

Gold Auction Policy

NALIN LEASE FINANCE LTD.

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Gold Auction Policy

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This policy is issued by Nalin Lease Finance Ltd. (hereinafter referred to as “NLFL” or “Company”).

1. Policy Statement

- 1.1. The Gold Auction Policy of NLFL establishes a transparent, fair, and regulated framework for the auction of pledged gold jewellery and other collateral in cases of loan default.
- 1.2. The policy ensures that all auctions are conducted ethically, in compliance with applicable regulatory guidelines, and in a manner that protects the interests of both NLFL and its borrowers.
- 1.3. This policy is formulated in strict compliance with Clause 37.4 and Clause 45.14 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. These provisions mandate NBFCs to adopt transparent auction procedures, ensure adequate borrower notifications, and

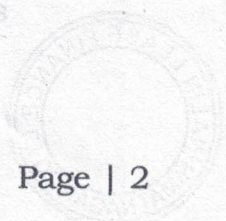


establish arm's-length conduct in auction transactions, along with ensuring that all processes align with RBI's standards on collateral handling, borrower rights, and auction advertising.

- 1.4. This policy underscores NLFL's commitment to maintain ethical standards, regulatory compliance, and borrower protection throughout the auction process.

2. Definitions

- 2.1. "Auction" means the public sale of pledged gold or other collateral to recover outstanding dues from a borrower in default, conducted in accordance with applicable regulations, including the requirements of location, prior notice, reserve pricing, transparency, and arm's length relationships as set forth by RBI and Company's policies.
- 2.2. "E-Auction" refers to the electronic auction process conducted through a digital platform operated by the authorized service provider, for the transparent and fair disposal of pledged gold. The E-Auction process enables registered bidders to participate in real-time competitive bidding in accordance with the terms and conditions set by the Company, ensuring compliance with applicable regulatory guidelines and fair market practices.
- 2.3. "Collateral" means any asset, including but not limited to gold or other precious metals, pledged by the borrower to secure the loan, which may be auctioned by Company in the event of default.
- 2.4. "Reserve Price" refers to the minimum price set by Company for the auction of pledged collateral, which must meet or exceed 85% of the previous 30-day average market price as defined by relevant commodity exchanges or the Bombay Bullion Association Ltd. and adjusted for purity as applicable.
- 2.5. "Auctioneer" means an independent auctioneer selected and approved by the Board of Directors of Company to conduct



pledged auctions, ensuring impartiality and adherence to regulatory guidelines.

3. Objective of the Policy

3.1. The objective of this Policy is to establish a comprehensive and transparent framework governing the auction of gold jewellery and other gold collateral in cases of borrower default. This policy aims to ensure:

3.1.1. To align with the RBI's directives, which mandate fair, transparent, and regulated procedures for the auction of gold collateral.

3.1.2. To conduct auctions in an open and transparent manner, ensuring that borrowers are informed in advance and that all processes are free from conflicts of interest. The auction process shall be advertised publicly, following due diligence to notify borrowers of upcoming auctions, and all transactions shall maintain an arm's-length relationship.

3.1.3. To uphold the rights of borrowers by providing adequate prior notice regarding auction proceedings, clear disclosure of auction-related terms within loan agreements, and strict adherence to RBI guidelines regarding borrower protection.

3.1.4. To efficiently recover outstanding dues while minimizing the risk associated with defaulted loans, maintaining the financial health of NLFL.

3.1.5. To reinforce NLFL's commitment to ethical business practices and rigorous due diligence in the auction of pledged gold, ensuring that no misleading claims are made and that all auctions are carried out through RBI-approved channels.

4. Scope & Applicability

4.1. The Policy applies to all gold loan transactions at NLFL where gold jewellery or assets are pledged as collateral.



- 4.2. It covers all processes related to managing the auction of pledged gold assets in the event of borrower default, including notification, advertisement, bidding, and disposal procedures.
- 4.3. The policy is applicable to registered office of NLFL that handle gold loan transactions, ensuring a standardized approach to auction procedures.
- 4.4. All personnel involved in the management, handling, and assessment of pledged gold, as well as third-party auctioneers approved by the Board, must strictly adhere to the policy.
- 4.5. This policy is activated when a borrower defaults on repayment, with all appropriate notices, including repayment reminders and final demands, having been duly issued without satisfactory resolution.
- 4.6. This policy supports NLFL's broader credit and risk management policies for the disposal of gold collateral. It will be periodically reviewed to ensure continued compliance with RBI directives and to maintain robust risk management standards.

5. Governance Structure

- 5.1. NLFL shall ensure that gold pledged as collateral is auctioned only through auctioneers approved by the Board. An internal auction team may be constituted as and when required to oversee and manage the auction process efficiently.
- 5.2. The internal auction team shall be responsible for ensuring strict adherence to the approved auction policy, maintaining uniformity and compliance with applicable laws and regulatory guidelines.
- 5.3. The role of the auctioneers shall be limited to conducting the bidding process, whereas the internal auction team shall oversee the entire auction process, including coordination with auctioneers, compliance with regulatory requirements, and ensuring transparency in auction proceedings.



5.4. The auction process shall be conducted under the overall supervision of the one Director, who shall have ultimate oversight and ensure that all auction-related activities are carried out in compliance with RBI directions and internal policies.

6. Auction Triggering & Procedure

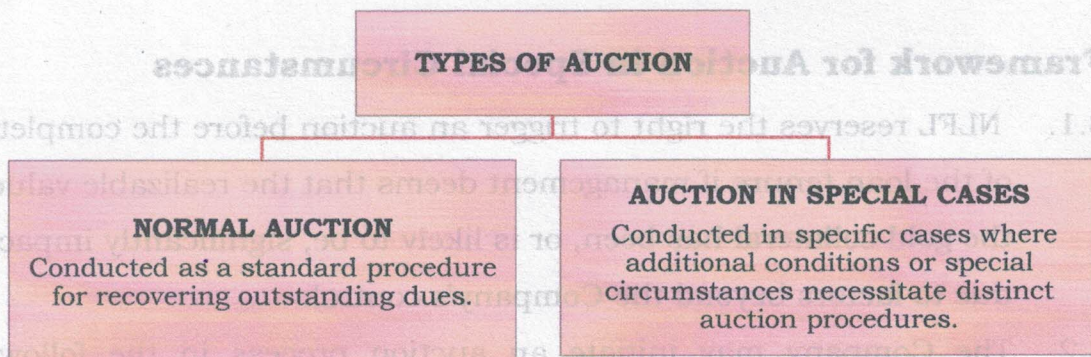
6.1. If a loan account remains unpaid or unrenewed beyond its tenure despite multiple reminders through SMS, WhatsApp, notices (including registered notices), and calls as per the Company's stipulated frequency, the pledged gold ornaments shall be auctioned.

6.2. A minimum of 15 days' prior notice shall be issued to the borrower before the auction, communicated via an auction notice.

6.3. The notice shall serve both as a reminder and a warning that NLFL may initiate auction proceedings if the outstanding amount is not cleared within a reasonable period after the notice.

6.4. All notices under this clause shall be provided in the vernacular language of the borrower to ensure clarity and understanding.

6.5. In case the auction be triggered, NLFL shall make a public announcement of the auction by placing advertisements in at least two daily newspapers—one in a vernacular language and another in a national daily.



7. Normal Auction Framework

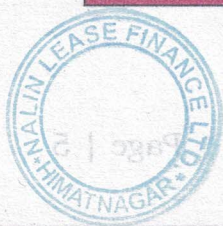
- 7.1. The auction process will be initiated for all accounts where the loan tenure has ended and the interest due has not been paid in full, or where the account remains unsettled.
- 7.2. The auction process must be start after completed of 3 months from the completion of the loan tenure.
- 7.3. Director has the discretion to defer the auction for accounts where at least 75% of the interest due has been paid.
- 7.4. The Company shall initiate the auction process in accordance with the provisions of this Policy under the following circumstances:
 - 7.4.1. Non-Payment Beyond Sanctioned Tenure: If the loan remains unpaid beyond the sanctioned tenure, despite reminders and notices issued to the borrower, the pledged gold shall be subjected to auction proceedings.
 - 7.4.2. Deferred Auctions Due to Part Payments: In cases where partial payments have been made and the auction has been deferred at the borrower's request, the pledged gold shall be considered for auction upon the lapse of three months from the original loan due date. For instance, in a six-month loan scheme, if the loan remains unsettled, the auction process shall be triggered after nine months from the date of disbursement.

8. Framework for Auction in Special Circumstances

- 8.1. NLFL reserves the right to trigger an auction before the completion of the loan tenure if management deems that the realizable value of the gold collateral has been, or is likely to be, significantly impacted due to factors beyond the Company's control.
- 8.2. The Company may initiate an auction process in the following special circumstances, even before the loan tenure is completed:

Special/Triggered

Conditions & Procedure



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Circumstances	
Auction Due to Reduction in Security Value	<p>If a decline in gold prices results in a reduction of security value, posing a risk of loss to the Company, the borrower will be required to:</p> <ol style="list-style-type: none"> 1. Remit an additional amount per gram of pledged gold to cover the shortfall, or 2. Pledge additional gold to maintain the required Loan-to-Value (LTV) ratio. <p>If the borrower fails to comply within 15 days from the date of notice, the Company reserves the right to initiate the auction process, even if the loan has not yet matured.</p>
Auction of Spurious/ Low-Quality Gold or Re-Auction in Case of Unsuccessful Auction	<p>a) <u>Spurious/Low-Quality Gold</u>: If pledged gold is identified as spurious or of low quality at any stage post-disbursement, during auction preparation, or at the auction itself, it shall be subject to a separate auction before loan tenure completion.</p> <p>b) <u>Notification to Customers</u>: The Company shall:</p> <ul style="list-style-type: none"> - Segregate identified items. - Issue an Auction Notice to the borrower, informing them about the inferior quality and allowing them to verify and redeem the pledged gold by repaying outstanding dues. - If dues remain unpaid, auction proceedings shall commence, following due process, including public advertisements specifying the auction time and venue. <p>c) <u>Verification of Purity</u>: Before issuing an auction notice, gold purity shall be re-examined by a competent officer/auditor.</p> <p>d) <u>Reserve Price Determination</u>: The reserve price shall be set based on assessed purity, in line with RBI guidelines and prevailing market conditions.</p> <p>e) <u>Re-Auction in Case of Unsuccessful Auction</u>: If an auction fails due to insufficient bidders or no bids meeting the reserve price, the Company shall conduct a re-auction. The auctioneer must submit a written statement</p>



	<p>confirming the reason for failure, such as:</p> <ul style="list-style-type: none"> - Inadequate number of bidders. - Bidders' inability to assess gold purity accurately.
<p>Auction Conducted for Any Other Reason</p>	<p>If an auction is triggered due to any other reason, including anticipated probable loss concerning the realizable value of security, the following procedures shall apply:</p> <ul style="list-style-type: none"> - Issuance of Auction Notices to the borrower through Registered Post. - Public Notification of the auction through advertisements in at least two newspapers. - Conducting the auction in compliance with the Company's approved Auction Policy and applicable legal and regulatory guidelines.

9. General Rules for Auction and Loan Closure

9.1. The loan tenure shall be strictly adhered to, and no extensions shall be granted beyond the specified period. Auction proceedings shall be initiated and completed within three months from the loan due date. The borrower must fully settle the outstanding dues within this period to prevent the auction of pledged security.

9.2. Borrowers may make part payments towards the principal or interest at any time before the loan closure due date as per the sanctioned loan terms.

9.3. After the due date, part payments may be accepted at the discretion of the Company under the delegation framework. However, part payments shall not entitle the borrower to seek postponement of the auction.

9.4. The auction of collateral security shall proceed as per the Company's Auction Policy unless the entire outstanding dues are repaid in full.



9.5. Any amount retained in the "Sundry Creditors Account" shall be utilized to offset any shortfall arising from the auction proceeds.

9.6. The Company shall not generally entertain requests for postponement of a scheduled auction. However, in exceptional cases, the Company may, at its sole discretion, consider postponement, provided that the borrower;

9.6.1. Immediately remits at least the accrued interest dues; and

9.6.2. Furnishes a written undertaking to fully repay the outstanding loan within a specified period. Failure to adhere to the repayment commitment shall result in the immediate continuation of the auction process.

9.7. In cases where borrowers are unable to remit even partial interest payments and considering the sentimental value often associated with pledged gold ornaments, the Company may, at its sole discretion, grant an extension for loan repayment and defer the auction. Such postponement shall only be permitted if it does not result in a potential financial loss to the Company.

9.8. Gold pledged as collateral that is subject to specific legal restrictions, including but not limited to directives issued by law enforcement agencies or judicial authorities, shall not be auctioned until such restrictions are duly lifted. This restriction shall apply even if the pledged asset otherwise qualifies for auction under the applicable policy guidelines.

10. Place of Auction

10.1. The Company shall conduct the auction at a designated physical location, such as a branch office, or through an authorized online platform (E-Auction), as determined by the Company.

10.2. The auction shall be conducted in the same town or taluka where the branch of NLFL that extended the loan is located/registered office of the Company where the loan was availed.



11. Arms-Length Relationship

- 11.1. NLFL along with its Group companies and its related entities shall maintain an arms-length relationship with all third-party participants, contractors, agents, or bidders involved in the auction or any other related transactions to avoid any conflict of interest and ensure fair dealing.
- 11.2. No director, officer, or employee of NLFL, nor their relatives or associates, shall participate directly or indirectly in any auction or bidding process conducted by NLFL.
- 11.3. NLFL shall take all necessary steps to ensure that all auction processes are conducted transparently, free from any influence or preference that may compromise objectivity.
- 11.4. Any vendor, buyer, or bidder engaged in transactions with NLFL shall not have any existing personal or financial relationships with NLFL's directors, officers, employees, or their immediate family members that may conflict with the terms of the transaction or NLFL's policies.
- 11.5. In cases where a potential conflict of interest is identified, such transactions shall be disclosed and subjected to an independent review by the board/authorised committee. The committee will provide a recommendation to NLFL's Board for further action to ensure adherence to fair business practices and regulatory compliance.

12. Conduct of the Auction Mechanism

- 12.1. Loan accounts that have exceeded the repayment period shall be identified, and registered notices shall be issued to the respective borrowers as per the prescribed timelines. If the borrower fails to repay the dues within the stipulated period, the account shall be marked for auction.
- 12.2. Only board-approved auctioneers or digital approved auctioneer for e-auction shall be permitted to conduct the auction. The auctioneer



shall conduct in the auction process only if the offered prices are above the reserved price determined by the Company.

12.3. A registered auction notices with an acknowledgment due shall be served to all identified borrowers, granting them a 15-day notice period to allow for loan redemption before proceeding with the auction.

12.4. A public notice shall be published in two local daily newspapers specifying the loan account numbers of defaulting borrowers (with or without the borrower's name) as a final reminder. If no repayment is received, the Company shall proceed with the auction.

12.5. The auction will be held at the designated location and time specified in the auction notice and advertisement. In case any rescheduling is necessary, NLFL will notify all interested parties and re-advertise the updated information as required.

12.6. Ornaments from unredeemed loan accounts listed for auction shall be sold in appropriate lots through an auction buyer approved by the Board and registered under GST. The auction shall be conducted in compliance with the Fair Practices Code, ensuring transparency and adherence to auction terms and conditions.

12.7. A minimum of two bidders must participate for the auction to proceed.

12.8. A borrower arriving to release pledged gold ornaments during an auction shall be permitted to do so only after clearing all outstanding dues, including accrued interest and charges. Alternatively, the borrower may participate as a bidder in the auction, provided they comply with the prescribed auction participation conditions.

12.9. The bidder offering the highest price above the minimum reserve price shall be declared the successful bidder. A bid confirmation shall be obtained from the winning bidder, and they shall be



granted a maximum period of five (5) days to remit the full amount and take possession of the auctioned gold.

12.10. At the time of the auction, NLFL shall provide the borrower with full details of the auction, including:

12.10.1. The amount fetched in the auction.

12.10.2. The outstanding dues adjusted against the auction proceeds.

12.11. Any surplus amount realized beyond the loan outstanding will be refunded to the borrower

13. Determination of Minimum Auction Price

13.1. The reserve price for the collateral will be based on its appraised value at the time of loan disbursement, adjusted for any depreciation or other value-affecting factors. Reserve prices shall be reviewed and approved by the designated committee prior to the auction.

13.2. Before conducting the auction, NLFL shall declare a reserve price for the pledged gold ornaments. The reserve price will be no less than 85% of the average closing price of 22-carat gold over the previous 30 days, as declared by the Indian Bullion Jewellery Association Ltd. (IBJA). The value of jewellery with lower purity will be proportionately reduced.

13.3. The Company shall determine the minimum bid price based on the general quality and purity of the pledged gold. If the ornaments are found to have a purity of less than 22 carats, the Company reserves the discretion to set a lower floor price for the auction lot.

13.4. The auction shall be awarded to the highest bidder, subject to compliance with auction terms and conditions.

13.5. If the Company identifies any collusion, cartel formation, or unfair practices among bidders intended to manipulate auction prices, it reserves the right to cancel or postpone the auction or disqualify the involved bidders.



14. Refund of Auction Surplus Amount

- 14.1. Any surplus amount realized from the auction proceeds, after adjusting the outstanding dues, shall be refunded to the borrower within 14 working days from the receipt of the full auction proceeds.
- 14.2. If the borrower has other unsettled liabilities with the Company, the Company shall have a rightful lien over such surplus and may adjust it against outstanding dues, subject to prior notice to the borrower.
- 14.3. Upon completion of each auction, the surplus amount shall be transferred to the "Auction Surplus Account" immediately after receipt of proceeds.
- 14.4. The refund shall be credited to the borrower's registered bank account. If bank account details are unavailable, the refund may be issued through an account payee crossed cheque, subject to the borrower's acknowledgment. Alternatively, the surplus may be adjusted against the borrower's active gold loan account.
- 14.5. The Company shall make reasonable efforts to contact the borrower via phone calls or personal visits to facilitate the collection of the refund.
- 14.6. In cases where the auction proceeds are insufficient to cover the outstanding dues, the Company may initiate legal proceedings for recovery, subject to a cost-benefit analysis.

15. E-auction Procedure & Guidelines

To ensure transparency, fairness, and regulatory compliance in the disposal of pledged gold, the Company may conduct gold auctions through an electronic auction (E-Auction) process. The procedure for E-Auction shall be as follows:

Step-1: Selection of E-	a) The auction shall be conducted through a legally-compliant, Board-approved E-Auction platform that ensures
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Auction Platform	<p>secure, real-time bidding and transparency.</p> <p>b) The platform must comply with applicable data protection laws and maintain bidder confidentiality.</p> <p>d) The Company shall enter into an agreement with the E-Auction service provider, if applicable, outlining the responsibilities and obligations of both parties.</p>
<p>Step-2: Pre-Auction Formalities</p>	<p>I. Notification to Borrower:</p> <p>a) The Company shall issue an E-Auction Notice to the borrower at least 15 days before the scheduled auction date.</p> <p>b) The notice shall be sent through registered post, email, and/or SMS and shall also be published in at least two newspapers.</p> <p>c) The notice shall include the following details:</p> <ul style="list-style-type: none"> • Loan account details • Description of pledged gold Gross and Net (weight, No. of ornament) • Minimum bid price (reserve price) • Date, time of the auction • Name and website of the E-Auction platform • Registration and bidding process details • Contact details for any queries <p>II. Registration of Bidders:</p> <p>a) Interested bidders must register on the E-Auction platform before participating.</p> <p>b) The registration process shall require bidders to submit:</p> <ul style="list-style-type: none"> • Valid KYC documents (identity and address proof) • Earnest Money Deposit (EMD) or participation fee, as prescribed by the Company • Bank account details for refund/security deposit processing <p>c) Only registered and verified bidders shall be allowed to participate in the auction.</p>
<p>Step-3: Determination of</p>	<p>This process shall be equally governed by the provisions outlined in the "Determination of Minimum Bid Price" clause</p>



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Minimum Bid Price	of this policy.
Step-4: Conduct of E-auction	<p>a) The auction shall be conducted on the designated E-Auction platform at the specified date and time.</p> <p>b) Only pre-registered bidders shall be allowed to participate.</p> <p>c) Bidders must place bids equal to or higher than the reserve price.</p> <p>d) The highest bid at the close of the auction shall be declared the winning bid, subject to verification.</p> <p>e) The Company reserves the right to extend the auction duration if last-minute bids are placed to ensure fair competition.</p> <p>f) If any malpractice, such as collusion or cartelization among bidders, is detected, the Company shall have the right to:</p> <ul style="list-style-type: none"> • Cancel or postpone the auction • Disqualify bidders involved in unfair practices • Conduct a fresh auction
Step-5: Payment & Settlement	<p>a) The winning bidder shall be required to remit the full bid amount within 5 working days from the auction closure.</p> <p>b) Payment shall be made through NEFT/ RTGS/ bank transfer to the Company's designated account.</p> <p>c) Upon receipt of the full payment, the pledged gold shall be released to the winning bidder.</p> <p>d) The auction proceeds shall be adjusted against the borrower's outstanding dues.</p>
Step-6: Refund of Auction Surplus	This process shall be equally governed by the provisions outlined in the "Refund of Auction Surplus Amount" clause of this policy.
Step-7: Record Keeping & Compliance	This process shall be equally governed by the provisions outlined in the " Maintenance of Auction Documents" clause of this policy



16. Maintenance of Auction Documents

16.1. The Company shall maintain the following records for all conducted auctions:

16.1.1. Postal receipts and reminders for auction notices issued to borrowers, including undelivered returns.

16.1.2. Copies of newspaper publications announcing the auction.

16.1.3. Records of bidders, including bid prices and details of the final successful bidder.

16.1.4. Detailed auction records, including bid history and final sale details.

16.1.5. Sales invoices related to the auctioned assets.

16.1.6. Post-auction communication to borrowers, specifying the price fetched, total dues adjusted, and balance amount payable to or by the borrower.

16.1.7. In cases of refunds, the surplus amount shall be issued through an account payee cheque, subject to receipt of a satisfactory acknowledgment letter (No Objection Certificate) from the borrower.

16.2. All records shall be duly authenticated by the authorized representative conducting the auction and securely maintained at the Company's registered office.

17. Auction Advertisement Procedure

17.1. NLFL will publish an auction announcement in at least two daily newspapers—one in the vernacular language and one national daily—to inform the public about the upcoming auction.

17.2. The advertisement shall include essential details, such as the auction's location, date, and time, as well as a description of the collateral to be auctioned.

17.3. The advertisement must be accurate, without any misleading information, and provide necessary details to ensure transparency and public awareness.



18. Annual Reporting of Auctions & Disclosures

- 18.1. NLFL shall disclose auction details in its annual report, including:
- 18.1.1. The number of loan accounts auctioned.
 - 18.1.2. Outstanding amounts on these accounts.
 - 18.1.3. Value realized from each auction.
 - 18.1.4. A statement confirming whether any sister or related concerns participated in the auctions.
- 18.2. NLFL shall include detailed disclosures within the loan agreement, outlining the auction procedure in the event of default. The borrower will be informed of their rights, the terms of redemption, and the consequences of non-repayment leading to auction.

19. Approval, Review & Update

- 19.1. This policy shall be approved by the Board and reviewed as and when there are any changes introduced as per the guidelines/directions issued by RBI or as and when it is found necessary to change the policy due to business needs.

FOR, NALIN LEASE FINANCE LTD.


DIRECTOR

Approved in Board on 12/03/2025

