

Keertana Finserv Private Limited
Gold Auction Policy

Name of the Policy	Gold Auction Policy
Date of Last Approval/Review	29 th March'24
Prepared By	Prakash Bhawnani
Reviewed By	Padmaja Reddy
Approving Authority	Board of Directors
Version	V1
Date of Approval	16 July'24

Version control:

<u>Date of updation</u>	<u>Version</u>	<u>Reviewed by</u>	<u>Approved by</u>
April 2025	V1.1	Akshata Parikh/ Siva Reddy	Board of Directors

Contents

1.	Introduction	3
2.	Determining the Auction Eligible Loans.....	3
3.	Auction Proceedings - Delegation Powers.....	3
4.	Intimation to the Borrower & Notices.....	3
5.	Auction Centers and Movement of Gold Packets	4
6.	Responsibilities of Auction team	5
7.	Reserve Price.....	5
8.	Bidding & Delivery of Gold to Successful Bidders.....	5
9.	Auction before completion of tenure of the loan.....	6
10.	Refund of Surplus, Recovery of Shortfall.....	6
11.	Disclosures	7

1. Introduction

This Policy is intended to be in conformity with **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023**, as amended (“**Master Direction**”) on the date of its adoption. However, if due to subsequent modifications in the Directions, a provision of this Policy or any part thereof becomes inconsistent with the Master Direction, the Master Directions as modified by the regulatory authority shall prevail.

This policy is applicable to all the Gold Loan branches of the Company.

2. Determining the Auction Eligible Loans

Eligible loans for auction are determined based on set criteria as mentioned below, subject to management discretion from time to time -

- Loan unpaid beyond the due date as per the sanctioned tenure including loans which are repledged and the repledged tenor is matured.
- Loans not closed even after 30 days of maturity date;

Apart from the cases mentioned above, in one or more specific scenarios, the loans can be sent to auction before the completion of tenure. For example, in case spurious / substantially low Quality gold ornaments are detected during verification anytime subsequent to disbursement of the loan, the same may be taken up for auction even before the due date, subject to all the other auction compliances are being met.

As a routine process, loans matured but having outstanding after the maturity date are identified for auction follow up. List of such loans (matured and having outstanding) is generated from GLMS on 1st of every month and is circulated to all the Branches and the supervisory team. Before generating the list of Auction loans, these loans (matured in the previous month, but not closed) are tagged as Auction Loans.

3. Auction Proceedings - Delegation Powers

Business Head or any other senior employee in the Company as approved by the Board of Directors or delegated authority, shall conduct the audit and monitor auction process from time to time. Managing Director shall supervise the auction process including identification of staff to conduct audit, finalization of bid etc. Discretionary powers to defer auction shall be vested with the MD

All Bids to be presented to the MD and MD shall finalize the final bid in consultation with the Business Head.

4. Intimation to the Borrower & Notices

Eligible loans for auction are identified at the beginning of every month and they are tagged as Auction Loans. This list is generated from GLMS (Gold Loans Management System) by MIS Head and which gets shared with all the Branches, Cluster Managers, Regional and Zonal Managers for necessary follow up with each of the borrower of such auction eligible loans are followed up by Branch team wherein clear communication is done that the loan being considered for

auction as loan is matured and not yet closed. If a customer is not reachable on the phone and is not responding to calls, that list is passed on to Sales Team to meet the customers in the address given by them at the time of the pledge. If the loan is not closed despite the follow up, auction notice will be issued to such borrowers. Customer's comments are updated in the Auction Loans Tracker for subsequent follow up. If a customer commits on a specific date to close the loan, follow up is done with the customer till the loan is closed. In case the Borrower is asking for more time, then borrower is given the option of making part payment so that the loan can fall below permissible LTV. The minimum amount to be paid in order to bring down the LTV within the permissible level is circulated by the MIS team with the branch staff. In case the LTV is within the permissible limit, replugging of such loans is done as per the customer consent obtained vide the documentation executed at the time of issuance of the loan

MIS keeps track of Auction loans daily till auction is completed. They keep monitoring on how many Auction loans are closed and how many loans have part payment received. Loans which are neither closed nor received part payment are identified for issuing Auction Notice. These Loans are tagged as AN (Auction Notice) Loans. MIS team updates first Auction date and place and the second auction date and place on GLMS so that all pre-filled fields are updated on Auction Notice and the Branch team can print them with a single click.

Branch team will print the notices on 12th and send them to Borrowers through Registered Post with Acknowledgement Due. As proof of dispatch of Auction notice, the tracking number of courier is updated on Gold Loan Management System (GLMS).

Public notification of auction is released to newspaper having coverage of all Branches having auction loans and is printed atleast a day before the first auction date. Branch names and Loan IDs are mentioned in the notice printed in the newspaper. Newspaper publication will have the time and place of auction clearly mentioned in it. The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper.

The company shall not itself participate in the auction. Incase any group companies/related parties are participating in the auction process, the same shall be handled at arm's length pricing only.

5. Auction Centers and Movement of Gold Packets

First Auction is conducted in the respective Branch from which the borrower has availed loans. Usually, Bidders do not participate in the Branch level auctions as the quantum of gold auctioned is less and the Branch is in a remote place. In case of Branches, where auction could not get concluded, pledges from those Branches are moved to the second auction center, which is a bigger place and is central to all Branches. Where the first auction has failed, the second auction at auction centre shall be conducted at the reserve price derived as mentioned above on the date provided in the auction notice. These auction centres have the advantage of higher volume of gold packets under the auction and accordingly, there is a greater possibility of higher number of bidders participating in the auction.

Physical transfer of gold from branches to the auction center shall be carried out in line with the internal guidelines circulated on movement of Gold pouches from Branches to the Auction point. Before transferring Gold to Auction centre, the Business Head shall circulate the final list of Auction Loans with Branches, Cluster Managers, AVPs, VPs, Internal Auditors and Control Room Executives at HO. Each one of them shall have this list and ensure that only the Gold Packets pertaining to the loans mentioned in the list are only moved. Control Team shall ensure that Ops managers in Branches take out only those packets from the vault which are mentioned in the list circulated to them. While Ops Managers are taking out these packets from the vault, Control Room Executives shall closely monitor and ensure that there are no slippages.

Only designated employees, as mentioned in the guidelines of movement of Gold ornaments to Auction point, are allowed to collect and submit in the Auction centre. Gold Pouches shall be in sealed form while in transit to the Auction centre. Designated Employee/s at Auction centre will collect these pouches from AVPs and issue acknowledgement. Internal Auditors also check the acknowledgements signed by AVPs while collecting these pouches from Cluster Managers, which are counter signed by the respective Ops managers. Number of packets and tare weight will be matched by Internal Auditors before unsealing the Pouches.

6. Responsibilities of Auction team

Auction is sphere headed by Business Head – Gold Loans or any other senior employee as approved by the Board or its delegated authority. MD will identify 2 to 3 Internal Auditors to reassess the weight and purity of each ornament that is collected at the auction centre.

The Business Head or any other person as authorized by MD will act as a facilitator to enable smooth functioning of auction process by performing the below activities:

- Conduct auction in a fair and transparent manner;
- Ensure that the bidders provide bids with all the details such as Gross weight, Net weight and weighted average purity.
- ensure that bidders do not collude in any manner in the auction process.
- The bids quoted by the bidders are tabulated for comparison and shared with the MD for consideration.
- Update all registers (digitally/manually) and collect KYCs of successful Bidders

7. Reserve Price

While auctioning the gold, the company to declare a reserve price for the pledged ornaments and the reserve price for auction shall be recorded in the system. The reserve price for pledged ornaments should not be less than 85% of the previous 30-day average closing price of 22 carat gold as declared by The Bombay Bullion Association Ltd (BBA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission. The purity assessed and certified at the time of loan sanctioning will be considered for determining the reserve price for auction.

Further Business head shall facilitate functional training to be provided to the staff members who are involved in the auction process to apprise them of the regulations applicable to auctions and their responsibilities in the auction process.

8. Bidding & Delivery of Gold to Successful Bidders

Before bidding, Internal Auditors will unseal each packet and reassess the weight and purity. They check gross weight, net weight and purity and update these details against each loan. The bidding value of gold to be quoted in reference to equivalent 22 carat gold value as a practice. Each loan will have Gross Weight, Net Weight and Purity as updated on GLMS at the time of pledge creation and also these details as per Internal Auditor's (IA's) reassessment. If the discrepancy is more than 1%, loan wise differences need to be checked to understand reason of such differences.

Once bids are received, weighted average purity and total weight of all pledges considered by Bidder is compared with GLMS report (updated at the time of pledge creation) and Internal Auditors reassessment Report. If the weighted average purity given by the highest bidder is significantly lower than the Internal Auditors reassessment report and GLMS, to ascertain the real purity of ornaments, they are sent for machine check. Weight and purity check is done with 2 different assayers using two different types of machines.

Delivery of gold to successful bidders is made after confirmation of full receipt of payment through any of the online mode or realization of cheque / draft and his KYC details. Proper acknowledgement by the bidder for receipt of gold, in a format duly approved is to be ensured.

9. Auction before completion of tenure of the loan

Auction can also be initiated in few specific instances before the completion of the tenure of the loan like in case of major deviations identified in the internal audit and excess funding is given to the customer and it is not recovered within 30 days. As a first step, branch staff to reach out the customers to seek additional margin in the form of gold ornaments or to request customers to pay back the excess funding to bring down the LTV to the permissible limit. If the customer does not respond, auction notices are issued. Internal Auditors will give a report mentioning all the discrepancies and the details of appraiser. Auditor shall comment on whether the Appraiser has done wrong assessment intentionally to do undue favor to the customer or he was not able to assess properly. Appropriate action is taken in case the Appraiser has done wrong assessment deliberately and intentionally. In case it is a capability issue, that employee will be sent for training with a senior person.

Auction of normal/spurious or low-quality gold ornaments shall not be taken up when police or criminal case has been filed against the borrower or when there is any other legal impediment.

10. Refund of Surplus, Recovery of Shortfall

Auction proceeds are apportioned to each loan basis weight and purity. This amount will be netted off with the dues receivable from the customer post which the balance amount – surplus / deficit will be determined. If two customers have the same quantum of Gold and the purity is same, then the distribution of additional proceeds to be done basis outstanding amount, which includes principal, interest and auction charges. In case the purity differs, the weight to be adjusted according to purity and the additional proceeds would be distributed basis the outstanding amount.

Loans having surplus are identified to transfer the surplus amount to respective borrower to his

bank account or any other mode within the permissible limit. If the Borrower has any other active loan, surplus amount will be credited to that account so that the outstanding dues of that account will be reduced to the extent of amount paid after due notice of the same to the borrower.

In case the Borrower does not have any other active loan, Treasury will transfer the amount through Bank to the respective Borrower's account. Shortfall, if any, to be recovered from the customer by following up. However, 100% provision to be made for the amount which could not be recovered from the auction proceeds.

Staff accountability, should be examined in case of detection of any fraud by employees and responsibility for the losses should be fixed on the employees concerned. The policy on fraud risk management and staff accountability to be followed in cases of identification of any fraud.

11. Disclosures

- The Loan Agreement shall disclose details regarding auction procedure.
- The Company must disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched, and any related party transactions taken place;
- The Company to ensure that the updated Auction Policy is available on its website from time to time.