

## **AUCTION POLICY**

### **Introduction**

As per RBI Master Direction – NBFC (Scale Based Regulation) Directions, 2023, the Company shall implement a Board-approved Auction Policy, replacing all existing auction procedures. "Auction" refers exclusively to **public auction** of pledged gold ornaments. Gold shall be auctioned after loan tenure expiry or earlier if realizable value is insufficient. A **dedicated Auction Team** at Head Office shall manage and monitor auctions under the control of **Head–Operations**.

### **Auction Process**

- The criteria for selection of accounts for auction shall be based on realizable value of gold and in any instance where the realizable value of gold is less than the actual value, such accounts shall be taken up for auction even before the completion of the tenure of the loan and in accordance with the directions laid down by the management from time to time.
- Auction process must be commenced in respect of the selected accounts on completion of the tenure of the loan on which interest due has not been serviced in FULL or where the account has not been settled.
- The auction shall be completed within 3 months of dispatch of auction notice.
- All auctions shall be conducted through independent professional auctioneers appointed by the Company and approved by the Board for the same.
- As a matter of Policy, the Company themselves shall not participate in the auctions held.

### **Advertisement**

- Advertisement showing the details of accounts listed for auction with date, time and venue shall be issued in at least two prominent Newspapers, one in a vernacular language and the other in a national daily.
- The pledger shall be given an opportunity to redeem the gold after paying the loan dues till the close of business hours of the preceding working day of the date of proposed auction.
- Unredeemed ornaments shall be sold in public auction by the auctioneer in the presence of Company officials.

- Such public auctions shall be held only when reasonable number of bidders participate in the auction.
- Auction shall be conducted either in the same town or taluka in which the branch that has extended the loan is located. The Company can however pool gold jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:
  - a) The first auction has failed.
  - b) The Company shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met.

### **Customer Intimation**

- The loan agreement shall also disclose details regarding auction procedure.
- - (a) Intimation cum Auction Letter in the local language, along with English translation, in an approved format, shall be sent to all "Auctionable" pledges furnishing the date and venue of auction at least 21 days before the proposed date of auction by registered post AD requesting the borrower to immediately pay the full dues failing which the security would be liable to be put on auction, without further notice, for recovery of the dues.
  - (b) If the AD card is not received within a reasonable period, the Auction Team shall apply to the post office and obtain a certificate of delivery to the addressee from the post office. Alternatively, if the AD card is not available the auction notice may be served on the borrower personally by an employee of the Company and signature of the borrower obtained in the duplicate copy of the notice.
- After completion of the auction process, following details shall be intimated to the customer whose ornaments have been auctioned off by means of a registered letter:
  - Value fetched in the auction;
  - Outstanding Dues fetched; and
  - Balance, if any payable to the Customer.

### **Auction Lot, Fixation of Reserve Price and bids**

- Pledges taken up for Auction must be segregated into appropriate / convenient lots to facilitate disposal based on various parameters such as assessed purity, quantity of gold, expected participation of bidders, prevailing market prices etc.
- Depending on the quality of gold placed for auction, the pledged ornaments should be auctioned off at a price close to the prevailing market price on the day of auction. For implementing the same, the Company should provide for a reserve price for auction.
- While auctioning the gold the company must declare a reserve price for the pledged ornaments. The reserve price for the pledged ornaments shall not be

less than 85 percent of the previous 30-day average closing price of 22 carat gold as declared by the Bombay Bullion Association Limited (BBA) and value of the jewellery of lower purity in terms of carats shall be proportionately reduced.

- The bid shall be confirmed then and there in favour of the bidder quoting highest rate.
- Bids for substantially lower amounts than the market rates shall not be confirmed unless a declining trend in the Gold Market is envisaged.
- The pledger also can participate in the bid as a bidder after remitting the Earnest Money Deposit (EMD)

### **Admission of Participant**

- Proper and acceptable documents for identification of the participants in an auction should be obtained before permitting them into the auction hall. The usual documents taken for customer account KYC compliance is to be accepted.
- A reasonable amount of EMD (25% of Value )should be insisted upon from every participant on such date as maybe decided by the management from time to time.
- There shall be no conflict of interest and arm's length relationship shall be maintained for dealings in any transaction (during the auction process) with entities including group companies and related entities.

### **Mode of Payment & Delivery of Gold to Successful Bidders**

- The mode of receipt of bid amount shall be through banking channels only.
- A minimum percentage of the bid amount as decided by the management from time to time including the EMD lying with the Auctioneer shall be insisted upon from the successful bidders on the date of the auction itself. Successful bidders should be given a letter in a pre- approved format along with the terms and conditions. The balance shall be payable within 5 working days from the date of auction. If the full amount is not received within the stipulated time, the bid shall be treated as cancelled and a penalty of 5% of bid amount or loss incurred by the Company due to rate fluctuation whichever is higher shall be levied and intimated.
- Delivery of gold to successful bidders should be made only after confirmation of full receipt of payment or realization of cheque / draft along with taxes due. Proper acknowledgement by the bidder for receipt of gold, in a format duly approved, with the signature duly verified by an officer of the Company should be ensured.
- Loans to bidders against such auctioned gold shall be not permitted.

### **Proceeds**

- Pledge account shall be settled from the auction proceeds after paying the mandatory taxes, auctioneer's commission and such other incidental expenses.

In doing so, the necessary compliance with GST and other laws of the state in which the auction is conducted shall be ensured.

### **Surplus**

- Appropriate accounting entries should be put through in the customer loan accounts within 15 working days after the full receipt of auction proceeds.
- Once auction of the pledged gold is completed in line with the norms of the Policy, and after receiving the bid amount, the relevant lot is settled with the successful bidder. Thereafter, the surplus from the said auction, if any, is first adjusted to the said Customer's old loss and existing dues.
- The amount of auction surplus, after the above adjustments, together with the details thereof shall be sent to the borrower within 45 days of the auction. The mode of payment of surplus shall be through banking channels only.

### **Shortfall**

- The details of deficit will be communicated to the borrower within 45 days of the auction, calling upon him 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 the Company deem fit, to
- recover the amount based on the feasibility of recovery.

### **Re-auction of Gold Ornaments Not Successfully Auctioned**

- If the gold ornaments find no bidders at the reserve price the course of action as under should be adopted:
  - The Auctioneer shall submit in writing that no bid was made at the reserve price fixed due to the poor quality of gold or difficulty in assessing the correct purity. This shall be certified by the Company's official in charge of overseeing the Auction.
  - Such gold ornaments shall be taken up for melting, either in-house or through a reliable outside agency, in the same lots as taken up for auction. Auctioneer / his representative shall remain present during the melting activity along with a competent Internal Auditor of the Company who will certify accordingly in a register to be maintained for the purpose.
  - The melted bars shall then be assayed for purity and put up for auction in such form with a fresh reserve price fixed.
  - Compliance with the above steps shall be periodically subject to internal audit at intervals not exceeding 1 calendar year.

### **Auction Report**

Post Auction, within 15 days' Auction Team shall submit an Auction Report to the Company Secretary with the following:

- Auction Number;
- No. of loan accounts involved;

- Outstanding value in loan accounts involved;
  - Value fetched in auction;
  - Balance amount refunded; and
  - Balance amount recovered from the borrower
- Secretarial Department shall ensure that the report is presented to the Board at next Board meeting.

The following details regarding the auctions conducted during the year shall be disclosed in the Annual Report of the Company:

- No. of auction conducted;
- No. of loan accounts involved;
- Outstanding value in loan accounts involved;
- Value fetched in auction;
- Balance amount refunded;
- Balance amount recovered from the borrower; and
- Sister concerns participated in the auction, if any.

## **Auction under Special Circumstances**

### **Shortfall in Value**

- Notwithstanding anything stated herein, the Company reserves its right to call up the loan and auction the gold without waiting for expiry of the sanctioned period stipulated above in case of eventualities leading to probable loss on account of shortfall in the value of security due to fluctuations in Gold Price or any other reasons or any other contingencies, after giving a minimum of 7 days' notice to the borrower.

### **Misrepresentation**

- 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 not be bound to follow the above procedures but shall be at liberty to sell the gold ornaments pledged by him in the manner as may be deemed appropriate.

### **Spurious / Low Quality**

- Accounts in which pledge of spurious / low quality gold ornaments have been detected subsequent to disbursement may be taken up for auction even before the completion of the tenure of the loan, from date of pledge subject to the under mentioned compliances. The said procedures shall also be followed for spurious/low quality accounts/pledges, identified at the auction centre/venue or after completion of the tenure of the loan:
  - Proper notice / intimation shall be served upon the borrower at least 7 days prior to auction date.

- Before serving the above notice, the purity of the gold ornaments shall be re- verified internally through a competent officer / auditor. When the amount of initial estimated loss is ₹ 1.00 lakh (Rupees One Lakh) or above the services of an external expert appraiser shall be obtained before serving the above notice. 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.

- The MD shall be empowered to grant extended time for repayment to the borrower on a case to case basis on the recommendations of Head-Operations or any other competent officer of the Company.
- The reserve price for such spurious / low quality ornaments must be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. Expert internal / external opinion should be obtained to arrive at a realistic reserve price.
- 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.

### **Record**

- Full records of the auction with particulars such as date, venue, and bidders participated, details of Sales made with rate, bid amount and highest bidder in whose name the bid has been confirmed etc. shall be maintained by the Auction Team and preserved for auditors to verify.

### **Modifications**

MD and Chairman shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of the Secretarial Department or Legal department keeping in view, inter-alia, the regulatory directives, legal position and the Fair Practice Code adopted by the Company. Such modifications shall be reported to the Board in the next meeting for information