

## **AUCTION POLICY**

### **Preamble**

With reference to Reserve Bank of India “Guidelines on Fair Practices Code” vide their Circular No:DNBS.CC.PDNo:266/03.10.01/2011-12 wherein NBFCs were advised inter alia to put in place an “Auction Policy”, duly approved by the Board of Directors and Circular No. RBI/2013-14/260 DNBS.CC.PD.No.356 /03.10.01/2013-14, this policy is drafted on the basis of the guidelines contained in the above referred Circulars and 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.

### **AUCTION OF GOLD JEWELLERY**

Gold Loans are sanctioned as Demand Loans against pledge of gold jewellery as collateral security. Loans are generally granted for a maximum tenure of 12 months or for any other periods as specified in the scheme under which the loan is availed.

As per the terms and conditions of sanction, the loan should be closed on or before the due date as per the maximum tenure specified by repaying the principal along with interest due up-to-date and other charges if any. The ornaments are liable to be auctioned for realization of the dues, in case of non-redemption of the ornaments by the borrower by paying the dues on or before the due date as per the sanctioned tenure mentioned in the pledge letter. The term “auction” used in the policy shall mean realization of the security (pledged gold ornaments) created against the loan in public auction, including online auction.

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 14 days’ notice to the borrower.

However, the Company shall make earnest efforts to reduce the number of auctions by sending periodic communications to Customers for persuading them to pay interest periodically and release the jewellery by paying the dues before the due date or renew the loan by paying the interest up-to-date and the differential in eligible loan amount as per the then prevailing LTV.

In consonance with the above guiding principles, the auction policy and procedure for conducting the auction shall be as follows:

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## A. AUCTION TRIGGERS IN THE NORMAL COURSE

The following situations will trigger an auction and procedures as mentioned in the Policy will be followed before auctioning the security.

- a) On the loan remaining unpaid beyond the due date as per the sanctioned tenure.
- b) In the event of default in payment of interest amount for 6 consecutive months.
- c) In the event of breach of terms and conditions of the Sanction Letter including representation, warranties, and covenants made therein by the Borrower.
- d) If the borrower, prior to completion of loan tenure, signs the declaration form in prescribed format stating the inability to pay dues and giving consent to auction the pledged securities.
- e) Discretionary powers to defer auction in accounts where at least 75% of the interest due has been paid shall be vested with the MD & CEO on the recommendations of the Head-Operations.
- f) Remaining 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 12month scheme, after 14 months).
- g) Mode and Periodicity for Sending Notices, Intimation to the Borrower will be followed in the following manner:-

Letter Type	Normal Gold
Intimation cum Auction Letter	A notice in the local language, along with English translation, in an approved format, shall be sent to all "Actionable" pledges furnishing the date and venue of auction at least 14 days before the proposed date of auction by registered post AD/Speed Post/SMS/Email/Whatsapp 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.

- i. If the AD card is not received within a reasonable period, the Auction Dept. shall apply to the post office and obtain a certificate of delivery to the addressee from the post office or if the online delivery report of speed post shows undelivered, 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.
- ii. MD & CEO shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of the Head-Operations keeping in view, inter alia, the regulatory directives, legal position and the Fair Practice Code adopted by the Company.

**B. AUCTION TRIGGER IN OTHER SITUATIONS****1. Auction due to depletion in the value of security due to fall in prices etc. (auction before completion of tenure)**

- a) 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 counterbalance 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.
- b) 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 14 days, the Company may decide to auction the ornaments and shall initiate all processes for conducting the auction accordingly even before the loan becomes due as per the sanctioned tenure of the loan.
- c) This may be done selectively customer wise, scheme wise or geography wise as decided by the Committee consisting of Managing Director, Chief Executive Officer, Compliance Head, Head-Risk, Credit & Control.

**2. Separate Auction of gold ornaments identified as spurious / Low Quality or Re-auction in the case of unsuccessful auction.**

- a) Spurious / low Quality gold ornaments detected during verification anytime subsequent to disbursement of the loan may be taken up for auction even before the due date as per the tenure of the loan, subject to the under mentioned compliances. The said procedures shall also be followed for auction of spurious / low quality items 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 tenure of the loan.
- b) The reserve prices for such spurious / low quality ornaments shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price will be fixed as per the purity of the ornaments assessed.
- c) Re-auction will 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 should, 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 low quality of gold or the bidder's inability to correctly assess the purity.

**3. Notice to borrowers identified in B (1) - Depletion in Security Value and B(2) - Spurious/Low Quality Gold.**

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Letter Type	Depletion in Security Value	Spurious/Low Quality: Identified at the branch or before completion of the tenure of the loan	Spurious/Low Quality: Identified at the auction centre or after completion of the tenure of the loan
Intimation Letter	A notice in local language should be sent to the borrower upon identification of loss in the account by registered post AD/SpeedPost /SMS/Email/Whatsapp/Delivery by Company's personnel calling upon the borrower to settle the loan within a maximum of 2 weeks from the date of receipt of such notice or replenish the security with additional gold failing which the company may dispose the gold through auction without any further notice.	A notice in local language should be sent to the borrower upon detection of spurious / low quality by registered post AD/SpeedPost/SMS/Email/Whatsapp/Delivery by Company's personnel calling upon the borrower to settle the loan within a maximum of 10 days from the date of such notice. The registered post AD/SpeedPost/SMS/Email/Whatsapp/Delivery by Company's personnel should refer to the rights conferred on the Company to dispose of the security by virtue of the undertaking of the borrower in the loan application form and clauses in the loan sanction letter (pawn ticket).	A notice in local language should be sent to the borrower upon detection as spurious/low quality. The registered notice should clearly provide reference to the following details, inter alia: 1. Completion of tenure of the loan. 2. That auction notice had already been sent after completion of the tenure of the loan. 3. That the Company had undertaken only a preliminary verification of the gold at the time of disbursing the loan and as per the right conferred on the Company as per the terms and conditions of the loan, to further check the purity/weight of the gold internally or by experts at any time, the purity of the gold was re-verified at the auction centre prior to auction and was found to be of inferior quality. 4. That the Company is proceeding with auction as already intimated.
<b>Final Letter</b>	Nil	In the case where the account remains unsettled after the issue of the above notice an auction notice furnishing the date and venue of auction shall be served on the borrower at least 14 days before the proposed date of auction.	

**C. AUCTION CONDUCTED FOR ANY OTHER REASON**

- a) If auction is triggered for any other reasons where probable loss is anticipated vis-a- vis the realizable value of security, all processes connected with the Auction like sending Auction Notices by Registered post, publishing in Newspapers etc. will be followed and auction will be conducted following the normal procedure.
- b) Notwithstanding anything, the MD & CEO shall be empowered to approve modifications to the points mentioned in points A – Auction Trigger in normal course, point B- Auction Trigger in other reasons, and point C Auction conducted for any other reason, from time to time on the recommendations of the Head-Operations 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.

**D. GENERAL RULES**

- a) No extension of loan period will be permitted in deviation of the above rules. Auction proceedings will be completed within 3 months from the loan due date before which the borrower should close the loan

**E. PART PAYMENT**

- a) Part payment of Principal/Interest will be accepted at any point of time up to loan closure due date as per the loan sanction. Thereafter, part payment can be allowed using discretionary powers as per delegation.
- b) However, making part payments will not entitle the borrower for seeking postponement of the auction and unless the entire dues are repaid, auction of the collateral security in a loan account will be conducted as per Auction Policy irrespective of such part payments made.

**F. POSTPONEMENT OF SCHEDULED AUCTION OF AN ACCOUNT**

- 1. Requests for postponement of a scheduled auction shall not be considered generally. However, the Company may, at its discretion, permit postponement of the 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 will be carried out in such cases notwithstanding the remittance made towards interest/ principal.
  - 2. In other genuine cases where the customers express their inability to service even part interest, considering the sentimental value attached by many customers to the gold ornaments, the Company may, at its discretion, accede to the requests of customers, either verbal 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 an NPA provided there is no potential loss to the Company by deferring the auction. A formal approval in this regard will be obtained by
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the Audit Department from the Chief General Manager. A consolidated list of such accounts where auction has been postponed should be submitted to the Managing Director as on the last day of every quarter.

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

#### **G. AUCTION PROCESS**

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

1. Overdue Loan accounts shall be identified and registered notices sent as per the timelines prescribed above. If the borrowers fail to repay the dues within the timelines prescribed, such accounts will be marked for auction.
2. Board approved Auctioneers appointed at various centers shall be assigned with the Auction process.
3. Registered Auction notice with registered post AD/Speed Post/SMS/Email/Whatsapp/Delivery by Company's personnel shall be served to all such identified borrowers giving 14 days notice period in order to ensure that sufficient time and opportunity are given to the customer for redemption and to avoid auction sale. Paper publication in a local daily in the local language and in another national daily in English shall be given clearly specifying the place, time and date of auction also giving time for redemption up to the close of business on the preceding date of proposed auction.

#### **H. REFUND OF SURPLUS, RECOVERY OF SHORTFALL**

- a) Appropriate accounting entries should be put through in the customer loan accounts within 15 working days after the full receipt of auction proceeds.
  - b) 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 remaining surplus is to be refunded to the Customer in the following manner.
    - i. If the Customer has already updated his/her bank details, the surplus to be refunded through NEFT.
    - ii. Auction surplus amounts up to Rs.3000/- can be refunded to the Customer directly from the branch through cash up to 15days from the date of data generation as
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regards auction surplus payable. An SMS is also to be sent to those Customers intimating the relevant details. Such cash payment can also be done for cases where cheque for surplus has been issued and returned unclaimed and in cheque expired case.

- iii. If the said amount is not released through cash or the bank details are not updated within 15 days, Company shall issue account payee cheque favouring the concerned Customer . An intimation through SMS is also be given to those customers.
- iv. If the said cheque is returned unclaimed / cheque date expired cases, the Company shall send an SMS again to the Customer for updating his /her bank details.
- v. However, a rightful lien on such surplus may be retained, subject to proper notice, in case the borrower has other unsettled liabilities to the Company. Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done and put up to the Head-Operations and Executive Director for approval.
- vi. Customers whose pledges have been put to auction and where the company had suffered a loss the respective customer ids may be blocked based on the directions provided by the management from time to time.

## **I. AUCTION PROCEDURE**

- i. Ornaments in unredeemed accounts listed for auction will 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 will be carried out provided minimum 3 bidders are available as participants.
  - ii. The auction of unredeemed gold will be conducted in the same branch from where the customer has availed the loan by pledging gold, giving an opportunity to the customer also to participate in the gold auction. In case of auction at branches, the respective Branch Managers will be authorized by the Board approved auctioneer to conduct the auction on his behalf subject to following conditions.
    - a. 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.
    - b. A Customer who is coming to release his gold ornaments during branch auction, will 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.
    - c. The auction will be conducted through an “Open bidding” process. The final rate quoted by each bidder will be recorded in the bid register. The bidder who has quoted the highest rate (H-1) will be declared as the successful bidder and a bid confirmation will be obtained from him, allowing maximum time up to 14 days to remit the amount and lift the auctioned gold, further extension of time up to a
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maximum period of 7 more days for remitting the amount may be allowed. If the bidder fails to remit the amount within the stipulated period, his bid will be treated cancelled.

- d. 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, the committee may, at its 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 7 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 will be declared as cancelled and steps will be initiated for conducting a fresh auction of the gold following all the procedures like sending of notices to the borrowers, publication of notice in the Newspapers etc.
  - iii. In case of auctions scheduled at branches, the following records shall be maintained irrespective of whether auctions were conducted or not. Such records should be authenticated by the Branch Manager as authorized representative of the Approved Auctioneer:
    - a. Details of auction participants.
    - b. Minutes detailing the auction proceedings.
  - iv. In case of sale by auction conducted at branches/auction centers, the following registers/records also have to be maintained in addition to the above
    - a) Bid register indicating the bid rate of all bidders
    - b) Sales Invoice
    - c) Detailed auction record
  - v. All the records maintained at the auction center should be authenticated by the Board Approved Auctioneer or his authorized representative who conduct the auction.
  - vi. In case the auction could not be conducted at the branch on the scheduled auction date due to any reasons like lack of minimum number of bidders etc. then the branch will display in the branch notice board, the address of the centralized location where the next auction will be carried out subsequently with date of subsequent auction and the gold items will be lifted to the centralized location within the same District in which the loan was extended where the same will be sold through public auction. The auction notice and paper advertisement will clearly specify both the locations and the respective dates of auction. Auction will take place on the date specified in the newspaper or on subsequent dates.
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**J. CONDUCT OF AUCTION BY ON-LINE MODE [E-AUCTION]**

Apart from the auctions in the manual mode as described above, auctions shall also be conducted on online platform [e-auction] provided by reputed service providers who are already in this line of activity. A brief description of the online platform is given below:-

1. Online auction process shall be resorted to after physical auction at respective branches and conducted branch-wise by complying with all statutory regulations
2. Final notices/ newspaper advertisements will be done by our Company as before
3. Minimum bid price as prescribed by RBI shall be complied with in online auction also.
4. We expect more bidders to participate in auction process.
5. All auction related documents can be downloaded from system itself
6. Date and time of auction will be announced minimum 14 days in advance. In case the auction could not be conducted on the date announced, it will be conducted on subsequent days the details of which will be displayed in the branch concerned and in the website.
7. Auction gold will be put up for sale in appropriate/convenient lots
8. Auction shall be live on the scheduled date with minimum expected price provided by or Company.

**K. FIXATION OF MINIMUM BID PRICE**

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

- a) Prevailing market price of gold based on the rates published by the Indian Bullion and Jewellers Association Ltd.
  - b) 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.
  - c) General quality of the gold (In case the ornaments are found to be having purity of less than 22 carat, the company will have the discretion to quote a lesser floor price for the lot.)
  - d) While auctioning the gold the reserve price for the pledged ornaments will not be less than 85% of the previous 30 day average closing price of 22 carat gold as declared by The Indian Bullion and Jewellers Association Ltd (IBJA) In cases of jewellery of lower purity items the floor price will be proportionately reduced.
  - e) 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/Centre shall be exercised by the Company.
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**L. REFUND OF EMD**

- a) In case of successful bidders, EMD shall be refunded within 10 days from date of remittance of total bid amount.
- b) In case of non-successful bidders, EMD shall be refunded within 10 days from date of auction.

**M. DOCUMENTS MAINTAINED & DISCLOSURES AT BRANCHES**

Record of the auction proceedings authenticated by the Branch Manager, who is authorized by the approved auctioneer to conduct the auction process.

**At the Auction Centers**

- a) Postal Receipts for Registered Auction notices issued to borrowers.
- b) Postal acknowledgement from borrowers and Auction Notices returned undelivered.
- c) Copies of the News Paper Auction Publications.
- d) Details of Auction Participants.
- e) Details of Auctioned items and Bidders where the details of bid price of all bidders will be recorded and the last bid price of all bidders will be recorded and authenticated by the board approved auctioneer.
- f) Sales Invoices
- g) In the annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction should be disclosed.
- h) Post auction, customers will 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. Wherever refunds are involved the amount will be sent by account payee cheque at the address in the pledge letter.

**Refund of auction surplus to customers and further follow up**

- 1. The entire auction surplus will be held in a separate ESCROW Bank account. The surplus amount, on completion of each auction process, will be transferred to this account immediately on receipt of the auction proceeds.
  - 2. The auction surplus will be credited to the Bank accounts of the respective borrowers within 7 days of receipt of the auction proceeds and in cases where the bank account details are not available, the following procedure will be followed:
    - a) For loans below Rs. 2 Lacs, the refund will be effected through "Account Payee" crossed cheque / DD which will be sent to the last known mailing address of the customer by registered post within 7 Days of receipt of the auction proceeds wherever bank accounts are not mapped.
    - b) 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 will be authorized to refund an amount up to Rs. 5000/- in cash after obtaining prescribed
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documents/acknowledgements. The cheque in such cases will be cancelled and the Bank informed accordingly.

- c) If the amount of refund in such cases is more than Rs.5000/-, the Bank account details will be collected from the customer and the amount credited directly to his Bank account. JGM Audit is permitted to make payments upto Rs.10,000/- in cash on exceptional cases and such deviation shall be submitted to next audit committee for their approval.
- d) Surplus amount in auction may also be credited to the customer's active gold loan accounts with proper intimation to the customer
- e) An SMS message intimating about dispatching the cheque will be sent to all customers concerned immediately
- f) 20 days after dispatching the cheque, an OBD call in local language will be made to customers exhorting them to encash the cheque
- g) 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
- h) 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:
  - i. In case where the cheque have been delivered to customers and have become stale due to non-presentation within validity date, cheques will be reissued and mailed to customers and same follow up procedure as above will be followed.
  - ii. 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 will try to establish contact with the customer through phone call / personal visits and assist him to encash the cheque.
  - iii. In case the cover is returned undelivered due to reasons like "addressee left" "not traceable "etc., efforts will be made to locate the customer by making local enquiries and handover the cheque to him.

**N. EMPANELMENT OF AUCTIONEERS, COMMISSION, ROLES AND RESPONSIBILITY**

- (i) Auction can be carried out only through auctioneers empaneled by the company, as approved by the board of directors.
  - (ii) In the case if auctioneers are not available for auction, Company can authorize any of its senior officials who have expertise in auction related jobs to carry out the duty of auctioneer for the specified auction.
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**O. 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 will be followed

**P. REVISIONS OR DEVIATIONS IN THE ABOVE POLICY**

1. A committee consisting of the following members is authorized to examine case and permit deviations from the above policy selectively or wholly or for a particular period of time as deemed fit.
  2. Members of the committee
    - a) MANAGING DIRECTOR
    - b) CHIEF EXECUTIVE OFFICER
    - c) COMPLIANCE HEAD
    - d) HEAD-RISK,CREDIT& CONTROL
  3. Besides, Head of Risk Management Department and Head of Internal Audit Department are severally authorized to allow deviations in individual cases selectively or wholly on the above procedures, provided the loan is within 15 months from the loan sanction date.
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