



KLM Axiva Finvest Limited

Auction Policy

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1	12.01.2022	Original Policy
2	08.11.2022	First review
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AUCTION POLICY

a) Preamble

The Reserve Bank of India had issued “Master Circular - Fair Practices Code” vide Circular No. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015 wherein NBFCs were advised inter alia to put in place an “Auction Policy”, duly approved by the Board of Directors of **KLM Axiva Finvest Limited** (“the Company”).

This policy is drafted on the basis of the guidelines contained in the above referred Circular and RBI Circular “Reserve Bank of India (Lending Against Gold and Silver Collaterals) Directions, 2025”, communicated vide Circular RBI/2025-26/47.DOR.CRE.REC.26/21.01.023/2025-26 dt 06.06.2025. It replaces all existing policies / instructions regarding auction of articles pledged / hypothecated for the purpose of extinguishing the liability of borrowers who fail to repay their liability on account of loans availed against their security.

b) Auction of Gold

As per the terms of sanction, Gold Loan shall be closed on or before the due date based on the tenor specified in the Scheme, by repaying the principal amount in full with interest due up to date and any other applicable charges. The pledged Gold shall be liable to be auctioned for realization of dues in case of non-payment / non-redemption of Gold on or before the due date as above.

Auction shall also be initiated if the loan account is not closed on completion of tenor or when there is a decrease in the realizable value of Gold due to fluctuation in Gold price leading to a shortfall in the LTV ratio. In such cases, the borrower shall be called upon to pledge additional quantity of Gold and / or remit funds to reduce the loan outstanding to restore the LTV ratio.

Branch shall inform the borrower about the overdue through Emails, SMS, notices, Registered notices etc. at frequent intervals. Copies of Emails, SMS, Registered notices and acknowledgements shall be preserved at the Branch along with the Loan documents.

Gold shall be auctioned after giving Auction Notice to the borrower at least 15 days prior to the date of Auction. The Auction shall also be announced to the public through advertisements published in at least 2 newspapers, one in vernacular language and another in a national daily newspaper. Auction related expenses and other incidental expenses, applicable GST etc., shall be debited to the loan outstanding. The Auction proceeds shall be appropriated towards recovery of loan outstanding and other related expenses / charges / taxes. The Company shall then recover shortfall, if any, after such appropriation by resorting to various steps including Legal action. Excess, if any, shall be refunded to the customer.

The term “auction” used in the Policy shall mean realization of the security (pledged Gold) created against the loan in public auction only including online auction.

In tune with the above guiding principles, the Auction Policy and process for conducting the auction shall be as follows:

c) Auction trigger

The following situations shall trigger an Auction process as mentioned in the Policy.

- i. On the loan remaining unpaid beyond the due date as per the sanctioned tenor.
- ii. In case of EMI loans, all loans where there is default of 3 EMIs.
- iii. Other loans - (Mostly loans where part payments were received and Auction postponed at the request of the customer) taken up for auction after 2 months from loan due date (i.e. in case of 12-month scheme, after 14 months).
- iv. Auction – Other Situations

Auction due to depletion in the value of security due to fall in price etc. (Auction before completion of tenor)

If there is a depletion in the value of security on account of fall in Gold price which may result in loss to the Company in case the loan continues, demand shall be made on the borrower to repay a certain sum of money per gram of Gold pledged to make good the shortfall in the value of security or to pledge additional Gold to bring the value of security on par with the advance rate per gram as per the prevailing LTV.

In the event of the Customer not remitting the required amount / not pledging the additional Gold to cover the outstanding as per the demand made by the Company within 15 days, the Company shall decide to Auction the Gold and shall initiate processes for conducting the Auction even before the loan becomes due as per the sanctioned tenor of the loan.

Separate auction for Gold identified as Low Purity Gold (LPG) or Re-auction in the case of unsuccessful auction.

- i. LPG detected during verification anytime subsequent to disbursement of the loan shall be taken up for Auction even before the due date as per the tenor of the loan, subject to the following conditions:
- ii. The procedure shall be followed for Auction of LPG also detected at the Auction center during the course of an Auction or while sorting items for the purpose of lifting for Auction after completion of the tenor of the loan.
- iii. Such items shall be separated and Auction notice shall be sent to customers intimating them about the inferior quality of Gold and giving them an opportunity to verify and redeem the items by repaying the dues. In case they fail to repay the dues and close the loan, Auction proceedings shall be initiated after publishing advertisements in newspapers indicating the time and place of Auction, thus giving further time to customer to regularize the account and redeem the Gold.
- iv. Before serving the above notice, purity of Gold shall be re-verified internally through a competent officer/ auditor. Melt test (assaying) of a small portion of the pledged gold shall also be resorted to for reconfirming purity.
- v. The reserve price for such LPG shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price Shall be fixed as per the purity of Gold assessed.

- vi. Re-auction shall be conducted in cases of unsuccessful Auctions due to absence of minimum number of bidders for conducting an Auction or lack of bids for / above the reserve price fixed. The Auctioneer shall, in such instances, submit in writing that the minimum number of bidders were not present or no bids were received at the bid price fixed due to LPG or the bidder's inability to correctly assess the purity
- vii. No extension of loan period shall be permitted in deviation of the above rules.
- viii. Auction proceedings shall be completed within 3 months from the loan due date before which the borrower should close the loan

d) Part Payment

Part payment of Principal / Interest shall be accepted at any point of time up to loan closure due date as per the loan sanction. Thereafter, part payment shall be allowed only with the approval of Auction Committee (AC).

However, making part payments shall not entitle the borrower to seek postponement of Auction, and unless the entire dues are repaid, Auction of the collateral security in a loan account shall be conducted as per Auction Policy irrespective of such part payments made.

e) Postponement of Auction for Scheduled Accounts

Requests for postponement of a scheduled Auction shall not be considered generally. However, the Company shall at its discretion, permit postponement of Auction provided at least part interest dues are paid immediately and the borrower undertakes to close the loan. If the loan is not repaid, the Auction shall be carried out in such cases notwithstanding the remittance made towards interest / principal.

In other genuine cases where the customers express their inability to service even part interest, considering the sentimental value attached by many customers to Gold, the Company shall at its discretion, accede to the requests of customers, either verbally or in writing, for postponing the Auction, and grant further time for closing the loan and decide not to resort to Auction immediately on the loan crossing the due date or the account becoming NPA provided there is no potential loss to the Company by deferring the Auction. Approval for such accounts shall be given by the Auction Committee (AC). A consolidated quarterly list of such accounts where Auction has been postponed shall be submitted to the Executive Director within 7 days from the end of every quarter.

Gold pertaining to loan accounts where specific directions have been received from authorities like the Police / Court preventing Auction shall not be taken up for Auction, though such accounts may qualify for Auction as per the conditions stipulated above, till such restriction is lifted.

f) Auction Process

Compliance of all formalities required for Auction as described in the following paragraphs shall be ensured before conducting such Auctions.

- i. Overdue accounts shall be identified and Registered Notices shall be sent to borrowers / legal heirs who have defaulted in payment of interest and or redeeming the Gold on the due date of the loan, giving them 15 days' time to fully repay the loan and redeem the Gold.
- ii. If the borrowers / legal heirs are not traceable / reachable despite best efforts and even after issuance of a public notice, Auction proceedings shall be initiated, provided a period of one month has lapsed from the date of the public notice.
- iii. First Auction shall be conducted physically at same District in which the lending Branch is located.
- iv. If the first Auction fails, further Auction may be conducted in an adjoining District or conduct Online Auction.
- v. All the directions regarding Auction like issue of prior notice, fixing reserve price, disclosures etc. shall be complied with in case of Physical as well as Online Auctions.
- vi. The pledged Gold shall be Auctioned by the Company through its BM and nominated employees having necessary experience and / or training or an Auctioneer empaneled by the Company as per Policy.
- vii. Where Auction is conducted by employees of the Company, surprise visits by Internal Auditors / Regional / Zonal / CO Officials shall be undertaken to the Auction Centers.
- viii. After the Auction, full details of the value fetched at the Auction and the dues adjusted shall be mandatorily informed to the borrowers / legal heirs.
- ix. Surplus, if any, received from sale of Gold in the Auction process over and above the dues payable by the borrower, shall be refunded to the borrower within 7 working days from the date of receipt of Auction proceeds in full.
- x. Company shall have the right of set-off on the surplus Auction sale proceeds. If the borrower has any other liabilities / dues payable to the Company, the surplus shall be adjusted towards such liabilities / dues after giving 15 days' prior notice to the borrower.
- xi. If any concession / waiver / write-off / One time settlement (OTS) etc. have been extended to a borrower in any of the other loan accounts of the borrower, at any point of time, the Company shall exercise its "Right of Recompense", and shall appropriate the surplus Auction proceeds of the borrower towards recovery of such concession / waiver / write-off / OTS etc.
- xii. Auction notice shall have a clause that surplus received from Auction sale shall be appropriated towards adjustment of dues in any other loan accounts of the borrower with the Company.

g) Auction Procedure

Gold in unredeemed accounts listed for Auction shall be put up for sale in appropriate/convenient lots through a public Auction procedure wherein the prospective bidders participating in the Auction shall quote their prices over and above the minimum fixed bid price in the open Auction in accordance with Fair Practice Code for Bidders participating in the Auction detailing the terms and conditions of Auction. An Auction shall be carried out provided minimum 3 bidders are available as participants.



- i. Any genuine bidder can participate in branch Auction subject to deposit of EMD specified and submission of acceptable documents as ID proof, PAN card copy, GST registration.
- ii. A customer who comes to release his Gold during Branch Auction, shall be either permitted to do so after paying the total dues including up-to-date interest and charges or allowed to participate in the Auction as a bidder subject to compliance of the terms and conditions for participating in the Auction as mentioned above.
- iii. The Auction shall be conducted through an “Open bidding” process. The final rate quoted by each bidder shall be recorded in the bid register. The bidder who has quoted the highest rate (H-1) shall be declared as the successful bidder and a bid confirmation shall be obtained from him. If the bidder fails to remit the amount within the stipulated period, his bid shall be treated as cancelled. AC shall, at their discretion, decide to impound part amount or full amount of EMD in such cases.
- iv. If the highest bidder fails to remit the bid amount and lift the Auctioned Gold within the stipulated time resulting in cancellation of his bid, AC shall, at their discretion, decide to confirm the bid of any one of the other bidders by following the process of seeking bid confirmation from them individually as per the descending order of their bid amount and giving 10 days’ time to each of them to remit the amount and lift the Gold. In case the other bidders are not willing to confirm the bid, or fail to remit the amount and lift the Gold within the stipulated time limit, the Auction process shall be declared as cancelled and steps shall be initiated for conducting a fresh Auction of Gold following all procedures like sending of notices to the borrowers, publication of notice in the Newspapers etc.
- v. In case of Auctions scheduled / held, the following records shall be maintained irrespective of whether Auctions were conducted or not. Such records shall be authenticated by the Branch Manager and the nominated employees / Approved Auctioneer.
 - Details of Auction participants.
 - Minutes detailing the Auction proceedings.
 - Bid register indicating the bid rate of all bidders
 - Sales Invoice
 - Detailed auction record

All Registers maintained at the Auction centers and Branches shall be authenticated by the Branch Managers authorized to conduct the Auction and the nominated Company employee who conducts the Auction and the approved Auctioneers, irrespective of whether the Auction was conducted or not.

h) Notice at Branch

In case the Auction could not be conducted at the Center on the scheduled Auction date due to any reasons like lack of minimum number of bidders etc. then the Branch shall display in the branch Notice board, the address of the centralized location where the next Auction shall be carried out subsequently, with date of subsequent Auction and the Gold shall be lifted to the centralized location for sale in Auction. The Auction notice and paper advertisement shall clearly specify both the locations and the respective dates of Auction. Auction shall take place on the date specified in the newspaper or on subsequent dates.

i) Minimum bid price

Minimum bid price for each lot shall be fixed based on the following:

- i. Prevailing market price of Gold based on the rates published by the Indian Bullion and Jewelers' Association Ltd or by a Commodity Exchange regulated by SEBI.
- ii. Total dues to be received in the loan account which includes advance and interest up to the date of Auction and other charges levied and recoverable.
- iii. General quality of the Gold (In case the Gold is found to be having purity of less than 22 carat, the company shall have the discretion to quote a lesser floor price for the lot).

While Auctioning, the reserve price fixed for Gold shall not be less than 90% of the current value of Gold as declared by the Indian Bullion and Jewelers' Association Ltd or by a Commodity Exchange regulated by SEBI.

In case the Auctions fail twice, a reserve price not less than 85% of its current market price shall be adopted.

The bid shall be confirmed in favor of the bidder making the highest bid. In the eventuality of the bidders ganging up or forming a cartel for taking undue advantage etc., the right for cancellation and postponement of the Auction, to another date and Center shall be exercised by the Company.

j) Monitoring by Corporate Office (CO)

Auction Committee at Corporate Office shall monitor the Auction process and post accounting entries related to Auction settlements. AC shall identify a list of CO personnel to monitor the Auction process and subsequent settlements process. Practical training shall be given to the designated group of personnel on the Auction site to enable them to handle the entire process effortlessly and accurately.

k) Refund of EMD

- i. In case of successful bidders, EMD shall be refunded within 10 days from date of remittance of total bid amount.
- ii. In case of non-successful bidders, EMD shall be refunded within 10 days from date of Auction.

l) Documents to be Maintained & Disclosures at Branches

- i. Record of the Auction proceedings authenticated by the Branch Manager and the nominated employees / approved Auctioneers, who are authorized by the AC to conduct the Auction process.
- ii. Postal Receipts and acknowledgement for Registered Auction notices issued to borrowers.
- iii. Postal acknowledgement from borrowers and Auction Notices returned undelivered.

iv. Copies of the News Paper Auction Publications.

m) Documents to be Maintained & Disclosures at Auction centers

- i. Details of Auction Participants.
- ii. Details of Auctioned items and Bidders where the details of bid price of all bidders shall be recorded and the last bid price of all bidders shall be recorded and authenticated by the board approved auctioneer.
- iii. Sales Invoice.
- iv. In the Annual Reports the details of the Auctions conducted during the financial year including number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction shall be disclosed.
- v. Post Auction, customers shall be intimated the details such as the price fetched in the Auction, total dues adjusted from the proceeds balance amount payable to / by him etc. Send Post Auction notice to the customers and informing them if there is any surplus and refund status. In case of short fall in the Auction proceeds which is not sufficient to settle the liability of the customer, notice / legal notice shall be served to the customer.
- vi. Wherever refunds are involved the amount shall be credited Online to Bank account or sent by Account payee Cheque / Draft to the address in the Pledge letter.

n) Refund of Auction surplus to customers and further follow up

- i. The entire Auction surplus shall be held in a separate ESCROW Bank account. The surplus amount, on completion of each Auction process, shall be transferred to this account immediately on receipt of the Auction proceeds.
- ii. The Auction surplus amounts shall be credited to respective borrowers Bank accounts within 7 working days from the date of receipt of Auction proceeds.
- iii. Where Bank details of borrowers are not available, the following procedure shall be adopted:
- iv. Irrespective of the amount, "Account Payee" crossed Cheque / DD shall be sent by Registered post to the last known mailing address of the borrower or transferred Online to the Bank account of the borrower within 7 working days from the date of receipt of Auction proceeds.
- v. In cases where the cheque is not presented for clearance within the validity date, but in the meantime the customer approaches the Branch personally, the Branch shall be authorized to refund an amount up to Rs. 5000/- in cash after obtaining prescribed documents / acknowledgements. The cheque in such cases shall be cancelled and the Bank informed accordingly.
- vi. If the amount of refund in such cases is more than Rs.5000/-, Bank account details shall be collected from the customer and the amount credited directly to his Bank account.
- vii. Surplus amount in Auction may also be credited to the customer's active Gold loan accounts with proper intimation to the customer. Intimate the customer that the Auction surplus shall be adjusted with the existing loans if any other Gold accounts are outstanding with the same customer.
- viii. An SMS message intimating about dispatching the cheque shall be sent to all customers concerned immediately.

- ix. 20 days after dispatching the cheque, a telephone call in local language shall be made to customers exhorting them to encash the cheque.
- x. In cases where the Cheques are not encashed even after the above steps, Branch Managers shall get in touch with the customers either telephonically or in person.
- xi. If the cheques are not presented by the customers in spite of the SMS / OBD calls/ personal contacts, further follow up shall be made as follows:
- xii. In case where the cheque has been delivered to customers and have become stale due to non-presentation within validity date, cheques shall be reissued and mailed to customers and same follow up procedure as above shall be followed.
- xiii. In cases where cheques are returned to branches undelivered due to reasons like “addressee not available” indicating his temporary absence, or “incorrect/insufficient address”, Branch shall try to establish contact with the customer through phone call / personal visits and assist him to encash the cheque.
- xiv. In case the cover is returned undelivered due to reasons like “addressee left” “not traceable “etc., efforts shall be made to locate the customer by making local enquiries and handover the cheque to him

o) Auction charges

Charges levied for Auction are expenses incurred for publishing advertisement, transportation charges and notice charges in the normal course of auction.

p) Auction of Assets Other than Gold

In the event of the Company resorting to Auction of any assets other than Gold for appropriating the proceeds towards the dues from a borrower, wherever warranted, all the proper legal processes like filing of suit for taking possession through execution of decree and selling it through an auction shall be followed.

q) Auction Committee

RBI has mandated that there shall be a “Transparent Auction procedure in case of non-repayment with adequate prior Notice to the borrower. There shall be no conflict of interest and the Auction process must ensure that there is arm’s length relationship in all transactions during the Auction including with Group Companies and related entities”.

To comply with the above direction, a Committee has been formed that shall monitor the entire Auction process and ensure that various guidelines stipulated by RBI / CO are complied with. The Committee titled “Auction Committee (AV)” shall consist of:

- | | | |
|-------|---------------------------|----------|
| i. | Head Audit | Chairman |
| ii. | General Manager (Admin) | Member |
| iii. | Head Operations | Member |
| iv. | Senior Manager (IA) | Member |
| v. | Chief Manager (F&A) | Member |
| vi. | Chief Information Officer | Member |
| vii. | Legal Manager | Member |
| viii. | Manager (IA) | Convenor |



The above Committee shall put in place sound systems and standard operating procedures (SOP) that complies with regulatory norms to ensure transparency and accountability in Auction process.

The AC shall also be empowered to Draft / modify Auction Notices, Decide on issue of News Paper advertisements, Fix timeline for issue of Auction Notices and Fix Auction Charges recoverable from the borrowers, with the prior sanction from Chief Executive Officer (CEO).

r) Implementation of Gold Auction Module

The Information Technology Department shall put in place a full-fledged Gold loan Auction module. The software shall automate the pooling process of Gold from various branches and allocate the Auction proceeds to the respective branches which in turn shall credit the individual Gold loan GL heads and can close the customer liability and maintain the surplus, if any, for the repayment to the customer.

s) Review and custody of the Policy

Internal Audit Department shall be the custodian of the Audit Policy. The Policy shall be reviewed at least once in a year, considering the regulatory instructions and the revised internal norms approved by the Board.
