

**CREDIT POLICY**



**IFL FINANCE LIMITED**

*(Formerly known as IFL Housing Finance Limited)*



DESCRIPTION	SIGNATURE
Prepared by:	Compliance Department
Reviewed by:	Mr. Vinod Kumar Bansal-Vice President (Gold Loan Operation)
Approved by:	Board of Directors Authorisation: Mr. Gopal Bansal, Managing Director

VERSION	DATE	DESCRIPTION	NEXT REVIEW DATE
1.0	30.03.2026	First Time Adoption	As and When Required
2.0	06.04.2026	Amendment	As and When Required



## 1. PURPOSE AND APPLICABILITY

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IFL Finance Limited (“the Company”) provides demand loans to customers against the pledge of gold as collateral security (referred to as “Gold Loans”). The Company does not extend loans against silver as collateral. This policy governs all aspects of the Gold Loan product including eligibility, valuation, credit appraisal, disbursement, monitoring, and collateral management. It is a living document and shall be updated periodically to reflect regulatory changes and business requirements.

This policy is applicable to all gold loans sanctioned by the Company across all branches and lending channels. It supersedes all prior versions of the Gold Loan Policy and must be read in conjunction with the Company's KYC/AML Policy, Fair Practices Code, and the Auction Policy.

Gold loans may be extended to meet short-term fund requirements such as working capital for business, personal liquidity needs, medical emergencies, and domestic necessities. Gold loans shall not be used for speculative, illegal, or unlawful purposes, or for the purchase of gold in any form.

This Gold Auction guidelines has been framed in compliance with the Reserve Bank of India (Non-Banking Financial Companies – Credit Facilities) Directions, 2025, and the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, and supersedes all earlier versions. Realisation of collateral through auction is a last-resort measure; all avenues for recovery must be exhausted before initiating auction proceedings.

The term 'Auction' throughout this policy refers exclusively to realisation of pledged collateral through a Public Auction. No private sale or off-market realisation shall be permitted.

## 2. ELIGIBLE COLLATERAL

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### 2.1 Accepted Items

Gold Collateral: Collateral of a minimum purity of 18 carats up to 22 carats. Collateral of lower purity shall be proportionately converted to 22-carat equivalent for valuation purposes. Gold Collateral accepted as collateral shall be valued based on net gold content after deducting stones, lac, alloy and other non-gold components.

### 2.2 Unacceptable Items (Strictly Prohibited)

- Primary gold or silver or financial assets backed by primary gold or silver.
- Purchase of gold in any form including primary gold, ornaments, jewellery, or coins,
- Financial assets backed by gold, e.g., units of Exchange-traded funds (ETFs) or units of Mutual Funds;
- Jewellery of temples, churches, mosques, or any other religious institution.
- Jewellery with stone content (diamonds, rubies, emeralds, etc.) exceeding 50% of the gross weight.
- Items where the borrower cannot furnish a declaration of ownership or satisfactory proof of ownership.
- Gold spoon, kasu gold, rudraksha/black beads/satara chain, baju band, bangadi, kundan set, medallion, gold mukut, watch strap, gold safety pin, gold idols, gold thali, gold elephant, gold button, gold bowl, gold lota, very thin gold ornaments, raw gold in jewellery form, Rajasthani items and bangles with plastic wax (unless the plastic is removable and without wax).
- Additionally, gold coins exceeding 50 grams per customer, gold bars, gold biscuits, raw gold, gold picture frames, pendants.
- Wax filled gold ornaments and gold kada (If the customer is not willing to permit a deep cut or destructive test for accurate purity verification, the item shall not be accepted. However, if the



customer agrees to such testing, the item may be considered for acceptance, and in cases where the gold weight exceeds 50 grams, prior approval from the Head Office shall be required).

- Further, any item where purity cannot be ascertained or verified, any ornament with purity below 18 carats, shall also be treated as non-acceptable.
- Any other item prohibited by RBI from time to time.

The Company shall not:

- (1) Avail loans by re-pledging gold pledged to it by its borrowers.
- (2) Extend loans to other lenders, entities or individuals by accepting gold collateral pledged to such lenders, entities, or individuals by their borrowers as collateral.

### **2.3 Quantity Limits per Borrower**

<b>Collateral Type</b>	<b>Maximum Aggregate Quantity per Borrower</b>
Gold Ornaments	1 kilogram (net gold content)
Gold Coins	50 grams

### **2.4 Minimum Quantity**

Minimum net weight of gold collateral accepted for pledge: 1 gram.

## **3. ELIGIBLE BORROWERS**

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Any individual who is the lawful owner of gold collateral offered as security, fulfils the Company's KYC norms, and complies with RBI's AML/KYC guidelines, and is aged minimum 18 years and up to 72 years at the time of loan disbursement, is eligible to avail a gold loan.

### **3.1 Ownership Verification**

- Before disbursement, branch executives shall enquire about ownership of the Collateral. Loans shall be granted only after the branch is satisfied about the genuineness of the borrower's ownership.
- Every borrower must sign a Declaration of Ownership at the time of pledge, stating the source of acquisition (inherited, purchased, gift, etc.).
- Where feasible, original purchase receipts or invoices shall be obtained. However, a self-declaration shall be mandatory in all cases.
- The Company shall perform ownership verification as per its internal KYC and fraud-prevention framework.

### **3.2 Suspicious Transactions — Additional Precautions**

The following guidance shall apply where no documentary evidence of ownership is furnished:

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- New customers carrying Collateral exceeding 20 grams whose KYC address differs from the branch's area of operation: additional due diligence is mandatory before processing.
- Branch officials shall inquire into the reason for approaching a branch different from the customer's locality and must be convinced of the genuineness of the reason.
- No gold loan shall be granted if branch officials are not satisfied with the customer's explanation.
- Loans shall not be granted merely on the basis of an existing customer's reference; independent KYC verification remains mandatory.

#### **4. TENURE OF THE LOAN**

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Gold loans may be sanctioned for a maximum tenor of 12 months unless otherwise specified under a Board-approved scheme. The Managing Director may approve specific schemes with different tenors.

#### **5. VALUATION OF COLLATERAL**

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##### **5.1 Weight Deductions**

- The gross weight of the Collateral shall first be ascertained. The weight of embedded stones, corals, pearls, fastenings, and any non-gold decorative item shall be deducted to arrive at the net gold weight.
- The net gold weight shall be used for calculating loan eligibility and for fixing the reserve price at auction.

##### **5.2 Valuation Methodology**

- Gold accepted as collateral shall be valued the lower of (a) the average closing price for gold, as the case may be, of that specific purity over the preceding 30 days, or (b) the closing price for gold, as the case may be, 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. For the purpose of valuation net weight of the eligible collateral equivalent to 22 carat.
- Purity shall be determined through approved assaying methods. Where Collateral purity is below 22 carat, valuation shall be carried out through proportionate purity adjustment using approved benchmark gold price. The net weight of the gold shall be recorded equivalent to 22 carat.
- Only the intrinsic value of the gold content shall be considered. No value shall be assigned to the collateral workmanship, embedded stones, or non-gold decorative elements.

##### **5.3 Purity Certification**

- The Company, while accepting the eligible collateral, shall prepare a certificate or e-certificate in duplicate on its letterhead regarding the assay of the collateral and state therein the purity (in terms of carats); gross weight of the eligible collateral pledged; net weight of gold content therein and deductions, if any, relating to weight of stones, lac, alloy, strings, fastenings, etc.; damage, breakage or defects, if any, noticed in the collateral; image of the collateral; and the value of collateral at the time of sanction.
- One copy of the certificate or e-certificate shall be kept as part of the loan documents and the other copy be given to the borrower under their acknowledgement.



## 6. TIERED LOAN-TO-VALUE (LTV) RATIO

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In compliance with the RBI Master Directions, 2025, the Company shall observe a tiered LTV structure as specified below. The applicable LTV must be maintained throughout the entire loan tenure. If at any point the LTV is breached due to a fall in gold prices, the Company shall immediately initiate corrective action (margin call or partial repayment) before proceeding to auction.

Loan Amount (per Borrower / Loan Account)	Maximum Permissible LTV Ratio
Loans up to ₹2,50,000	85% of the value of gold collateral
Loans above ₹2,50,000 up to ₹5,00,000	80% of the value of gold collateral
Loans above ₹5,00,000	75% of the value of gold collateral

• In the event of a breach of the Loan-to-Value (LTV) ratio, necessary communication shall be made to the borrower through available means at various stages, as may be determined by the Board from time to time.

LTV is calculated on the intrinsic value of the gold content only. Workmanship, stones, or any other cost components shall not be included in the collateral value.

The LTV ceiling must be maintained at all times during the loan tenure

Loan to Value (LTV) ratio' on a day in this context means the ratio of the outstanding loan amount to the value of the pledged collateral or security, as the case may be, on that day. In case of bullet repayment loans, however, the LTV calculation, and the amount, shall take into account the total amount repayable at maturity.

## 7. CREDIT APPRAISAL & REPAYMENT CAPACITY ASSESSMENT

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### Credit Assessment

The credit assessment process is an integral part of the Company's gold loan operations. While gold loans are primarily collateral-backed, the Company shall ensure that sanction of loans is based on accurate, transparent and verifiable assessment of the borrower, collateral and repayment capacity, in line with applicable regulatory requirements and internal risk framework.

#### Key Aspects of Credit Assessment

##### I. Borrower Declarations Regarding Gold Collateral

The borrower shall provide declarations confirming that:

- the pledged gold collateral are owned by the borrower and acquired through lawful sources;
- the Collateral are free from any dispute, lien, encumbrance or third-party claim;
- the gold is genuine and subject to purity and authenticity verification by the Company through approved assaying methods;
- stones, pearls, lac, alloys and other non-gold content, if any, shall not be valued;

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- in case the pledged gold is found to be spurious, disputed, stolen or of inferior purity, the borrower shall indemnify the Company against all resulting losses, charges and legal costs.

## II. Assessment of Repayment Capacity

The Company shall assess the borrower's repayment capacity, particularly for higher-value loans, based on declared income, occupation, source of repayment, existing obligations and repayment history, so that collateral value is not the sole basis for sanction wherever enhanced assessment is warranted.

## III. Evaluation of Credit History

Credit bureau reports may be obtained in accordance with internal risk norms, particularly in cases of balance transfer, higher-value loans, or adverse repayment history. Adverse credit findings may lead to modification or rejection of loan terms. The quantum of loans subject to evaluation of credit history shall be decided by the Board from time to time.

## IV. Declaration of Income and Occupation

The borrower shall declare annual income and occupation / source of income as part of loan documentation. Such information shall form part of sanction records and support repayment assessment.

## V. Purpose of Loan

The borrower shall disclose the purpose of the loan. Gold loans shall not be sanctioned for speculative, prohibited or non-compliant purposes, including purchase of gold in any form.

## VI. Enhanced Due Diligence for Higher Value Loans

For higher-value loans, including cases where aggregate exposure exceeds internally prescribed thresholds, the Company may undertake enhanced due diligence covering repayment source, aggregate indebtedness and overall borrower profile.

### **7.1 Mandatory Borrower Declarations**

- Sole and rightful ownership of the pledged gold Collateral.
- Lawful source of acquisition (purchased, inherited, received as gift, etc.).
- Absence of any claims, disputes, liens, encumbrances, or litigations on the pledged Collateral.
- Genuineness of the gold Collateral and absence of counterfeits or forgeries.
- Indemnification of the Company for losses arising from spurious gold, ownership disputes, or misrepresentation.
- Annual income declaration and disclosure of occupation (to be recorded in the sanction letter).
- Stated purpose of the gold loan.

## **8. QUANTUM OF FINANCE**

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Quantum of finance will be decided on the basis of net weight of gold equivalent to 22 carat Collateral tendered as security subject to RBI guidelines regarding loan to value.

The minimum loan amount per Customer ID shall be ₹5,000, and the maximum aggregate loan amount per Customer ID shall not exceed ₹1,25,00,000. A maximum of 10 loans may be sanctioned per Customer ID.

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Further, the aggregate exposure under the loan portfolio against collateral of jewellery, ornaments, or coins made of gold or silver shall be permissible up to 100%.

## **9. INTEREST RATES AND OTHER CHARGES**

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### **9.1 Interest Rate Framework**

- The Board, or the Managing Director shall review the interest rates and other charges periodically and make necessary revisions as per the business requirements. Any revision in interest shall only be with prospective effect.
- Interest and other charges to be levied on the loan shall be as per the schemes formulated and amended from time to time. The interest rates shall be decided based on gradation of risk, the underlying principle being higher the risk, higher the interest. The maximum rate for the interest rate shall be 30% p.a.
- The interest shall be calculated for the actual number of days the loan remains outstanding, including the date of disbursement of loan and the date of closure. A rebate in interest rate may be provided for encouraging timely repayment of interest or closure of the loan on or before the specified tenor as per the scheme. The rate of interest shall be fixed.
- A grace period up to 5 days on due date in any loan scheme may be allowed in payment of dues at the discretion of the Managing Director of the Company.
- For the purpose of calculation of interest, a year will be reckoned as 360 days and a month as 30 days.
- Interest rates applicable on gold loans may frequently change due to external factors.
- The power of approving scheme lies with Managing Director.
- Note: The rate of interest in Gold loan business shall not be linked to IFL-HFR and shall be dependent on the schemes approved by the Managing Director.

### **9.2 Other Charges**

In addition to interest, the Company may levy other charges as below. The rate at which such charges are to be levied shall be decided by the Board or Managing Director for fixing interest rates and other charges.

- Processing fees
- Notice charges
- Charges for loss of pawn ticket/pledge certificate
- SMS charges per month
- Auction related charges, including Auction Notice charges, Advertisement and Printing & Stationery Charges, Auction Charges.
- Penal charges on Outstanding dues

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- Post-repayment Gold Custody charges (applicable if the pledged gold is not collected within 7 days from the repayment date)
- GST and other applicable statutory levies
- Any other charges as approved by the Board

If a borrower forecloses the loan within 7 days of booking, a minimum of 7 days' interest is applicable. No foreclosure charges shall be levied.

## 10. KNOW YOUR CUSTOMER (KYC) AND DOCUMENTATION

### 10.1 KYC Documents

The following documents shall be obtained for all gold loan customers:

Document Category	Accepted Documents
Identity & Address Proof	Officially Valid Document (OVD): Passport, Driving Licence, Proof of Possession of Aadhar Card, the voter's Identity Card issued by the Election Commission of India, Job Card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.
PAN / Form 60	PAN Card (mandatory for loans above ₹5 lakhs); Form 60 where PAN is not available
Alternative Address Proof	i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); ii. property or Municipal tax receipt; iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions, and listed companies and leave and license agreements with such employers allotting official accommodation; The customer shall submit OVD with a current address within a period of three months of submitting the documents specified for the limited purpose as above. In case if the customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, customer may give a self-declaration to the effect.

It is advised to the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary, customers shall submit to the REs the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records

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at Company' end.

### **10.2 Loan Documentation Checklist**

- Duly filled Loan Application Form (with consent for Aadhaar-based eKYC, if applicable)
- Demand Promissory Note
- Customer KYC Form
- Key Fact Statement (KFS) — signed by the borrower
- Loan Receipt / Sanction Letter
- Pledge Slip
- List of Pledged Gold Collateral (itemised)
- Terms and Conditions Letter (including declarations and undertakings)
- Gold Purity Certificate (signed by appraiser and borrower)
- Declaration of Ownership of the Collateral
- Declaration of Annual Income and Occupation
- Any one or more of the Documents specified by the company in compliance with RBI Circulars as address/ ID proof for completing the KYC of the customer.
- Documentary Evidence is mandatory in case of income generating loan.

### **10.3 PAN / KYC Update Requirements**

- PAN Card is mandatory for all transactions above ₹5 lakhs. Online PAN verification shall be conducted as per RBI guidelines.
- It is advised to the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary, customers shall submit to the REs the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at Company' end.
- Documentation must be standardised across all branches.

### **10.4 Documents required for Priority Sector Lending**

Apart from above documents following documents are required for the priority sector lending:

- PSL Proof (Mandatory)
- Agriculture / business purpose declaration
- Land record / farmer proof / activity proof (if agriculture)
- Business proof / Udyam (if MSME)/GST Certificate

## **11. APPRAISAL PROCESS, COLLATERAL HANDLING AND STORAGE**

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### **11.1 Appraisal Process**

#### **a. Acceptance of Gold Collateral**

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- Gold loans shall be sanctioned only against gold jewellery/ornaments/ gold coins in compliance with RBI norms. Unacceptable items mentioned in the Policy shall not be accepted as collateral.
  
- b. Appraisal by Trained Personnel**
  - Appraisal of pledged gold Collateral shall be carried out only by trained and authorized appraisers or designated company officials in accordance with the Company's internal appraisal guidelines / Policy.
  
- c. Customer Presence During Appraisal**
  - The appraisal process shall be conducted in the presence of the borrower to ensure transparency in valuation and weight determination.
  
- d. Visual Examination**
  - The appraiser shall conduct a preliminary visual inspection of the Collateral to assess:
    - colour and appearance of gold
    - hallmark or purity stamp (if available)
    - signs of plating, hollow portions or artificial filling
    - soldering joints or suspicious modifications.
  
- e. Weighing of Collateral**
  - Gross weight of the pledged Collateral shall be measured using calibrated electronic weighing scales.
  - Weight measurement shall be recorded.
  
- f. Deduction of Non-Gold Components**
  - Appropriate deductions shall be made for stones, pearls, lac, threads or other non-gold materials attached to the Collateral to determine the net gold weight.
  
- g. Purity Assessment**
  - Purity of gold Collateral shall be determined using accepted testing methods such as:
    - Nitric Acid and salt water testing
    - touchstone and acid test
    - magnification or visual inspection
    - sound test
    - other scientific methods such as XRF testing or density test where required.
  
- h. Conservative Purity Determination**
  - Purity shall be assessed conservatively. In case of doubt or inconsistency, lower purity shall be considered for valuation purposes.
  - If the purity of the gold is less than 22 carats, the company shall translate the collateral into 22 carat and state the exact grams of the collateral. In other words, Collateral of lower purity of gold shall be valued proportionately.

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**i. Valuation of Gold**

- The value of eligible gold shall be determined based on:
  - net gold weight, and
  - the gold price benchmark adopted by the Company, in accordance with regulatory guidelines.

**j. Loan-to-Value (LTV) Compliance**

- Loan amount shall be determined by applying the applicable Loan-to-Value (LTV) ratio, ensuring that the LTV does not exceed the ceiling prescribed by the Reserve Bank of India.

**k. Recording of Appraisal Details**

- The following details shall be recorded in the LOS (software):
  - description of Collateral
  - gross weight and net weight
  - purity determined
  - applicable gold rate
  - assessed value and eligible loan amount.

**l. Customer Acknowledgement**

- The Company shall issue the certificate of pledged gold collateral and the borrower shall acknowledge the appraisal details including weight, deductions and valuation as part of the loan documentation through digital signatures.

**m. Packing and Sealing of Collateral**

- Appraised Collateral shall be packed, sealed and tagged with loan account details in tamper-evident packets.

**n. Safe Custody**

- Sealed packets containing pledged Collateral shall be stored in the Company's vault or strong room with appropriate security controls and records. All the collateral shall be handled by the employee of the branches and collateral will be stored in the branches only.

**o. Maker-Checker Control**

- Appropriate maker-checker controls are implemented in the appraisal process.

**11.2 Storage**

- Collateral shall be stored in a strong room or FBR-approved safe after secure packing.
- Each packet shall correspond to a single loan account; commingling of Collateral from different loans is strictly prohibited.
- Pledged Collateral shall be comprehensively insured against burglary, fire, natural calamities, and other risks. Adequacy of insurance shall be reviewed on an ongoing basis.



### **11.3 Security Measures**

Utmost care is to be taken to ensure the safety of the Collateral pledged by the customer. With this in view the following arrangements shall be in place in all the Branches.

- Strong rooms or FBR safes.
- Armed guard(s)/ watchman at vulnerable Branches as decided by the Company.
- Burglar alarms, Closed Circuit Cameras and such other devices as deemed necessary shall be installed in vulnerable Branches.
- Insurance cover against burglary/ fire/ natural calamities or such other risks the Company may decide to insure against.
- The adequacy of the safety measures put in place as also the insurance cover shall be reviewed on an ongoing basis.

Note:-

- a. No new branch/es shall be opened without suitable arrangements for security and for storage of gold Collateral, including safe deposit vault.
- b. IFL shall obtain prior approval of the RBI to open branches exceeding 1000.

## **12. RELEASE OF PLEDGED COLLATERAL**

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Upon full repayment of all dues (principal, interest, penal charges, and other charges), pledged Collateral shall be released strictly as follows:

- Collateral shall be released to the borrower on the same day of repayment but not later than 3 (three) working days of receipt of full dues.
- Payment must be received from the borrower's own account. Third-party payments shall be subject to additional verification.
- Release shall be made only after verification of the borrower's signature, original KYC documents, and the original pawn ticket/pledge certificate.
- If the pawn ticket is lost, a duly executed indemnity bond on stamp paper of appropriate value shall be obtained before release.
- In the case of a deceased borrower, the Collateral shall be delivered to legal heirs in accordance with the Company's deceased loan settlement procedures.

## **13. LTV MONITORING**

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The Company shall continuously monitor the LTV ratio of all outstanding gold loan accounts throughout the loan tenure. A Gold Loan monitoring department shall be constituted consisting of at least three members (Vice President- Gold Loan, Senior manager, Manager) which shall perform the following tasks:

- a) Review and decide the interest rates and other charges of Gold Loan schemes.
- b) Monitoring of LTV.

## **14. MONITORING LTV MAINTENANCE**

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As a risk mitigation strategy against a falling gold price scenario and resultant loss and maintenance of LTV norms, we shall follow the following monitoring strategy to identify and resolve the accounts breaching the LTV on a monthly basis.

1. List of accounts having LTV breach shall be grouped based on the extent of LTV breach and the remittance required for the purpose of monitoring to bring the account within the current LTV.
2. In accounts where the principal plus accrued interest outstanding exceeds 80% of the present IBJA price, SMS shall be sent to the customer to intimate that the LTV in his loan account has crossed 80% with the current gold price requesting him to remit the differential amount to bring the loan amount within the current LTV.
3. In accounts where the principal plus accrued interest outstanding exceeds 85% (Branch LTV) or 93% (Audit LTV) of the present price, an SMS and recovery Letter shall be sent to the customer requesting to remit the differential loan amount to bring the loan within current LTV.
4. In accounts where the principal plus accrued interest outstanding exceeds 88% (Branch LTV) or 95% (Audit LTV), an SMS shall be sent to the customer granting 5 days' time to repay the required amount. In case of non-payment within the stipulated period, the auction notice shall be sent in accordance with the RBI Guidelines.

#### **15. RENEWAL / TOP-UP**

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The Company may renew an existing loan or sanction a top-up loan upon a formal request from the borrower and subject to a credit assessment. Such renewal or top-up shall be permitted only within the permissible LTV, and provided the loan is classified as standard. Further, renewal of loan shall be allowed only after payment of accrued interest, if any. The Company shall ensure that such renewals and top-ups are clearly identifiable in its Loan Processing System.

#### **16. FRAUD PREVENTION, INSPECTION, AND AUDIT**

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- All fraudulent activities or attempts to defraud, whether by employees or outsiders, shall be immediately reported to the Management for appropriate action.
- Any suspicious customer attempting to pledge stolen or spurious Collateral shall be reported to the Vice President – Gold Loan and, if warranted, to law enforcement authorities.
- All branches shall be periodically inspected and audited by internal auditors. The Audit Department shall conduct surprise verification of the quantity and purity of pledged gold Collateral and review compliance with procedural circulars.

#### **17. STAFF TRAINING AND COMPETENCY**

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- All employees shall be trained (minimum 2 years' experience in the gold testing in gold loan industry) on gold purity assessment methods upon induction. Refresher programmes shall be conducted periodically.

#### **18. RESPONSIBLE MARKETING AND ADVERTISING**

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- The Company shall not issue misleading advertisements, including claims of loan disbursement in '2–3 minutes', or any other representation that misrepresents the actual turnaround time or loan terms.
- All advertisements and marketing materials shall accurately reflect applicable interest rates, charges, LTV limits, and terms and conditions.
- The Key Fact Statement (KFS) must be provided to every borrower before disbursement and must include: loan amount, interest rate, all charges, LTV applied, repayment schedule, and auction procedure summary
- Loan disbursements are made to the borrower's account and not to a third-party account

Exceptions:

- (i) Disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator),
- (ii) Flow of money between lenders for co-lending transactions,
- (iii) Disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary).

## **19. STANDARDISATION OF PROCEDURE**

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The Company, which provides or intends to provide loans against eligible collateral, shall ensure that a standardised procedure is put in place to assay the purity of gold collateral, its weight (gross as well as net), etc. This procedure shall be adopted uniformly across all its branches for all assaying procedures, without any deviation. The Company shall ensure presence of the borrower(s) while assaying the collateral at the time of sanctioning the loan. The deductions relating to stone weight, fastenings, etc., as part of the assaying procedure shall be explained to the borrower(s) and details incorporated in the certificate to be issued

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). The process for making reimbursement or compensation shall also be communicated to the borrower(s)/ legal heir(s).

## **20. DISCLOSURES AND REGULATORY REPORTING**

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- The Company shall disclose in its Balance Sheet the percentage of gold loan portfolio to total assets.
- The Loan Agreement / Sanction Letter shall disclose the applicable LTV, interest rate, all charges, and details of the auction procedure.
- The Annual Report shall disclose: (a) number of gold loan accounts auctioned during the financial year; (b) outstanding amounts at the time of auction; (c) value fetched at auction; and (d) whether any sister concern, group company, or related entity participated in any auction.
- All disclosures shall be in plain language and, where practicable, in the local vernacular language.
- For disclosure requirements, the Company shall be guided by the instructions contained in Reserve Bank of India (Non- Banking Financial Companies – Financial Statements: Presentation and Disclosures) Directions, 2025.

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## **21. ORGANISATIONAL STRUCTURE — AUCTION DEPARTMENT**

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The Company shall have a dedicated Auction Department at the Head Office to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department will function under the overall supervision of the Managing Director (MD). A Gold Loan monitoring department shall be constituted consisting of at least three members (Vice President- Gold Loan, Senior manager, Manager. Auction will be conducted after giving adequate notice to the borrowers/legal heir through available means of communication

## **22. CIRCUMSTANCES TRIGGERING AUCTION**

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### **22.1 Auction in Normal Course**

- Auction proceedings shall be initiated for all accounts where the loan has not been closed within 60 days after the completion of the loan tenure.
- Auction proceedings shall also be initiated where the borrower has not paid interest within 60 days after the due date, even before the completion of the tenure.

The MD/Director has discretionary power to remove selective cases from the auction list identified on above two criteria based on their LTV or otherwise.

### **22.2 Auction Due to Depletion in Security Value (auction before completion of tenure of the loan):**

If the Company has come to the conclusion that there is 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 is continued, demand can 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, the Company may decide to auction the Collateral even before the loan becomes due as per the sanctioned tenure of the loan.

### **22.3 Auction of Spurious or Low-Quality Gold**

Accounts in which pledge of spurious / low quality gold Collateral have been detected subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan, subject to the under mentioned compliances.

- i. Proper communication shall be served upon the borrower;
- ii. Before serving the above notice, the purity of the gold Collateral shall be re-verified internally through a competent officer / auditor. Melt test (assaying) of a small portion of the pledged gold may be resorted to for re-confirming the purity or in the “difficult- to- assess” cases;
- iii. The reserve price for such spurious / low quality Collateral will be fixed keeping in view the reassessed purity;
- iv. Auction of normal/spurious or low-quality gold Collateral may not be taken up when police complaint or criminal case has been filed against the borrower or when there is any other legal impediment.

### **22.4 Discretionary Powers to Defer Auction**

Discretionary powers to defer auction in any particular account(s) shall be vested with the Head of

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the Auction Department / MD of the company, at own/on the recommendations of the Branch Manager or any other competent officer.

### **23. NOTICE TO BORROWER**

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- Customer is communicated by available means to pay the outstanding amount to avoid auction and given 5(Five) days' time. In case such communication is not delivered, a public notice of 1 month shall be issued prior to initiating the auction process.
- A minimum of 14 (Fourteen) days' prior auction notice in writing shall be served upon the borrower before conducting any auction. Simultaneously the SMS shall also be sent to the customer providing the auction details.
- The auction notice shall be sent by registered post / speed post / courier with acknowledgement due to the borrower's last known address.
- The 14 (Fourteen) days' auction shall be given in all cases and all auction notices shall be in the local vernacular language and shall specify:
  - The date and venue of the proposed auction.
  - The outstanding loan amount (principal + interest + charges) as on the date of notice.
  - The opportunity to repay all dues and redeem the pledged Collateral before the auction date.
  - Details of the specific gold items to be auctioned.
- Simultaneously, branch-level follow-up via SMS, telephone calls, and personal visits shall be conducted to encourage voluntary repayment.
- Details of undelivered notices (returned mail) shall be recorded and retained.

### **24. PUBLIC ADVERTISEMENT OF AUCTION**

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- Public notice of the auction shall be published in at least 2 newspapers: (a) one in a local vernacular-language daily; and (b) one in a national English-language daily.
- The advertisement shall clearly specify the date, time, place of auction, and the fact that it is a public auction of pledged gold Collateral.
- Copies of all newspaper advertisements shall be retained as part of the auction record.

### **25. AUCTION CENTRE, LOCATION, AND GOLD TRANSFER**

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- If dues are not received prior to the date of auction, the pledged gold collateral shall be auctioned at or above the reserve price determined in accordance with RBI guidelines
- 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, an NBFC may conduct the auction in an adjoining district.
- Physical transfer of gold from branches to auction centres shall be conducted with full security measures, in compliance with internal and regulatory guidelines.
- Auction centres shall be finalized in accordance with regulatory norms and the Company's internal guidelines.

### **26. RESERVE PRICE FIXATION**

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Scenario	Minimum Reserve Price
First Auction (including re-auction of same batch)	Not less than 90% of the current value
Second Consecutive Failed Auction	In case auctions fail twice, reserve price may be reduced to not less than 85% of the current value
Spurious / Low-Quality Gold	Reserve price set based on reassessed purity

- The reserve price computation shall be supported by documentary evidence retained in the auction file.
- The certified purity (from the Gold Purity Certificate) shall govern the value of gold Collateral for reserve price computation.

## **27. AUTHORIZATION AND APPROVAL OF AUCTION LISTS**

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- Pledged gold shall be auctioned only through auctioneers approved by the Board of Directors.
- Once accounts are identified for auction by the Auction Department, the finalized list shall be submitted to the MD / Head of the Auction Department for approval prior to dispatch of notices.
- The Auction Department shall ensure the list is accurate, complete, and in compliance with this Credit Policy.

## **28. BIDDER ELIGIBILITY, EMD, AND AUCTION CONDUCT**

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### **28.1 Bidder Eligibility**

- Any genuine bidder may participate, subject to submission of valid KYC documents (OVD + PAN card copy + GST registration, if applicable) and payment of Earnest Money Deposit (EMD).
- The Company, its sister concerns, group companies, and any related entity are strictly prohibited from participating as bidders in any auction. The borrower may participate, subject to the auctioneer's conditions.

### **28.2 Earnest Money Deposit (EMD)**

- A reasonable EMD shall be collected from all participants on a date determined by management. The amount shall be specified in the auction advertisement. The EMD amount shall be decided by the Board.
- EMD of unsuccessful bidders shall be refunded within 7 days from the date of auction.

### **28.3 Minimum Bidder Requirement**

- An auction shall proceed only if a minimum of 2 (two) eligible bidders are present.

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- If fewer than 2 bidders are present, the auction shall be declared unsuccessful, and a re-auction shall be scheduled.

#### **28.4 Auction Conduct — Open Bidding**

- Auctions shall be conducted through an Open Bidding process. Final bid rates shall be recorded in the Bid Register.
- The highest bidder (H-1) shall be declared the successful bidder. A bid confirmation shall be obtained from the H-1 bidder, with a maximum of 2 working days to remit the full bid amount and take delivery of the gold.
- If the H-1 bidder fails to remit within 2 working days, the bid is cancelled. The Head of the Auction Department may, at discretion, impound part or all of the EMD.
- In the event of H-1 cancellation, the next highest bidder (H-2) may be offered the opportunity to confirm at their bid price, with 2 working days to pay and lift the gold. The process shall continue in descending order.
- The amount will be refunded to the unsuccessful bidders within 7 days from the date of the auction.
- If all bidders fail to confirm, the entire auction shall be cancelled and a fresh auction process shall be initiated with full notice compliance.

#### **28.5 Mode of Payment and Delivery**

- Mode of payment by successful bidders (like bank transfer) shall be determined by management in consideration of market conditions and AML risks.
- Delivery of gold shall be made only after confirmation of full payment realisation.
- Loans against auctioned gold shall not be permitted to the winning bidder.

### **29. REPAYMENT OF SURPLUS TO BORROWER**

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- The auction proceeds shall first be appropriated towards: (i) outstanding principal; (ii) interest; (iii) penal charges; and (iv) auction-related expenses and charges (including GST).
- Any surplus remaining after full appropriation shall be refunded to the borrower within 7 (seven) working days from the date of receipt of the full auction proceeds by account-payee cheque / bank transfer to the borrower's registered bank account.
- A rightful lien on the surplus may be retained where the borrower has other unsettled liabilities to the Company, subject to proper written notice.
- If the surplus cheque remains unrepresented, the amount shall be written off after a reasonable period. However, if the borrower subsequently claims the refund, the Company shall disburse the amount.

### **30. RECOVERY OF SHORTFALL**

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- In the event the auction proceeds are insufficient to cover all outstanding dues, the Company may decide to pursue recovery of the shortfall through legal action, after a cost-benefit analysis approved by the MD.

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- Customer IDs of borrowers whose pledges resulted in a loss to the Company may be flagged / blocked as per management directions.

### **31. POST-AUCTION COMMUNICATION TO BORROWER**

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- A Post-Auction Notice shall be issued to every borrower whose gold has been auctioned within 7 working days of the auction.
- The notice shall provide full and itemised details of:
  - Reserve price and final auction price achieved.
  - Total outstanding dues (principal + interest + charges) appropriated.
  - Net surplus refundable to the borrower (or net shortfall remaining).
  - Date and mode of surplus refund, if applicable.

### **32. DISCRETIONARY POWERS TO DEFER AUCTION**

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- The MD / Head of the Auction Department may, at their discretion, defer the auction of any specific account on the recommendation of the Branch Manager or other competent officer, based on a genuine request from the borrower.
- All deferral decisions shall be documented, with reasons recorded in the loan file.

### **33. RE-AUCTION OF UNSOLD GOLD**

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- Re-auction shall be conducted when: (a) a minimum of 2 bidders were not present; or (b) no bid at or above the reserve price was received.
- The auctioneer shall record the reason for failure in writing in the Bid Register.
- For a first re-auction, all procedural requirements (notice, advertisement, reserve price) shall be complied with afresh.
- After second consecutive failed auction, the reserve price may be reduced to 85% .

### **34. MAINTENANCE OF AUCTION RECORDS**

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The Auction Department shall maintain comprehensive records for all auction proceedings, including:

- Postal receipts of registered post of auction notices issued to the Borrower; Acknowledgements received from borrower in respect of notices delivered to them and details of auction notices which returned undelivered;
- copies of newspaper publications;
- details regarding auction participants and auction items;
- KYC and other documents of the auction participants
- Bid register
- sale invoices;

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- Evidence of computation of reserve price
- Post Auction Notice sent to the borrower specifying the entire details including amount fetched during the auction and the balance amount which will be given to the borrower.

### **35. COMPENSATION**

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- The Borrower agrees that in the event of loss of the pledged Gold Collateral, whether due to theft, burglary, deterioration of purity during internal audit etc., liability of the Company shall be limited to compensate for the equivalent value of net weight of gold after deductions on account of stones and impurities. The Borrower shall submit a formal claim for such compensation. The Company shall determine the compensation based on the gold rate quoted by India Bullion and Jewellers Association prevailing on the date of identification / quantification of loss, after adjusting outstanding loan amount, interest and other applicable charges, and shall pay the net amount, if any, within 7 days (seven days) of such identification / quantification. The Company shall also provide details of the compensation calculation to the Borrower.
- The Borrower agrees that the Company shall have no liability for any loss/damage caused to the pledged Gold Collateral for any reasons beyond its control including but not limited to fire, flood or earthquake. In such an event, the Borrower's right to receive compensation shall arise only for such amount and at such time as and when received by the Company from the settlement of insurance claim. The Borrower shall continue to be liable for all payments against such Loan including the outstanding loan amount, charges and interest thereon till the date of closure of loan account.
- The Borrower agrees that the Company will not be in any manner liable for any loss of stones or quality of stones embedded in the Gold Collateral.
- The Company shall adhere to the provisions of the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 with respect to compensation and reimbursement.

### **36. GRIEVANCE REDRESSAL**

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- Borrowers may raise disputes regarding gold valuation, reserve price, auction conduct, or surplus computation with the Grievance Redressal Officer (GRO) of the Company.
- Details of the GRO and the escalation mechanism shall be communicated to all borrowers in the Loan Agreement and displayed at all branches.

### **37. UNCLAIMED GOLD COLLATERAL**

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The pledged gold collateral lying with the Company beyond two years from the date of full repayment or settlement of loan shall be treated as unclaimed. The Company shall periodically undertake special drives to ascertain the whereabouts of the borrower(s) / legal heir(s) in respect of such unclaimed gold collateral.

A report on unclaimed gold collateral shall be put up to the Board, as the case may be, at half-yearly intervals for a review.

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### **38. DISCRETIONARY POWERS AND POLICY MODIFICATIONS**

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- The MD / Head of the Auction Department is empowered to approve modifications to these guidelines on the recommendations of the Auction Department, Branch Managers, or other competent officers, taking into account regulatory directives, legal requirements, and the Company's Fair Practices Code.
- Any significant modification to the Credit Policy shall be placed before the Board of Directors for ratification at the earliest Board meeting.