



**ACHIEVERS FINANCE INDIA (P) LTD  
AUCTION POLICY**

**(As amended by the Board of Directors on July 12<sup>th</sup>  
2021)**

**INTRODUCTION**

The Reserve Bank of India vide circular DNBS.CC.PD.No.266 / 03.10.01 / 2011-12 dated 26 March 2012 titled “Guidelines on Fair Practices Code for NBFCs” has advised NBFCs to put in place an Auction Policy duly approved by the Board of Directors. This Auction Policy will replace, in full, the existing auction policy and all instructions arising there from.

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 at the end of the maximum tenure specified along with interest. 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. Notwithstanding anything stated herein, the company reserves the right to recall the loan and auction the gold without waiting for expiry of the periods 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. However, the Company shall make earnest efforts to reduce the number of auctions by sending periodic communications to Customers for persuading them to release the jewellery by paying the dues. In tune with the above guiding principles, the auction policy and procedure of the auction shall be as follows:

**Auction Trigger in Normal Course**

The term “Auction” used in the policy shall mean realization of the security created against the loan in public auction only.

- **One month before the loan due date ( i.e. In case of 12 months scheme, at the end of 11th month)**  
Registered Legal Notice with auction date for probable loss accounts- One month before the loan due date (i.e. at the end of 11th month)  
Registered Auction Notice- In case of EMI loans, all loans where there is continuing default of 2 EMI’s, at the end of 2nd default
- **Immediately after loan due date (i.e. In case of 12 months scheme, after 12 months)**  
Registered Auction Notice- Immediately after 12 months for all loans where 100% interest up to 12 months has not been paid



- Remaining loans- After 2 months from loan due date (ie. In case of 12 months scheme, after 14 months)

Registered Auction Notice- All loans which are remaining to be closed at the end of 14 months

- **As on any date**

Registered Legal Notice with auction date for probable loss accounts identified as per Head Office directions for which registered notices were sent for increasing margin money and if not done within 30 days

## **I) AUCTION PROCEDURES**

### **A) Public Auction**

The term "Auction" used in the policy shall mean realization of the security through Public Auction only.

### **B) Organization Structure for Auction Proceedings**

The Company shall have a dedicated Auction Department at the Head Office (Auction Dept) to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department will function under the overall control of Head-Operations.

### **C) Auction in the Normal Course (after completion of tenure of the loan):**

Auction process must be commenced in respect of all 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 must be completed within 3 months of completion of the tenure of the loan.*

Discretionary powers to defer auction in accounts where at least 75% of the interest due has been paid shall be vested with the Director on the recommendations of the Head-Operations.

An auction can be deferred at the request made by the customers on reasonable ground, such proposals for deferment of auction submitted by CRMs/SRMs/RMs shall be recommended by Head-Operations and approved by the Director.

### **D) Selection and Approval of Auction Centres, Safe Custody, Security Arrangements**

Auction Centre shall be finalized in line with the regulatory norms/ directions and internal guidelines of the company which shall be in compliance with RBI/statutory norms.

Physical transfer of gold from various branches to the regional auction centres/offices shall be carried out in line with the regulatory/internal norms/directions which shall be subject to modification from time to time.

**E) Authorization for Auction of Gold**

Once the accounts have been identified and listed for auction by the Auction Department the proposal, in a structured format, shall be put up to the OH for approval. The Auction Department shall ensure that the list is accurate, complete and in compliance with the approved Auction Policy.

**F) Mode and Periodicity for Sending Notices, Intimation to the Borrower**

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 “Auctionable” pledges furnishing the date and venue of auction at least 14 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.

- 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. 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.
- ii. Director 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.

**G) Public Notification/Advertisement**

Public notification of auction/advertisement/display of information and other related procedures shall be in line with the applicable rules, regulations and RBI guidelines issued from time to time.

**H) Convenient Auction Lots, Fixation of Reserve Price, Security, Insurance**

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.

The proposal with recommendations for fixation of the reserve / floor price for each auction shall be

done by the Head of the Auction Dept taking into consideration the regulatory directions in place, recommended by the Head-Operations and approved by the Director. In order that the auction attracts bidders and is successfully completed the reserve price may be fixed at about 5 % below the prevailing market price.

### **I) Due diligence on Participants, Earnest Money Deposit (EMD)**

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 should be insisted upon from every participant on such date as maybe decided by the management from time to time.

### **J) Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders**

The mode (cash or banking channels) of receipt of bid amount shall be decided by the management from time to time taking into consideration the market conditions and AML risks involved.

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. After successfully completing of final bidding, the bidder has to pay 25% of the final bidding amount. The successful bidder shall remit GST at the rate of 18% over and above the bid amount.

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. The same gold is auctioned to another bidder and a minimum penalty of 3% of bid amount or loss incurred by the company due to rate fluctuation whichever is higher shall be levied and intimated, penalty must be deducted from the default bidder's EMD & 25% advance amount. Only the balance amount will be refunded.

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.

### **Refund of EMD**

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

### **FIXATION OF MINIMUM BID PRICE**

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

1. Prevailing market price of gold based on the rates published by the Indian Bullion and Jewellers Association Ltd
2. 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.
3. 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.)

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.

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.

### **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**

1. Postal Receipts for Registered Auction notices issued to borrowers.
2. Postal acknowledgement from borrowers and Auction Notices returned undelivered.
3. Copies of the News Paper Auction Publications.
4. Details of Auction Participants.
5. 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.
6. Sales Invoices
7. 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.

8. 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.

## **K) Auction under Exceptional Circumstances**

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

Auction department shall regularly monitor the 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.

Director shall be empowered to approve modifications to the points mentioned in points C - Auction in normal course and point K 1- Auction due to depletion in value of security, from time to time on the recommendations of the Head-Operations keeping in view, interalia, 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.

### **2) Auction of Gold Ornaments Identified as Spurious / Low Quality**

a) 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 or after completion of the tenure of the loan.*

b) Proper notice/intimation shall be served upon the borrower as mentioned in point K (3)

c) 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 Rs 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.

d) The OD shall be empowered to grant extended time for repayment to the borrower on a case to

case basis on the recommendations of the Head of the Operations Dept, Head Office.

e) 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.

f) 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. Suitable internal guidelines regarding filing of police cases should be formulated and approved by the DIRECTOR on the recommendations of the Head-Operations.

**3) Notice to borrowers, Depletion in Security Value and Spurious/Low Quality Gold.**

Letter Type	Depletion in Security Value	Spurious/Low Quality: Identified at the branch or before completion of the tenure of the loan	<i>Spurious/Low Quality: Identified at the auction centre or after completion of the tenure of the loan</i>
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Intimation Letter	A notice in local language should be sent to the borrower within 15 days of identification of loss in the account by registered AD 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 within 15 days of detection as spurious / low quality by registered AD calling upon the borrower to settle the loan within a maximum of 30 days from the date of such notice. The registered AD notice 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).	<p><i>A notice in local language should be sent to the borrower within 5 days of detection as spurious/low quality by registered AD. The registered notice should clearly provide reference to the following details, inter alia:</i></p> <ol style="list-style-type: none"> <li><i>1. Completion of tenure of the loan.</i></li> <li><i>2. That auction notice had already been sent after completion of the tenure of the loan.</i></li> <li><i>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.</i></li> <li><i>4. That the Company is proceeding with auction as already intimated.</i></li> </ol>
Final Letter	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.	



**4. Re-auction of Gold Ornaments Not Successfully Auctioned (Normal Gold/Spurious or Low Quality Gold)**

If the gold ornaments find no bidders at the reserve price the course of action as under should be adopted:

- i) 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.
- ii) 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. Internal Auditor of the Company shall remain present during the melting activity who will also verify accordingly in a register to be maintained for the purpose.
- iii) The melted bars shall then be assayed for purity and put up for auction in such form with a fresh reserve price fixed.
- iv) Compliance with the above steps shall be periodically subject to internal audit at intervals not exceeding 1 calendar quarter.

***L) Refund of Surplus, Recovery of Shortfall***

*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 remaining surplus is to be refunded to the Customer in the following manner.

- 1) If the Customer has already updated his/her bank details, the surplus to be refunded through NEFT.
- 2) Auction surplus amounts up to Rs.5000/- can be refunded to the Customer directly from the branch through cash up to 15 days from the date of data generation as 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.

- 3) 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.
- 4) 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.

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 Director for approval.

Customers whose pledges have been put to auction and where the company had suffered a loss the respective customer id may be blocked based on the directions provided by the management from time to time.

#### **M) Panel of Auctioneers, Commission Rates, Role & Responsibility**

In line with the FPC guidelines, Public Auction of the pledged security shall be carried out only through Auctioneers empanelled by the Company with the approval of Director. A standard, legally vetted agreement should be entered into with all the empanelled Auctioneers.

#### **N) Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship**

The Company or any of its related entities shall not participate in the Auctions. Further, there shall be an arm's length relationship in all transactions during the auction including with group companies and related entities.

#### **O) Maintenance of registers / records**

All registers and records mandatorily required under law and as per instructions issued by the Company shall be properly maintained and updated under the safe custody of a designated senior official and subject to periodical internal audit. Suitable instructions should be issued in this regard. Compliance shall be ensured by the Head of the Auction Dept.