Loan to value ratio (LTV)	<p>The LTV is defined on the basis of the margin a bank to needs to maintain as per RBI guidelines from time to time. Presently, the Bank offers 75% to 85% on income generating and consumption loans.</p>