



MANAPPURAM ASSET FINANCE LIMITED

GOLD LOAN CREDIT CUM AUCTION POLICY

Version Control

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Policy Owner	Operation Head- Gold Loan Department
Recommended by	Policy Review Committee
Reviewed/Approved	Board

01. Introduction

The Reserve Bank of India vide circular DBR.No.Dir.BC.10/13.03.00/2015-16 dated 01st July,2015 titled “**Master Circular- Loans and Advances – Statutory and Other Restrictions**” consolidates instructions on the above matters issued up to June 30, 2015 and which contained inter alia detailed instructions on grant of loans and advances against gold Bullion/coins/ Primary gold and which was issued in continuation of their earlier instructions issued in terms of our circular DBOD.No.BC.138/21.01.023/94 dated November 22, 1994.The RBI has advised NBFCs to put in place an Auction Policy duly approved by the Board of Directors. Paragraph no. 45.14 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions,2023 also has reproduced these directions. Further, Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26, dated 28th November 2025 & Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025 RBI/DOR/2025-26/347 DOR.CRE.REC.No. /07-01-008/2025-26 dated 28th November 2025 made some changes in the earlier directions on granting loans and advances against gold and silver collateral with the instructions that these Directions shall be complied with as expeditiously as possible but no later than April 1, 2026.

Gold is one of the most liquid assets and is considered as one of the most preferred investment options. India is the second biggest consumer of gold behind China, with a consumption of 747.50 metric tons, as against a consumption of 825 metric tons by China in 2023, as per the data released by the World Gold Council.

The major business of the Company is granting loans to individuals against the security of Household Used Jewellery (HUU) made of gold. HUU forms the basic foundation on which lending gold Jewellery is undertaken by the Company. It would be reasonable in the context of current social values and beliefs to believe that

such HUU would continue to carry the ‘emotional attachment’ of the owner and act as a psychological pressure against defaults. However, as social and jewellery fashion undergo changes the Company is alive to the possibility of the ‘emotional attachment’ quotient waning over a period of time for a small segment of the customers.

Gold ornaments offered by loan applicants for availing loan there against will be correctly appraised for actual gold content i.e. purity. Employees at the branches will be provided regular and effective training from time to time to improve their gold appraisal skills using traditional tests such as nitric acid, smell, color, sound etc.

Like all other lending institutions, large exposures to individual borrowers carry relatively higher credit risk. Assumption of large exposures to individual borrowers will be controlled through suitable fixation of exposure limits at branch level, prescription of procedures for appraisal & sanction of limits beyond the stipulated ceiling at branches and effective monitoring of the accounts of borrowers who have been sanctioned large exposures. Sanction of large exposures will be subject to suitable checks, prudent practices and adequate controls for which there will be a structured delegation of sanctioning powers. A detailed credit assessment, including assessment of borrower's repayment capacity shall be undertaken in case the total loan amount against eligible collateral is above ₹2.5 lakh to a borrower. The Branch may renew an existing loan or sanction a top-up loan upon a formal request from the borrower and subject to a credit assessment as mentioned above. Such renewal or top-up shall be permitted only within the permissible LTV,

provided the loan is classified as standard. Further, renewal of bullet repayment loan shall be allowed only after payment of accrued interest, if any. The Branch shall not extend loans to other lenders, entities or individuals by accepting gold or silver collateral pledged to such lenders, entities, or individuals by their borrowers as collateral.

The company may extend consumption loans and income generating loans.

Income Generating Loan' means loans extended for the purpose of productive economic activities, such as farm credit, loans for business or commercial purposes, loans for creation or acquisition of productive assets etc. Income generating loans shall be structured on a **bullet repayment basis** or repayable through **equated monthly instalments (EMIs)**.

Consumption loans are loans not extended for the purpose of income-generating activities. Such loans may be structured either on a **bullet repayment basis** or repayable through **equated monthly instalments (EMIs)**.

The delinquency norms and the asset classification norms shall be strictly as per the RBI master direction on income recognition and asset classification issued from time to time.

All communications with the borrower, especially the terms and conditions of the loan, or other important communications which affects the interest of the borrower or Company, shall be in the language of the region or in a language as chosen by the borrower. For an illiterate borrower, important terms and conditions shall be explained in the presence of a witness, who shall not be an employee of the Company.

As part of internal audit, the Company shall carry out periodic surprise verification of the gold and silver collateral pledged with it and shall maintain a record thereof. A clause in the loan agreement shall be included for obtaining consent of the borrower(s) to carry out surprise verification including assay of the pledged eligible collateral even in their absence during the tenor of the loan. This aspect shall be specifically communicated to the borrower at the time of sanctioning the loan.

The Company shall refrain from issuance of misleading advertisements containing unrealistic claims to promote loans against gold or silver collateral.

The Company shall generally disburse loans into borrower's bank accounts. The Company shall comply with the Master Direction – Know Your Customer (KYC) Directions, 2016 as updated from time to time. Provisions of Sections 269 SS and 269 T of the Income Tax Act, 1961, and associated rules shall be complied with, as may be applicable.

02. Gold collateral Limits

Loans against Jewellery/ornaments and coins shall be subject to the following:

- i. The aggregate weight of ornaments pledged for all loans to a borrower shall not exceed 1 kilogram for gold ornaments, and 10 kilograms for silver ornaments.
- ii. The aggregate weight of coin(s) pledged for all loans to a borrower shall not exceed 50 grams in case of gold coins, and 500 grams in case of silver coins.
- iii. The Company shall not grant loan against the collateral of gold biscuits/bars.

03. Valuation and Assaying of Gold and Silver collateral

Gold or silver accepted as collateral shall be valued based on the reference price corresponding to its actual purity (caratage). For this purpose, the lower of (a) the average closing price for gold or silver, as the case may be, of that specific purity over the preceding 30 days, or (b) the closing price for gold or silver, as the case may be, of that specific purity on the preceding day, as published by the

India Bullion and Jewellers Association Ltd. (IBJA), shall be used. If price information for the specific purity is not directly available, the Company shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity to arrive at valuation.

For the purpose of valuation, only the intrinsic value of the gold or silver contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto.

04. Loan to Value Ratio (LTV)

The maximum LTV ratio in respect of consumption loans against the eligible collateral shall not exceed LTV ratios as provided in the table below

Total consumption loan amount per borrower	Maximum LTV ratio
≤ ₹2.5 lakh	85 per cent
> ₹2.5 lakh & ≤ ₹5 lakh	80 per cent
> ₹5 lakh	75 per cent

For Bullet Repayment Loans, the total Consumption Loan amount per borrower and LTV shall be calculated based on the total amount payable at maturity

However, for Consumption loans with periodic repayments, only loan outstanding will be considered for LTV calculations and for determining the total consumption loan amount per borrower.

Only new loans disbursed under the category of consumption loans after the adoption of this Policy (1st April 2026) will be taken into consideration for the calculation of total Consumption Loan amount per Borrower. (Loans sanctioned prior to the adoption of this Policy, as well as income-generating loans, shall not be taken into account for determining the loan amount and LTV ratio applicable to consumption loans.)

The LTV must be maintained throughout the Loan tenor, and the Company shall have mechanisms in place to monitor breaches and initiate corrective action, including partial repayments or top-up of Gold Collateral, as required.

The branch shall ensure presence of the borrower(s) while assaying the collateral at the time of sanctioning the loan. The deductions relating to stone weight, fastenings, etc.as part of the assaying procedure shall be explained to the borrower(s) and details incorporated in the certificate to be issued. Post pledging, cases involving loss of gold or silver collateral and any deterioration or discrepancy in quantity or purity observed during internal audit or otherwise including at the time of return or auction of collateral shall be recorded and communicated promptly to the borrower(s)/ legal heir(s).

05.Release of Collateral after Repayment

The Branch shall release or return the pledged eligible collateral held as security to the borrower(s)/ legal heir(s) on the same day but in any case, not exceeding a maximum period of seven working days upon full repayment or settlement of the loan.

At the time of release of pledged eligible collateral to the borrower(s)/ legal heir(s), the collateral shall be verified for correctness as per details in the certificate to the borrowers' satisfaction.

In case of any delay in release of the pledged gold after full repayment or settlement of loan by the borrower, where reasons for delay are attributable to the Company, the Company shall compensate the borrower(s)/legal heir(s) at the rate of Rs 5,000 for each day of delay beyond seven working days after receipt of full payment. If the delay is not attributable to the Company, the Company shall communicate reasons for such delay to the borrower(s)/legal heir (s) .Further, the borrower (s)/Legal heir (s) has not approached the Company for release of pledged eligible collateral after full repayment or settlement of loan or the Company is unable to release pledged collateral due to ongoing legal cases or freezing of the pledged collateral as per the directions of Law Enforcement Agencies or other statutory authorities , the Company shall issue periodic reminders to borrower (s)/legal heir (s) through letters ,email ,SMS, if the email and mobile number are registered with the Company. Such hold collaterals shall be reviewed by the Internal Audit at monthly intervals.

The pledged gold or silver collateral lying with the Company beyond two years from the date of full repayment or settlement of loan shall be treated as unclaimed. The Company shall periodically undertake special drives to ascertain the whereabouts of the borrower(s)/ legal heir(s) in respect of such unclaimed gold and silver collateral.

A report on unclaimed gold and silver collateral shall be put up to the Board, at half-yearly intervals for a review.

The compensation provided shall be without prejudice to the right of the borrower to get any other compensation, as per the law applicable.

06.Loans to customers with negative track record

Borrowers who have a questionable track record of dealings or who have availed loans which subsequently indicate serious negative features such as fully spurious, stolen gold, fraudulent operation through multiple IDs, hard core defaulters, fictitious persons, collusion with employees etc. will not be entertained for future loans.

The system will be configured to ‘block’ such customers from availing of new loans **(other than existing gold ornaments pledged with the Company)**. Expeditious recovery of such loans will be emphasized upon through structured, prompt and intensive tracking of the borrowers.

In case of gold loan, borrowers will be persuaded to service interest periodically as it not only generally ensures the adequacy of collateral coverage during the currency of the loan but also helps establish the creditworthiness and Bonafide intentions of the borrowers to fulfil their repayment obligations.

Auction is recognized only as a last resort to safeguard the Company’s interests. Auction procedures, where inevitable, will be completed expeditiously and shall comply with Auction Policy and Fair Practice Code of the Company. Deferment of auction, where resorted to, will be based on assessment of various risk factors at the relevant time and also in compliance with the provisions of the Auction Policy.

07.Risks associated with lending

Market risk is defined as the risk to the earnings due to adverse movements in the price and / or interest rates. In the Company’s case even though the collateral of gold ornaments is not owned by the Company a substantial fall in gold prices could induce a small segment of borrowers to default if the total dues comprising principal plus accrued interest are more than the realizable value of the security provided. Such borrowers would obviously have only ‘commercial’ attachment to the gold ornaments carrying no

'emotions'. Similarly, upward movements in the interest rates on borrowings could impinge earnings if the interest rates charged on loans are not correspondingly adjusted.

Market risk (price) is addressed through:

- i. An appropriate LTV which provides adequate cushion to withstand fall in market price.
- ii. By restricting maximum loan tenor to 12 months
- iii. Inculcating a culture of recovery & collection amongst employees and borrowers.
- iv. System of incentives for employees and rebate for borrowers.
- v. Marking to market the collateral and regular monitoring of risk accounts / branches.
- vi. Assessment and early recovery action on accounts and customers faced with depletion of collateral value culminating with acceleration of the auction process as provided in the Auction Policy.

08. Gold Loan Charges

- 1) Processing fee shall be maximum 5000 (including GST)
- 2) Penal charges shall be maximum 18% p.a. (including GST)
- 3) Foreclosure Charges
 - a) For bullet repayment loans, a minimum interest of 7 days shall be charged where the loan is settled (inventory closed) within 7 days. In the case of takeover loan schemes, a minimum interest of 15 days shall be charged.
 - b) For income-generating gold loans, a foreclosure charge of 0.1% on the outstanding loan balance shall be levied (inclusive of GST)
- 4) Interest shall be compounded at monthly rest.
- 5) Stamp duty, as applicable to the state.

09.Rebate on Gold Loan Schemes

Prompt Payment Rebate- Rebate Model Gold Loan Schemes.

- Rebate eligibility shall be calculated based on the day's difference between full interest payment done by the customer and rebate is calculated at the monthly / bimonthly / quarterly rebate rate applicable for each scheme.
- In rebate model schemes, customers are eligible for prompt payment rebate based on the promptness in the interest payment, within grace period of 3 days.
- Applicable only on full interest payment by the customer and up to the end of respective loan tenure.

10.Purity Deduction

The Company shall use the published price available for the nearest available purity and proportionately adjust the weight of the collateral based on its actual purity, to arrive at valuation.

Gold ornaments having assessed purity below 58.33% (<14 Ct) are not to be accepted as collateral for disbursement of gold loan in all states.

11.Deduction on Stone Weight

While accepting stone fixed gold ornaments as pledge, actual weight of stone shall be deducted in addition to the standard deduction, as per the purity of gold from the gross weight

Stone fixed gold ornaments shall not be accepted as pledge, if weight of stone is more than 50% of gross weight.

12.Maximum & Minimum loan amount to a single customer

Maximum permissible loan amount to a single customer is limited to **Rs.500 Lakhs** only.

Minimum Loan amount to a customer is fixed at Rs 10000/-

13.Procedures for maintenance of LTV

Company shall endeavor to maintain Loan to Value (LTV) ratio, as per the RBI Master Directions No RBI/DOR/2025-26/347 DOR.CRE.REC.No. /07-01-008/2025-26 Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025

To comply with the RBI directions, the following procedures shall be put in place:

For Consumption Loans

LTV Range	Total consumption loan amount per borrower, Less than or equal to INR 2.5 lakh
86-90	Customer shall be informed about the breaches in the LTV through SMS giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV.
91-95	Customer shall be informed about the breaches in the LTV through Registered Notice giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV and also indicating that otherwise the company will be constrained to start the auction proceedings, even before due date of the loan.
Above 95	All such accounts would be put to auction after complying with all the procedures for auction prescribed in the Auction Policy.

LTV Range	Total consumption loan amount per borrower, Above INR 2.5 Lakh and up to 5 Lakh
81-85	Customer shall be informed about the breaches in the LTV through SMS giving option to the Customer to remit

	the differential amount or pledge additional gold, to maintain applicable LTV.
86-90	Customer shall be informed about the breaches in the LTV through ordinary post/ email giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV.
91-95	Customer shall be informed about the breaches in the LTV through Registered Notice giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV and also indicating that otherwise the company will be constrained to start the auction proceedings, even before due date of the loan.
Above 95	All such accounts would be put to auction after complying with all the procedures for auction prescribed in the Auction Policy.

LTV Range	Total consumption loan amount per borrower, Above INR 5 Lakh
76-85	Customer shall be informed about the breaches in the LTV through SMS giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV.
86-90	Customer shall be informed about the breaches in the LTV through ordinary post/ email giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV.
91-95	Customer shall be informed about the breaches in the LTV through Registered Notice giving option to the Customer to remit the differential amount or pledge additional gold, to maintain applicable LTV and also indicating that otherwise the company will be constrained to start the auction proceedings, even before due date of the loan.
Above 95	All such accounts would be put to auction after complying with all the procedures for auction prescribed in the Auction Policy.

Note:

- The applicable LTV for the Borrower must be maintained on a continuous basis throughout the Loan tenure.
- Accordingly, monitoring of the LTV position for each of the Borrowers shall be done daily. Therefore, the system in place (Gold Loan Module) will be categorizing Borrowers into various exposure bands for daily tracking and monitoring of the LTV.
- LTV breach shall be analyzed daily and in view of the volatility of gold price and to reduce inconvenience to customers, appropriate actions shall be taken at least once in a month as laid down in below table.
- The communication sent to the customer to maintain the LTV shall not be treated as a due letter, and the loan shall not be considered overdue based on such communication.
- LTV breach actions shall not be initiated for:
 - a. Matured loans, and
 - b. Loans for which auction procedures have already been initiated,

as these customers are already being issued a separate due letter demanding the total outstanding amount.

For Income Generating Loans

The procedures for LTV maintenance in the case of Income Generating Loans shall be documented in applicable SOPs on a case-to-case basis, in line with the respective schemes/ loan variants introduced under this category from time to time.

14. Formalities to release gold in the case of Death of Pawner/Pledger

Normally, the pledged gold ornaments can be released only to the concerned customer (pawner) or to the authorized person to receive the gold. If pawner expires, the pledged ornaments shall be released to the legal heirs subject to completion of certain procedural formalities prescribed by the Company, as detailed below:

Document Required

1. Original pawn tickets (Office /customer copy)
2. Duly attested copy of death certificate of pawner from Panchayat/Municipality/Corporation
3. Legal Heirship/Succession certificate from a competent authority or Family membership certificate from village office/other certificates issued, as per custom/practice or notarized affidavit proving the relationship with the deceased person/Probated will, where applicable.
4. Id proof copy of all legal Heirs/claimants
5. Authorization letter from all legal heirs authorizing one person as claimant to receive the pledged ornaments (Signatures should be attested by notary)
6. Request letter of nominee/claimants.

In case pawner is missing-

Documents to be submitted: Pawn ticket, Family Relationship Certificate, copy of FIR, indemnity Bond in Stamp paper of adequate value, executed by all legal heirs and other relevant documents. After obtaining all relevant documents, Branch releases the gold to the authorized person, of all the legal heirs.

Note: - The legal department's clearance should be obtained before placing any bond formats.

15.General

- I. The cash disbursement limited, as per the applicable provisions of IT Act,
- II. For non-agriculture loans, to ensure verification of the end-use of funds, the branch shall invariably collect a customer certification, specifying the purpose of the loan. The certification has been made part of the loan documentation. Additionally, for loans of ₹10 lakhs and above, AH will conduct field verification and certify the end-use of funds, with the process documented to ensure compliance and accountability.

- III. When a customer re pledges a loan through the Online Gold Loan application, the borrower will declare the end utilization of the excess portion. **Gold ornaments are compulsorily reappraised at branches in the presence of the customer once loans crossed 365 days from the loan date. Further repledging is blocked if reappraisal is not completed within 365 days from the loan date.** As a proactive measure, SMS alerts are being sent to customers crossed 330 days from the loan date to ensure timely compliance. This process applies to both online and offline gold loans.
- IV. On the OGL platform, the Company provides a cooling-off period of three (3) days, during which the borrower may exit the loan without any penalty (except for any processing fee disclosed upfront) by repaying the principal along with proportionate interest.
- V. Re pledge of gold loans after maturity is allowed subject to re-appraisal of loan, full interest remittance and additional risk provision in books based on risk assessment.
- VI. List of re pledged loans are fetched directly from the system, as a separate identifier for re pledged loans is incorporated and displayed in loan statements.
- VII. In the case of the closure of loan of **Rs. 1 Lakh & above within 7 days from the date of pledge**, a declaration shall be obtained from the customer. Additionally, the system will trigger an AML alert. Upon receipt of such alerts, AML auditors will individually examine the cases, and if any transactions are found to be suspicious in nature, a **Suspicious Transaction Report (STR)** will be filed.
- VIII. Maximum number of live inventories to a single customer is restricted to **5 numbers**. Exception to the general rule of 5 inventories shall be approved based on the approval matrix.

AUCTION POLICY

I) INTRODUCTION

The Reserve Bank of India vide circular DNBS.CC. PD. No.266 / 03.10.01 / 2011-12 dated 26 March 2012 titled “Guidelines on Fair Practices Code for NBFCs” has advised NBFCs to put in place an Auction Policy duly approved by the Board of Directors. Paragraph no. 45.14 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 also have reproduced these directions and Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 RBI/DOR/2025-26/362 DOR.MCS.REC.No.281/01-01-039/2025-26, dated 28th November 2025 & Reserve Bank of India (Non-Banking Financial Companies– Credit Facilities) Directions, 2025 RBI/DOR/2025-26/347 DOR.CRE.REC.No. /07-01-008/2025-26 dated 28th November 2025

II) AUCTION PROCEDURES

A) Public Auction

The term “Auction” used in the policy shall mean realization of the security through Public Auction only.

B) Organization Structure for Auction Proceedings

The Company shall have a dedicated Auction Department at the Head Office (Auction Dept) to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department will function under the overall control of CEO & Head of Operation

C) Pre-Auction formalities

A notice to the Borrower (s)/legal heir (s) as applicable, through available means of communication, viz: SMS, E-Mail, letter, to repay or settle the loan dues shall be sent, by giving a 14 days’ time from the date of notice. A copy of the notice and acknowledgement thereof shall be kept on record in both scenarios. In case, the Company is unable to locate the borrower (s)/legal heir (s) despite best efforts and even after issuance of public notice, the Auction dept may proceed with the auction, provided that a period of one month has lapsed from the date of the public notice.

D) Auction in the Normal Course (after completion of tenure of the loan)

Auction process must be commenced in respect of all accounts on completion of the tenure of the loan on which interest due has not been serviced in FULL or where the account has not been settled.

The auction must be completed within 3 months of completion of the tenure of the loan. Company may also initiate auction proceedings in case where the LTV of the loan breach the level prescribed in the loan policy of the company with reasonable notices.

Discretionary powers to defer auction in accounts where at least 75% of the interest due has been paid shall be vested with the MD on the recommendations of the CEO & Head-Operation

An auction can be deferred at the request made by the customers on reasonable ground. Such proposals for deferment of auction submitted by Auction department shall be recommended by CEO & Head-Operations and approved by the MD.

E) Selection and Approval of Auction Centres, Safe Custody, Security Arrangements

The first auction shall be conducted physically in the same district in which the lending branch is located. However, in case of failure of first auction, auction may be conducted in an adjoining district or through online.

Physical transfer of gold from various branches to the regional auction centres/offices shall be carried out in line with the regulatory/internal norms/directions which shall be subjected to modifications from time to time.

F) Exclusion criteria for publishing the auction list.

- Frozen/ burglary.
- 100% interest paid in last 30 days.
- Balance principal amount + accrued interest < pledge value.
- Pledges entered in legal module
- Pledges where the total loan balance and accrued interest is less than 75% of the expected realizable value at 90% of market price (67.5% of the market value)

G) Authorisation for Auction of Gold

Once the accounts have been identified and listed for auction by the Auction Department the proposal, in a structured format, shall be put up to the MD for approval. The Auction Department shall ensure that the list is accurate, complete and in compliance with the approved Auction Policy.

H) Mode and Periodicity for Sending Notices, Intimation to the Borrower

Letter Type	Normal Gold
Intimation cum auction Letter	A notice in the local language, along with English translation, as per the format, shall be sent to the borrower (s) /legal heir(s) as applicable, in case of all “Actionable” pledges furnishing the time, date and venue of auction at least 14 days before the proposed date of auction by registered post AD requesting the borrower to pay the full dues immediately, failing which the security would be liable to be put on auction, without any further notice, for recovery of the dues. Additionally, a suitably worded SMS/email with all the relevant details also will be sent to all the borrowers/legal heirs of all gold loans which are due for auction.

- i. If the AD card is not received within a reasonable period, the Auction Dept shall apply to the post office and obtain a certificate of delivery to the addressee from the post office. Alternatively, if the AD card is not available, the auction notice may be served on the borrower personally by an employee of the Company and signature of the borrower obtained in the duplicate copy of the notice.
- ii. MD shall be empowered to approve modifications to the above guidelines for Auction from time to time, on the recommendations of the CEO & Head-Operations keeping in view, inter alia, the regulatory directives, legal provisions and the Fair Practices Code adopted by the Company.

I) Public Notification/Advertisement

Public notification of auction/advertisement/display of information and other related procedures shall be in line with the applicable rules, regulations and RBI guidelines issued from time to time. As per the regulations, auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national.

J) Convenient Auction Lots, Fixation of Reserve Price, Security, Insurance

Pledges taken up for Auction must be segregated into appropriate / convenient lots to facilitate disposal based on various parameters such as assessed purity, quantity of gold, expected participation of bidders, prevailing market prices etc.

The Company shall declare a reserve price for all gold and silver collateral at the time of auction, which shall not be less than 90% of its current value. In case of failure of auctions twice, a reserve price not less than 85% of its current value shall be adopted.

The proposal with recommendations for the fixation of the reserve / floor price for each auction shall be put up to the MD for approval, by the Head of the Auction Dept taking into consideration the regulatory directions in place and duly recommended by the Head-Operations & CEO. In order that the auction attracts bidders and is successfully completed the reserve price, may be fixed at about 5 % below the prevailing market price, subject to compliance of the RBI directions.

K) Auction Charges, to be recovered are, as mentioned below:

Sl. no	Bifurcation of auction expenses	Revised charge per pledge (incl. tax)
1	Printing & stationery	20
2	Advertisement charge	200
3	Transportation	6
4	Insurance	6
5	Charges paid to auctioneer	96
6	Postage	75
7	Expenses incurred for sorting and other auction related works	47
Total		Rs.450

L) Due diligence on Participants, Earnest Money Deposit (EMD)

Proper and acceptable documents for identification of the participants in an auction should be obtained before permitting them into the auction hall. The usual documents taken for customer account KYC compliance is to be accepted.

A reasonable amount of EMD should be insisted upon from every participant on such date as may be decided by the management from time to time.

M) Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders

The mode (cash or banking channels) of receipt of bid amount shall be decided by the management from time to time taking into consideration the related regulatory & statutory instructions.

A minimum percentage of the bid amount as decided by the management from time to time, including the EMD already lying with the Company, shall be insisted upon from the successful bidders on the date of the auction itself. Successful bidders should be given a letter in a pre-approved format along with the terms and conditions. The balance shall be payable within 5 working days from the date of auction. If the full amount is not received within the stipulated time, the bid shall be treated as cancelled. The same gold is auctioned to another bidder and a minimum penalty of 3% till auction settlement date will be charged from the default bidder and penalty must be deducted from the default bidder's EMD & 25% advance amount.

Delivery of gold to successful bidders should be made only after confirmation of full receipt of payment or realization of cheque /draft along with taxes due. Proper acknowledgement by the bidder for receipt of gold, in a format duly approved, with the signature duly verified by an officer of the Company should be ensured.

Loans to bidders against such auctioned gold shall be not permitted.

N) Auction under Exceptional Circumstances

1) Auction Due to Depletion in Security Value (auction before completion of tenure of the loan)

Auction department should regularly monitor the realizable value of gold and in any instance where the realizable value of gold is less than the loan outstandings, such accounts shall be taken up for auction even before the completion of the tenure of the loan and in accordance with the directions laid down by the management from time to time.

The gold ornaments can also be auctioned, if the borrower does not redeem pledges or remitting the shortfall in LTV, even after the company notifying the borrowers that LTV of their loans have breached the specified level.

MD shall be empowered to approve modifications to the points mentioned in points C - Auction in normal course and point N 1- Auction due to depletion in value of security, from time to time on the recommendations of the CEO & Head-Operations Department keeping in view, inter alia, the regulatory directions, legal provisions and the Fair Practice Code adopted by the Company.

2) Auction of Gold Ornaments Identified as Spurious / Low Quality

- a) Accounts in which pledge of spurious / low quality gold ornaments have been detected subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan, from date of pledge subject to the under mentioned compliances.
- b) The said procedures shall also be followed for spurious/low quality accounts/pledges, identified at the auction centre or after completion of the tenure of the loan.
- c) Proper notice/intimation shall be served upon the borrower as mentioned in point N (3).
- d) Before serving the above notice, the purity of the gold ornaments shall be re-verified internally through a competent officer / auditor. When the amount of initial estimated loss is Rs 1.00 lakh (Rupees one lakh) or above, the services of an external expert appraiser shall be obtained before serving the above notice. Melt test (assaying) of a small portion of the pledged gold may be resorted to for re-confirming the purity or in the “difficult- to- assess” cases.
- e) The MD shall be empowered to grant extended time for repayment to the borrower, on a case-to-case basis on the recommendations of the CEO & Head of the Operations Dept, Head Office.
- f) The reserve price for such spurious / low quality ornaments must be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. Expert internal / external opinion should be obtained to arrive at a realistic reserve price.
- g) Auction of normal/spurious or low-quality gold ornaments shall not be taken up when a complaint with police or criminal case has been filed against the borrower or when there is any other legal impediment. Suitable internal guidelines regarding filing of police cases should be formulated and approved by the MD on the recommendations of the CEO & Head-Operations.

3) Auction of Gold where EMIs are overdue

In case of loans granted against the collateral of eligible gold ornaments/Jewellery/coins where repayment of the loan are to be made in EMIs and the EMIs are become overdue and the borrower are not recognizing the loan despite issuing notice to the borrowers requesting them to pay the overdues.

4) Notice to borrowers identified in N (1) – Depletion in Security Value, N (2) – Spurious/Low Quality Gold and N(3)- Gold loan EMI overdue

Letter Type	Depletion in Security Value	Depletion in Security Identified at the branch on or before completion of the tenure of the loan	Spurious/Low Quality: Identified at the auction centre on or after completion of the tenure of the loan	Auction of Gold where EMIs are overdue
Intimation Letter	A notice in local language should be sent to the borrower within 15 days of identification of loss in the account by registered AD calling upon the borrower to settle the loan within a maximum of 2 weeks from the date of receipt of such notice or replenish the with additional gold failing which the company may dispose of the gold through auction	A notice in local language should be sent to the borrower within 15 days of detection as spurious / low quality by registered AD calling upon the borrower to settle the loan within a maximum of 30 days from the date of such notice. The registered AD notice should refer to the rights conferred on the Company to dispose of the security by virtue of the undertaking of the borrower in the loan application form and clauses in the loan sanction letter (pawn ticket). Additionally, a suitably	A notice in local language should be sent to the borrower within 5 days of detection as spurious/low quality by registered AD. The registered notice should provide reference to the following details, inter alia: <ol style="list-style-type: none"> 1. Completion of tenure of the loan. 2. That auction notice has already been sent after completion of the tenure of the loan. 3. That the Company had undertaken only a preliminary verification of the gold at the time of 	A notice in local language should be sent to the borrower within 15 days from the date the first EMI has become overdue by registered AD calling upon the borrower to remit the overdue EMI along with penal charges within a maximum of 2 weeks from the date of receipt of such notice or replenish the with additional gold failing which the company may dispose of the gold through auction without any further notice

	<p>without any further notice.</p>	<p>worded SMS/email, with all the relevant details, also will be sent to all the borrowers/legal heirs of all gold loans, which are due for auction.</p>	<p>disbursing the loan and as per the right conferred on the Company as per the terms and conditions of the loan, to further check the purity/weight of the gold internally or by experts at any time, the purity of the gold was re verified at the auction center prior to auction and was found to be of inferior quality.</p> <p>4. That the Company is proceeding with auction as already intimated.</p>	
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Final Letter	Nil	<p>In the case where the account remains unsettled after the issue of the above Notice, an auction notice furnishing the time, date and venue of auction shall be served on the borrower at least 14 days before the proposed date of auction. Additionally, a suitably worded SMS/ e mail, with all the relevant details, also will be sent to all the borrowers/legal heirs of all gold loans which are taken up for auction.</p>		<p>In case, where the EMI remains overdue after the issue of the above Notice, an auction notice furnishing the time, date and venue of auction shall be served on the borrower at least 14 days before the proposed date of auction.</p> <p>Additionally, a suitably worded SMS/ e mail, with all the relevant details, also will be sent to all the borrowers/legal heirs of all gold loans which are taken up for auction.</p>
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5) Re-auction of Gold Ornaments Not Successfully Auctioned (Normal Gold/Spurious or Low-Quality Gold)

If the gold ornaments find no bidders at the reserve price, the course of action as under should be adopted:

- i) The Auctioneer shall submit in writing that no bid was made at the fixed reserve price, due to the poor quality of gold or difficulty in assessing the correct purity. This shall be certified by the Company's official in charge of overseeing the Auction.
- ii) Such gold ornaments shall be taken up for melting, either in-house or through a reliable outside agency, in the same lots as taken up for auction. Auctioneer/ his representative shall remain present during the melting activity along with a competent Internal Auditor of the Company who will certify accordingly in a register to be maintained for the purpose.
- iii) The melted bars shall then be assayed for purity and put up for auction in such form with a fresh reserve price fixed.
- iv) Compliance with the above steps shall be periodically subject to internal audit at intervals not exceeding 1 calendar quarter.

O) Refund of Surplus, Recovery of Shortfall

Full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding payable/recoverable to the borrower shall be advised to the borrowers within 3 days of receipt of auction proceeds, through SMS & letter. Appropriate accounting entries should be put through in the customer loan accounts within 05 working days after the full receipt of auction proceeds.

Surplus, if any, arising in individual accounts should be refunded to the customer within 07 working days from the date of receipt of full auction proceeds, either through cash, crossed account payee cheque or electronic transfer. However, a rightful lien on such surplus may be retained, subject to proper notice, in case the borrower has other unsettled liabilities to the Company.

Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done and put up to the MD for approval.

Customers whose pledges have been put to auction and where the company has suffered a loss, the respective customer ids may be blocked based on the directions provided by the MD from time to time.

P) Panel of Auctioneers, Commission Rates, Roles & Responsibilities

In line with the FPC guidelines, Public Auction of the pledged security shall be carried out only through Auctioneers empaneled by the Company with the approval of the Board of Directors. Performance of auctioneers shall be reviewed on a yearly basis and shall be empaneled, after obtaining approval of the Board of the Company.

Q) Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship

The Company or any of its related entities shall not participate in the Auctions. Further, there shall be an arm's length relationship in all transactions during the auction including with group companies and related entities.

R) Maintenance of registers / records

All registers and records mandatorily required, as per the instructions issued by the regulators and the Company shall be properly maintained, updated and kept under the safe custody of a designated senior official and subject to periodical internal audit. Suitable instructions shall be issued in this regard. Compliance shall be ensured by the Head of the Auction Dept.

S) Board oversight on conduct of Auctions

The Company shall report auction-related complaints, escalations, exceptions etc and remedial measures taken to address the issues, in the ensuing meeting of the Risk Management Committee of the board, after such reporting, for its review.
