

Gold Loan Policy

Nalin Lease Finance Ltd.

Dr Nalinkant, Gandhi Nursing Home Building, Gandhi Rd, Ganotri
Society, Himatnagar, Gujarat 383001

Table of Contents

| | |
|--|----|
| 1. Policy Statement..... | 1 |
| 2. Definitions..... | 2 |
| 3. Objective of the Policy..... | 3 |
| 4. Key Features of Gold Loan Policy..... | 4 |
| 5. Scope & Applicability of the Policy..... | 5 |
| 6. Tenure of the Loan..... | 5 |
| 7. Eligibility Criteria & Acceptable Collateral..... | 6 |
| 8. Determination of Loan Amount..... | 7 |
| 9. Ownership Verification of Gold..... | 7 |
| 10. Loan to Value Ratio..... | 9 |
| 11. Standardization of Gold Valuation..... | 9 |
| 12. Determining Purity of Gold..... | 10 |
| 13. Loan Disbursement & Documentation..... | 11 |
| 14. Interest Rates, Charges & Fee Structure..... | 12 |
| 15. Storage and Security of Gold Collateral..... | 14 |
| 16. Release of Pledged Jewellery..... | 16 |
| 17. Renewal of Gold Loan..... | 17 |
| 18. Fraud Prevention..... | 19 |
| 19. Gold Loan Audit Requirements..... | 20 |
| 20. Fair Lending Against Collateral of Gold Jewellery..... | 21 |
| 21. General Guidelines for Gold Loan Procedures..... | 23 |
| 22. Approval, Review & Update..... | 23 |

Gold Loan Policy

DOCUMENT IDENTIFICATION INFORMATION

| | |
|---------------------------------|--|
| Document Name | Gold Loan Policy |
| Index | Scale Based Regulation/ Corporate Governance/ Compliance/ Gold Loan Policies and procedures |
| Version | Version -1.0 |
| Recommended by | Compliance Department |
| Approving Authority | Board of Directors |
| Review Frequency | Reviewed if significant changes occur to ensure its continuing suitability, adequacy, and effectiveness. |
| Location of the Document | Compliance Department |

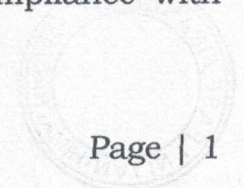
Last updated on/2025

Place: Gujarat

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

1. Policy Statement

- 1.1. The Gold Loan Policy is developed by NLFL to establish clear guidelines and standardized procedures for the offering and management of gold loans. The policy outlines the terms and conditions of gold loan disbursement, servicing, and recovery, ensuring that all activities related to the gold loan product adhere to best practices and regulatory requirements.
- 1.2. In pursuance of the Reserve Bank of India (RBI) guidelines, this policy has been formulated in strict compliance with



Clause 37 and Clause 45.14 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. These provisions focus on maintaining asset quality, managing risks effectively, and ensuring that lending practices are conducted in a prudent and transparent manner.

- 1.3. The policy reinforces the commitment of NLFL to responsible lending and financial inclusion while safeguarding the interests of all stakeholders involved.
- 1.4. Gold loans, extended as demand loans, are secured by the pledge of gold jewellery or ornaments as collateral.

2. Definitions

- 2.1. "Gold Jewellery" refers to any item of jewellery made primarily from gold and pledged as collateral for securing a loan, including necklaces, bracelets, earrings, rings, and other ornamental items, as appraised and valued by company.
- 2.2. "Auction" refers to the process by which pledged gold jewellery is sold in an open market to recover the loan amount in the event of non-repayment by the borrower. The auction process is conducted by an auctioneer approved by the Board of Directors of Company.
- 2.3. "Gold Valuation" refers to the process of determining the market value of the pledged gold jewellery at the time of loan issuance, typically carried out by an accredited appraiser or the Company's trained staff.
- 2.4. "Insurance" refers to the coverage provided by Company for the gold jewellery pledged as collateral to protect against risks such as loss, damage, theft, or fire during the loan tenure.



2.5. "Intrinsic Value" refers to the perceived or calculated value of an asset, independent of its market value or price. It represents the true value of an asset, based on the actual weight, purity, and market demand for the gold, irrespective of the market fluctuations.

2.6. "Loan-to-Value (LTV)" is a financial term used to express the ratio of a loan amount to the appraised value of the asset being used as collateral.

Formula: $LTV = (\text{Loan} / \text{Appraised Value of Collateral}) \times 100$

3. Objective of the Policy

3.1. The objective of this Policy is to establish a structured framework for offering, managing, and recovering gold loans, ensuring compliance with regulatory standards and the best practices in gold-backed lending. The policy aims to achieve the following:

3.1.1. To ensure that all gold loan operations are conducted in accordance with RBI guidelines, promoting transparent and responsible lending practices.

3.1.2. To implement effective risk management measures that include robust valuation processes, monitoring of loan-to-value ratios, and safeguards to mitigate credit and operational risks associated with gold loans.

3.1.3. To enhance customer trust by maintaining fair practices in the valuation, disbursement, and recovery processes, and by clearly communicating all terms and conditions associated with gold loans.

3.1.4. To facilitate financial access by offering gold loans as a secure and accessible credit option, supporting individuals and businesses in meeting their financial needs.



3.1.5. To contribute to the growth and stability of NLFL by managing a high-quality portfolio of gold loans, aligning with NLFL's business objectives and overall risk tolerance.

4. Key Features of Gold Loan Policy

4.1. NLFL is committed to offering gold loan products that prioritize convenience, affordability, and customer satisfaction. The key features of our Policy include:

4.1.1. NLFL ensures a seamless and efficient process for loan disbursement, enabling customers to access funds quickly without unnecessary delays.

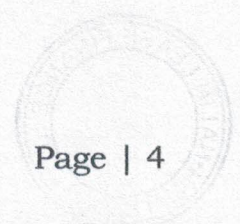
4.1.2. The Company strives to offer gold loans at the most competitive and affordable interest rates to minimize the financial burden on borrowers.

4.1.3. NLFL provides higher loan amounts per gram of pledged gold, ensuring maximum value and benefit for borrowers.

4.1.4. The gold loan application process is designed to be customer-friendly, requiring only essential documents to make the process simple and convenient.

4.1.5. Customers are allowed to make part payments or pre-close their gold loans at any time without incurring any additional penalties or charges.

4.2. The primary objective is to facilitate gold loans for individuals with short-term financial requirements, including working capital for business establishment/business needs or expansion, personal needs, education, social, farming - agriculture allied activities and other essential expenses.



4.3. The loans shall not be utilized for speculative activities or any purposes that are illegal or in violation of the laws of the country

5. Scope & Applicability of the Policy

5.1. The Policy applies to all gold loan products and services provided by NLFL, encompassing the full lifecycle of these loans—from origination and disbursement to ongoing servicing and recovery.

5.2. It is intended to guide employees and authorized representatives involved in gold loan operations.

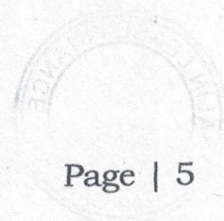
5.3. The policy outlines the procedures for customer eligibility, loan-to-value ratios, appraisal and valuation of pledged gold, documentation requirements, disbursement, monitoring, and recovery processes.

5.4. The policy will be reviewed and updated periodically to align with regulatory changes and industry best practices, ensuring that all gold loan operations remain compliant, transparent, and consistent with NLFL's commitment to responsible lending.

6. Tenure of the Loan

6.1. The tenure of gold loans shall be as per the loan agreement between the borrower and NLFL, generally 6 months from the date of disbursement to maximum limit of 12 months if specified under a particular scheme.

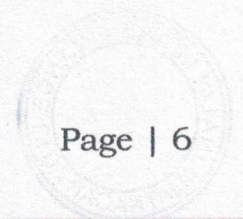
6.2. Borrowers may choose to repay the loan principal and interest as per the repayment schedule agreed upon at the time of disbursement, with options bullet repayment at the end of the tenure / or as a call loan but with monthly compounding interest. (If, agreed upon).



- 6.3. Upon completion of the loan tenure, borrowers may apply for a renewal of the loan, subject to a fresh appraisal of the pledged gold and compliance with the prevailing loan-to-value (LTV) norms.
- 6.4. The renewal is contingent upon NLFL 's discretion and fulfilment of all terms and conditions.
- 6.5. Extensions beyond the agreed loan tenure may be granted under exceptional circumstances, based on NLFL 's policy guidelines and subject to approval.

7. Eligibility Criteria & Acceptable Collateral

- 7.1. To be eligible for a gold loan under this policy, The Borrower must meet the following requirements:
- 7.1.1. The customer must satisfy all Know Your Customer (KYC) norms, providing valid proof of identity and address in accordance with the RBI guidelines.
- 7.2. Only gold jewellery is accepted as collateral for gold loans under this policy. Advances against bullion, primary gold, gold coins, or other forms of gold are strictly prohibited in compliance with RBI regulations.
- 7.3. The following items shall not be accepted as security for granting a gold loan:
- 7.3.1. Melted bars/Primary gold exceeding 50 grams.
- 7.3.2. Jewellery belonging to temples, churches, or any religious institutions.
- 7.3.3. Items listed in the company's negative list, as updated from time to time.
- 7.3.4. Gold items for which the borrower is unable to provide proof or a declaration of ownership.
- 7.4. Items that are prohibited from being taken as security under RBI regulations.



8. Determination of Loan Amount

- 8.1. The loan amount shall be determined based on the net weight of 22-carat ornaments pledged as security, their purity, and in compliance with RBI guidelines on LTV ratio issued from time to time.
- 8.2. The minimum loan amount per pledge shall be ₹2,000/-, subject to the following conditions:
- 8.2.1. The minimum net weight of gold offered for pledge shall be 1 gram.
- 8.2.2. A minimum of 25% of the eligible loan amount must be availed by the borrower.
- 8.3. The quantum and purity of gold that can be pledged shall be evaluated, considering necessary deductions.
- 8.4. The weight of any non-gold components such as stones, pearls, diamonds, corals, cotton, or any other material shall be excluded from the gross weight of the ornament to arrive at the net weight for calculating the eligible loan amount.

9. Ownership Verification of Gold

- 9.1. Prior to loan disbursement, branch executives/Designated Person shall conduct due diligence to verify the ownership of the gold jewellery pledged as collateral.
- 9.2. The loan shall be sanctioned only after the executives are satisfied with the authenticity of the borrower's ownership and their capacity to possess the declared quantity of gold.
- 9.3. Borrowers shall be required to provide authenticated information regarding the ownership of the pledged gold, along with a written declaration specifying the mode of acquisition, such as inheritance, gift, or purchase.
- 9.4. For any loan where the gold jewellery pledged by a borrower, either as a single transaction or cumulatively, exceeds 20



grams, NLFL shall adhere to the following ownership verification procedures:

| Verification Requirement | Description | Documentation |
|--|---|---|
| Original Receipts | Borrower must provide original receipts confirming lawful ownership of the pledged jewellery. | Copies of original receipts are retained in the borrower's file for reference. |
| Alternative Verification Methods | If the borrower cannot provide original receipts, NLFL will employ alternative methods to confirm ownership. | Methods may include borrower declarations, references to similar transactions, or inspections conducted by NLFL. |
| Board Approval of Verification Methods | All alternative ownership verification methods must receive prior approval from the Board to ensure compliance and reliability. | Documentation of Board-approved methods and any additional instructions for verification are maintained in the borrower's record. |
| Ownership Verification Record | A detailed record of the ownership verification process will be created and stored within the borrower's file. | Includes documentation used, verification steps taken, and a summary of findings confirming lawful ownership. |

9.5. By verifying ownership, NLFL generally reduce the risk of fraudulent activities where borrowers pledge stolen or counterfeit jewellery as collateral. The procedure for KYC verification and risk categorization are provided in NLFL's KYC and AML policy.



10. Loan to Value Ratio

10.1. NLFL shall maintain a Loan-to-Value (LTV) ratio not exceeding 75% for loans granted against the collateral of gold jewellery, i.e. if the LTV ratio is set at 70% and the jewellery is valued at INR 1,00,000, the borrower can receive a maximum loan of INR 70,000. In other words, the LTV ratio represents the proportion of the loan amount sanctioned to the value of the gold jewellery offered as collateral.

10.2. The maximum permissible loan amount will be based solely on the intrinsic value of the gold content, with no additional costs factored into this valuation.

10.3. The LTV cap ensures responsible lending practices and aligns with regulatory standards.

11. Standardization of Gold Valuation

11.1. The valuation of gold jewellery accepted as collateral shall be standardized as follows:

11.1.1. Intrinsic Value Determination: The value of the pledged gold jewellery shall be calculated based on the preceding 30 days' average closing price of 22-carat gold, as quoted by the Indian Bullion Jewellery Association (IBJA).

11.1.2. Purity Adjustment for Gold Below 22 Carats: If the pledged gold jewellery is of purity less than 22 carats, NLFL shall proportionately convert and assess the collateral into 22-carat gold, stating the exact grams of the collateral i.e. jewellery of lower purity of gold shall be valued proportionately. However, the minimum acceptable purity shall be 18 carats, and jewellery below this threshold will not be accepted as collateral.



11.2. Upon valuation, NLFL will issue a certificate on its letterhead to the borrower, confirming the gold's purity (in carats) and its weight. This certification will serve as an acknowledgment of the gold's intrinsic value for the loan and the reserve price for auction, if applicable.

11.3. NLFL shall disclose in its balance sheet the percentage of gold-backed loans to the total assets to ensure transparency in financial reporting and compliance with regulatory obligations.

11.4. The standardized approach to valuation and certification safeguards both NLFL and the borrower against disputes and ensures compliance with RBI's Master Directions on NBFC regulations.

12. Determining Purity of Gold

12.1. The clause establishes stringent guidelines for appraising the gold jewellery pledged as collateral, ensuring accurate assessment of purity and weight for loan eligibility. The following steps outline the procedures for determining and certifying gold purity, as well as documenting the appraisal results.

| Standards | Description | Documentation/Action |
|----------------------------|--|--|
| Purity Determination | NLFL will conduct a thorough assay/ evaluation of each gold jewellery item to measure purity. | A sample of the jewellery will be tested to ascertain gold content and purity, recorded in the customer's loan file. |
| Minimum Purity Requirement | Jewellery with a minimum purity of 22 carats will be accepted as collateral. If the pledged gold jewellery is of purity less than 22 carats, it shall be proportionately | Jewellery below 22 carats will not be accepted as collateral unless it is proportionately valued as 22-carat gold for loan |



| | | |
|---------------------------------|---|---|
| | valued as 22-carat gold for loan assessment purposes. However, jewellery below 18 carats will be ineligible as collateral, ensuring compliance with RBI guidelines. | assessment purposes, ensuring compliance with RBI guidelines. |
| Deduction of Non-Gold Materials | Non-gold materials (e.g., stones, pearls) will be excluded from the net weight calculation to assess the eligible loan amount. | The weight of non-gold elements will be documented separately and deducted from the total weight. |
| Certification of Assay Results | Following the assay, NLFL will issue a certificate detailing purity and weight on company letterhead. <i>(A certificate given as security for the loan will be incorporated in the Sanction Letter given to the borrower for the limited purpose of determining the maximum permissible loan and arriving at the reserve price for auction.)</i> | The certificate will include the carat weight and purity of the gold and will be given to the customer for reference. |
| Customer Documentation | Each customer will receive a copy of the assay certificate as part of their loan documentation package. | The original assay results and certificate will be stored within the customer's file for audit and compliance. |

13. Loan Disbursement & Documentation

13.1. Each loan transaction will be thoroughly documented, covering key details including name, contact details, KYC, photos of person and jewellery loan amount, applicable interest rate, monthly interest amount, LTV ratio, nominee



details, demand promissory note, repayment terms, fees, and the gold appraisal certificate.

13.2. Customers may choose regular or flexible repayment plans as outlined in the loan agreement. All repayment terms, including any associated fees or charges, will be transparently communicated to customers through the Key Fact Statement (KFS).

13.3. The borrower must submit any one of the following valid government-issued documents for identity and address verification:

13.3.1. Passport, PAN Card, Driving License, Voter ID, Aadhaar Card, Ration Card, Bank Passbook issued by a scheduled bank.

13.3.2. If the submitted identity proof also contains the borrower's address, no separate address proof will be required.

13.4. The borrower shall provide the following documents at the time of availing the gold loan:

13.4.1. Loan Card/Token Card/Key Facts Statement

13.4.2. Demand Promissory Note and Delivery Letter

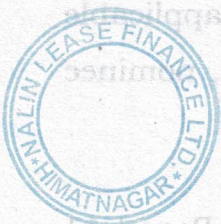
13.4.3. Terms and Conditions Letter (including declarations and undertakings by the borrower, duly acknowledged by them)

13.4.4. Any additional documents as may be specified by the Company

13.4.5. KYC details as per regulatory requirements.

14. Interest Rates, Charges & Fee Structure

14.1. This clause specifies the interest rates, fees, and other charges applicable to loans secured by gold jewellery, ensuring transparency and clarity for borrowers.



14.2. The interest rate on gold loans shall range between 12% to 26%, as specified in the Loan Token Card/KFS provided to the customer.

14.3. Interest rates and other charges shall be periodically reviewed by the Board or a committee empowered by the Board, with any revisions applicable prospectively.

14.4. The interest rate on loans shall be determined based on prevailing market conditions and operational costs, cost of funds, insurance costs (currently borne by the company), and risk gradation, following the principle that higher risk warrants a higher interest rate, subject to the company's ceiling rate.

14.5. The applicable interest rate will be clearly defined in the loan agreement, ensuring transparency and clarity for the borrower.

14.6. Interest shall be computed on a simple interest basis for the actual number of days the loan remains outstanding, from the date of disbursement to the date of closure.

14.7. The company shall charge interest only for the actual days the amount is utilized, with no minimum interest period.

14.8. Interest shall be calculated on a monthly compounding basis, considering a 365-day year.

14.9. A rebate in interest rate may be offered as an incentive for timely repayment of interest or early closure of the loan, applicable only where the interest rate exceeds 15%.

14.10. In case of default in repayment of the loan, along with applicable interest and charges, within the due date or grace period, penal charges shall be levied as per the company's policy, as mentioned in the Loan Token Card/KFS.

14.11. Penal charges shall be levied without capitalization or compounding of interest.



14.12. All fees and charges including processing fees, documentation fees, prepayment/ closure charge, and any other applicable fees, shall be communicated to the borrower in advance if not written in given details. NLFL guarantees no hidden fees or charges. All fees shall be competitive and in line with industry standards to ensure fairness for the borrower.

14.13. In addition to interest, the company may impose additional charges, as determined by the Board or an authorized committee, including but not limited to Processing Charges, Notice Charges, Charges for Lost Token and Auction Expenses/Closure Charges.

14.14. The Lending Rate shall be determined on a case-by-case basis, considering factors such as the customer's profile, repayment history, market reputation, credit and default risks, LTV ratio, collateral quality, subventions, ancillary business opportunities, and overall value to the lender group.

15. Storage and Security of Gold Collateral

15.1. This clause sets forth the requirements and procedures for the secure storage and handling of gold jewellery pledged as collateral, ensuring NLFL commitment of gold jewellery's protection from theft, damage, and loss, in compliance with applicable regulations.

15.2. Physical Security Measures

15.2.1. Utmost care shall be taken to ensure the safety of gold ornaments pledged by customers. Ornaments shall be stored in strong rooms or safes equipped with burglar alarms, closed-circuit cameras (CCTV), and other necessary security devices.



15.2.2. Security infrastructure may include but not limited to biometric access controls, CCTV surveillance, alarm systems connected to a 24/7 monitoring station, and trained security personnel to safeguard the premises and monitor security systems.

15.2.3. The company shall maintain insurance coverage against burglary, fire, natural calamities, or other risks, as deemed necessary.

15.2.4. Only authorized personnel shall have access to the gold storage areas. Access will be strictly controlled and monitored, with detailed logs maintained to ensure accountability and prevent unauthorized entry.

15.2.5. Inventory checks will be performed periodically to identify any discrepancies, and necessary actions will be taken to address them.

15.2.6. The adequacy of security measures and insurance coverage shall be reviewed on an ongoing basis.

15.3. Procedural Security Measures

15.3.1. Gold jewellery shall be stored in a secure manner to prevent loss, damage, or theft, using specialized containers or pouches as necessary.

15.3.2. Accurate and detailed records shall be kept for each piece of gold jewellery, including weight, purity, and a unique identifier. Regular inventory checks will ensure the accuracy of these records.

15.3.3. Sufficient insurance coverage shall be in place to protect against potential loss or damage to the stored gold jewellery.

15.3.4. NLFL ensures that employees handling gold jewellery shall receive adequate training on security



procedures, ethical conduct, and compliance with all applicable regulations.

15.4. Gold Jewellery Handling:

15.4.1. The gross weight of the jewellery shall be recorded and appraised to assess its purity.

15.4.2. A purity check shall be conducted using methods prescribed by the company to ensure that the jewellery meets the acceptable purity standards.

15.4.3. The net weight of the jewellery shall be determined after deducting the weight of embedded stones and other non-gold materials, irrespective of their value.

15.4.4. Jewellery shall be securely packed in the customer's presence using a strong, sealed bag and a transparent box containing the loan number tag.

15.4.5. Each loan shall be stored separately, with individual packets prepared for each pledged jewellery item, which shall then be placed in the strong room or safe.

16. Release of Pledged Jewellery

16.1. Gold jewellery pledged as collateral will be released by only after the full repayment of the loan, including principal, interest, penal charges, and other applicable charges.

16.2. Borrower must return the original Loan Card/Token Card/Customer Copy before the jewellery is handed over.

16.3. Upon receiving the request for release, the concerned branch shall verify that the loan has been fully repaid, and all related documents are in order.

16.4. A final assessment of the pledged gold jewellery will be conducted to ensure no damage has occurred while in storage.

16.5. The borrower will be notified in writing once the jewellery is ready for release.



16.6. If the Token Card is lost, the borrower must give disclosure to the Company regarding the lost card, along with payment of applicable charges.

16.7. The release of the jewellery will be documented with a formal release receipt, signed by the borrower.

16.8. In the event of the borrower's demise, the pledged jewellery shall be released to the legal heirs or nominee, following the Company's prescribed procedure for settlement of a Deceased Loan Account.

16.9. If the borrower fails to repay the loan in full within the agreed-upon timeframe, the jewellery shall be subject to auction or sale as per the terms outlined in NLFL's **Auction Policy**.

16.10. Any outstanding dues, including costs related to the sale or auction of the jewellery, will be deducted from the proceeds.

16.11. The jewellery shall remain in the custody of NLFL until the borrower completes all formalities and payments required for the release process.

17. Renewal of Gold Loan

17.1. The gold loan shall be renewed at the sole discretion of NLFL based on an assessment of the borrower's cash flow sufficiency, provided that the borrower meets the following conditions:

17.1.1. The borrower has made timely repayment of existing total interest and principal amount, if applicable, as per the terms of the original loan agreement.

17.1.2. The pledged gold jewellery has been reassessed for purity, weight, and market value to ensure it still meets the required collateral standards.



17.1.3. The borrower provides a valid reason for the renewal request and demonstrates continued capacity to repay.

17.2. The renewal process shall involve the following steps:

17.2.1. The borrower must submit a formal request for renewal, specifying the desired loan amount and any changes in terms.

17.2.2. The eligible loan amount for the renewed loan shall be determined based on the LTV ratio prevailing on the date of renewal.

17.3. Upon approval and meeting the above conditions, a new loan agreement will be executed, incorporating the revised loan amount (if applicable), interest rates, repayment terms, and other relevant conditions, a new account number will be assigned, and a new Token Card/Loan Card/Key Facts Statement will be issued.

17.4. Any applicable renewal fees, processing charges, and revised interest rates shall be communicated to the borrower before proceeding with the renewal.

17.5. The gold jewellery must meet the minimum purity and weight requirements as specified in the loan agreement for it to be eligible for renewal.

17.6. The jewellery must be in good condition, with no significant damage or alterations.

17.7. The renewal shall be based on the original loan term or any new term mutually agreed upon by the borrower and NLFL .

17.8. Repayment terms, including the interest rate and frequency of payments, shall be re-established in the renewed agreement.

17.9. In the event the borrower defaults on the renewal process, NLFL reserves the right to initiate the recovery process as per the auction procedure outlined in the loan agreement.



18. Fraud Prevention

18.1. To ensure robust internal controls and prevent fraud, NLFL shall establish and enforce strict systems and procedures, including:

18.1.1. Clear segregation of responsibilities shall be maintained in the loan process to prevent conflicts of interest and fraud. Loan mobilization, execution, and approval shall be handled by separate individuals, ensuring checks and balances at each stage.

18.1.2. Comprehensive internal controls shall be instituted to monitor and review the entire loan process, from the initial application through to disbursement and recovery, to ensure compliance with the policy and to detect any potentially fraudulent activity.

18.1.3. Regular assessments shall be conducted by NLFL to identify potential fraud risks, and corrective actions shall be taken as necessary to address vulnerabilities within the system.

18.1.4. All employees involved in the loan process shall undergo regular training on fraud prevention, internal controls, and ethical conduct to minimize the risk of fraudulent behaviour.

18.2. Any fraudulent activity or attempt to defraud, whether committed by employees or external parties, must be immediately reported to the Management.

18.3. If an attempt to pledge spurious or stolen gold is detected, the following steps shall be taken:

18.3.1. Immediate reporting to the Chief Vigilance Officer.

18.3.2. Informing the local police for further investigation.

18.4. To safeguard against fraudulent activities, any excess amount after loan adjustment shall be credited only to the



borrower's registered bank account. In compliance with regulatory guidelines, the maximum loan disbursement permitted in cash shall not exceed ₹20,000 (Twenty Thousand Only). Any amount exceeding this limit shall be disbursed through electronic banking channels.

19. Gold Loan Audit Requirements

19.1. Given that gold loans are the Company's primary product, regular and robust audits are imperative to mitigate associated risks. Gold and cash, being high-risk assets, require frequent and thorough inspection.

19.2. In light of the precious nature of gold, its liquidity, and associated risks such as inaccurate quality assessments of pledged ornaments, the Company mandates periodic gold loan audits.

19.3. The Objective of Audit is to ensure the integrity of gold appraisal, the accuracy of pledged gold valuation, and proper handling of cash.

19.4. Audits shall be conducted at regular intervals, with increased frequency based on the volume of transactions and associated risks.

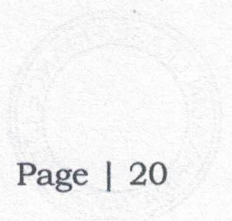
19.5. Gold audits shall be conducted exclusively by designated Gold Auditors cum Appraisers, who possess the necessary skills and experience in appraising gold quality.

19.6. The audit shall encompass:

19.6.1. Verification of pledged gold quality and compliance with policy standards.

19.6.2. Review of cash handling practices.

19.6.3. Assessment of adherence to internal controls and procedural guidelines.



19.7. Audit findings shall be documented and reported to senior management, along with recommendations to address identified risks.

20. Fair Lending Against Collateral of Gold Jewellery

20.1. NLFL shall ensure strict compliance with the KYC guidelines as stipulated by the RBI. Comprehensive due diligence shall be conducted on each customer before extending any loan against gold jewellery.

20.2. A standardized and Board-approved procedure shall be followed for determining the purity and weight of the gold jewellery pledged as collateral. This shall ensure accurate valuation of the jewellery.

20.3. NLFL implements internal systems to verify the ownership of gold jewellery pledged as collateral. Ownership verification will be documented, and steps will be taken to prevent fraudulent transactions.

20.4. The jewellery accepted as collateral shall be stored in secure, fire-resistant vaults. NLFL shall ensure that adequate storage facilities for the safe custody of gold jewellery, and periodic reviews will be conducted to maintain security standards. Training will be provided to staff, and internal audits will be carried out regularly to ensure adherence to procedures.

20.5. The gold jewellery pledged as collateral shall be adequately insured against theft, damage, or loss during the loan period.

20.6. 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 by following a transparent Auction Procedure, which shall include:

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

20.6.2. Assurance of an arm's length relationship with all parties involved, including group companies and related entities.

20.6.3. Auction announcements in at least two daily newspapers, one in the vernacular language and the other in a national daily.

20.6.4. NLFL shall not participate in the auction itself.

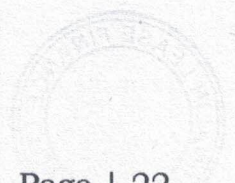
20.6.5. Auctions shall be conducted through approved auctioneers for physical auction and or by approved website for e-auctioneers platform for online auction.

20.6.6. Auction-related expenses and incidental charges shall be deducted from the proceeds. The net amount shall be adjusted against the outstanding loan dues. Any shortfall after such appropriation may be recovered through legal means. Any excess amount shall be refunded to the borrower upon obtaining their satisfactory consent.

20.6.7. Any applicable GST shall be deducted before crediting the auction amount to the loan account.

20.6.8. The auction shall be conducted in strict compliance with the **Auction Policy** as approved by the Board.

20.7. Systems and procedures for preventing fraud, including segregation of duties related to mobilisation, execution, and approval of loans shall be specified. These measures will ensure robust internal controls.



- 20.8. The loan agreement shall clearly disclose the steps to be followed in case of non-repayment and the rights of the borrower related to the auction process.
- 20.9. For loans above ₹5 lakh, NLFL shall insist on a copy of the borrower's PAN card as part of the loan documentation.
- 20.10. NLFL shall not issue misleading advertisements, particularly those claiming quick loan availability within 2-3 minutes, which may misrepresent the actual loan disbursement process.

21. General Guidelines for Gold Loan Procedures

- 21.1. Verify gold purity and complete formalities before sanctioning and payment. Obtain properly filled KYC forms with relevant documents from new customers.
- 21.2. Verify customer signatures, pledge details, and account closure seals before releasing gold. Obtain authorization forms, verify signatures, and collect necessary ID proof.

22. Approval, Review & Update

- 22.1. 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

