



MUTHOOT MICROFIN LIMITED

Gold Auction Policy

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Review Frequency	Periodical basis on requirement
Prepared by	Operations Department
Approved by	Board of Directors

INTRODUCTION

The Company has formulated this Auction Policy in compliance with the extant regulatory framework governing lending against gold collateral issued by Reserve Bank of India (RBI). The Policy is aligned with the recent RBI Directions applicable to Non-Banking Financial Companies (NBFCs) and reflects evolving best practices in collateral management, borrower protection and transparent Auction process.

The Policy has been reviewed and aligned with the following RBI regulatory requirements, as applicable:

1. RBI (Non-Banking Financial Companies – Credit Facilities) Directions, 2025
2. RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025
3. RBI (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025

In addition, this policy takes into account recent amendments introduced to enhance transparency and fairness in gold and silver lending and auction process, including requirements for clear and advance notice, minimum reserve pricing, timely refund of auction surpluses, and borrower-friendly disclosures.

The objective of this policy is to ensure transparent, fair and robust auction procedures for collateral pledged by borrowers, safeguard borrower interests, maintain strong governance standards, and comply with applicable RBI guidelines and fair practices.

I. AUCTION PROCEDURE

- a. The Loan, together with accrued interest and other charges, is repayable as per the repayment schedule as mentioned in the pledge form. If the Borrower (or legal heir of Borrower in his absence) fails to repay the Loan together with interest and / or costs, or any of the interest or principal instalments as per the repayment schedule as mentioned in this pledge form, the Loan account shall be classified as overdue (“ **Overdue Account**”) effective from the next calendar day following the due date and the Company shall be entitled to sell the Pledged Articles by way of public auction after giving a minimum of one month’s public notice.
- b. The Company shall duly intimate the Customer to repay or settle the loan dues prior to initiating the auction procedure at least 45 days prior to the date of auction through any of the following modes viz. By Post/ Courier /Digital modes including but not limited to APP/SMS/Whatsapp/Email or in person with due acknowledgement. In case the Company is unable to locate the borrower(s)/ legal heir(s) despite best efforts, it may cause issuance of public notice showing the intention to proceed with the auction and conduct the same after a period of one month from the date of such public notice.

- c. Particulars of the auction to be conducted will be published in a vernacular newspaper (regional Language) and another in a national daily at least one month in advance.

II. CONDUCT OF AUCTION

- (i). Auctions will be conducted either:
- (a) by an auctioneer empaneled by the company as approved by the Board of Directors or
 - (b) by a Company employee with necessary experience/training, with safeguards including surprise visits by regional/controlling officials on periodic basis and coverage under internal audit.
- (ii). The method of conducting auction, including stipulation of the terms and conditions and prescription of caution deposits to be collected from the bidders, may be determined by the approved auctioneer in consultation with the Company considering various related aspects.
- (iii). The Auction will be conducted only if the number of bidders participating in the auction meets the minimum number of three (3). Where the minimum bidder requirement is not met despite reasonable efforts, exception-approval may be taken from competent authority and auction conducted, ensuring best recovery outcomes and full compliance with RBI transparency norms.
- (iv). The successful/confirmed bidder shall remit the bid amount within 3 Bank working days excluding the date of auction and take possession of the auctioned articles. Otherwise, interest at the rate of 18% per annum will be charged on the bid amount from the date of auction till remittance of the bid amount (both days included). If the successful bidder fails to remit the due amount within 30 days from the date of auction, the EMD of the bidder will be forfeited and the auctioned articles will be re-auctioned by giving at least 7 days' notice in a vernacular newspaper and in a national daily.
- (v). If a bidder is authorizing another person to attend the auction on his behalf, the authorization shall be under his signature, and the signature of the authorised person shall also be attested by the bidder.
- (vi). 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, the Company may conduct the auction in an adjoining district or conduct online auction.
- (vii). For participating in an Auction, the participants should deposit an EMD of minimum Rupees Ten Thousand.
- (viii). (a) The Company shall declare a reserve price for the collateral being auctioned which shall not be less than 90 per cent of its current value.
- (b) In case auctions fail twice, a reserve price not less than 85 per cent of its current value shall be adopted. For this purpose, the lower of (i) the average closing price for gold, of that specific purity over the preceding 30 days, or (ii) the closing price for gold of that specific purity on the

preceding day, as published either by the India Bullion and Jewellers Association Ltd. (IBJA) or by a commodity exchange regulated by the Securities and Exchange Board of India (SEBI) shall be used. 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 contained in the eligible collateral shall be reckoned and no other cost elements, such as precious stones or gems, shall be added thereto.

- (ix). An Auction charges subject to a maximum of 2% of the auctioned value, and not exceeding a maximum amount of Rs 2,000/- plus GST, will be applied if auction charge is explicitly mentioned in the loan agreement with the customer, for meeting Auction expenses such as expenses for packing, gold inspection, security arrangement, travel, auction team expenses, HO cost etc. and the same is recoverable from the Borrower.
- (x). The amount due to the Company by the customer, being the aggregate of the principal and the interest accrued thereon as well as other related expenses to be fixed by the Company for conducting auction, will be adjusted against the sale proceeds. The surplus, if any, from the auction of the gold collateral, shall be refunded to the borrower(s)/ legal heir(s) within a maximum period of seven working days from the date of receipt of the full auction proceeds. In the case of two or more accounts involved in auction relating to the same borrower, the surplus if any, in one or more account(s) will be adjusted/set off against the deficit in other account/s.
- (xi). Within seven (7) working days of receipt of full auction proceeds, the Company shall provide the borrower(s)/legal heir(s) a statement detailing: auction value, dues adjusted (principal, interest, charges including assaying/auction), surplus (refunded) / deficit (recoverable), and the basis of reserve price. Surplus, if any, shall be refunded within the same seven (7) working days.
- (xii). In case of Auction deficit, the Company shall retain the rights to call upon the Borrower to pay the deficit amount together with interest accrued on it and charges, if any. If the payment is not forthcoming from the borrower as demanded, the Company may initiate legal proceedings, if needed, to recover the amount. While issuing notice to the customer for recovery of the balance amount, the adjustments made as aforesaid regarding auction surplus will also be indicated if not communicated earlier.
- (xiii). If at any time after the loan is granted, the Company has reasons to believe that a customer has obtained loan through misrepresentation of facts and has failed to repay the loan with interest on demand, the Company shall be at liberty to sell/auction the gold ornaments pledged by him in the manner as may be deemed appropriate. Alternatively, the Company may initiate legal proceedings, if needed, to recover the amount.
- (xiv). If any damage to pledged collateral occurs during the tenor of the loan, the cost of repair shall be borne by the Company. Post pledging, cases involving loss of gold 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).

- (xv). The Company reserves the rights to postpone auction based on customer request under very exceptional circumstances like death of customer, customer out of country, customer serving in Defence Forces, illness of customer and other such critical situations.
 - (xvi). The Company shall disclose in its annual report the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amount, value fetched and whether any of its sister concerns participated in the auction and such other disclosure as may be applicable as prescribed by RBI from time to time.
 - (xvii). There shall be no conflict of interest, and arm's length relationships shall be maintained for dealings in any transaction (during the auction process) with entities including group companies and related entities.
 - (xviii). The Company's group entities, Directors, employees or Related parties shall be strictly prohibited from participating, directly or indirectly, in any aspect of the Company's gold auction process, in order to maintain transparency, uphold fairness, and avoid any potential conflict of interest.
 - (xix). Notwithstanding anything contained to the contrary in this Policy, where a specific Co-Lending Arrangement (CLA) delegates the operational responsibility of conducting an auction to the Co-Lending Partner (CLP), the auction policy, procedures, and timelines of the respective Co-Lending Partner shall govern the execution of such auctions.
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