



## **ACHIEVERS FINANCE INDIA (P) LTD**

### **AUCTION POLICY**

**(As amended by the Board of Directors on 29<sup>th</sup>  
September, 2023)**

#### **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.

Overdue Loan accounts shall be identified and notices shall be sent through speed post as per the timelines prescribed below. If the borrowers fail to repay the dues within the timelines prescribed, such accounts will be marked for auction.

**We served auction notice to the customers as per the schedule mentioned below:**

Notice Date	Letter Type	Purpose of Notice	Mode of Dispatch
366th days	First Auction Letter	To intimate the customers that a further period of 15 (fifteen) days will be provided to clear all the outstanding dues as on date to avoid auction sale and if not, auction proceedings will be started from the end of the 15 <sup>th</sup> day from the letter date	Speed Post
381th days	Final Auction Letter	To intimate the customers that he failed to repay his outstanding dues within the due date including additional 15 days' time and auction proceedings is initiated	Speed Post

**I) AUCTION PROCEDURES**

**A) Public Auction**

Gold jewellery in outstanding 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.

**B) Organization Structure for Auction Proceedings**

The Company shall have a dedicated Auction Department 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 Board of Directors on the recommendations of the Auction Department.

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 Auction Department and approved by the Board of Directors.

#### **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 the 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 Board of Directors 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**

i. As mentioned in the above table, first auction letter will be sent to the borrower to give him an additional 15 days' time to clear all his outstanding dues. If he fails to clear his outstanding dues within the time specified, a final auction letter will be sent to him to intimate him that the auction proceedings is initiated. All the letters should be sent through Speed Post.

ii. The Auction Dept. shall keep the Tracking Record of the Speed Post. If the Speed Post is not delivered or returned due to any specific reason, as mentioned in the Tracking Record, the Auction Notice along with DN 20 shall be served on the borrower or his relatives, who are present at his residence, personally by an employee of the Company during the office hours and signatures of the borrower or his relatives obtained in the duplicate copy of the notice along with date and time. Relation with the borrower shall be mentioned.

iii. The Directors shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of the Auction Department 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. The link of the newspaper advertisement shall also be sent to the defaulted borrowers through SMS for their information.

## **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 Department taking into consideration the regulatory directions in place and approved by the Board of Directors. 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. Any genuine bidder can participate in auction subject to deposit of EMD specified and submission of acceptable documents as ID proof, PAN card copy, GST registration certificate etc., as required.

A Customer who is coming to release his gold ornaments during 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 in this Policy.

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

The bid amount shall be received through banking channels or any other modes as decided by the Board of Directors 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 Board of Directors 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 3% 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 not be permitted.

#### **K) 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.

#### **L) 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 Bombay Bullion Association Ltd. (BBA) and 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 Auction Centres**

1. Details of Auctions Participants;
2. Record of the auction proceedings;
3. Bid Register indicating the bid rate of all bidders;

4. Sales Invoice;
5. Detailed Auction Record;
6. Speed Post Acknowledgements for Auction Notices issued to borrowers
7. Tracking Record of the Speed Post and if not delivered/ returned, employees of the Company will personally visit his residence and taking signature on the receiving copy of the auction notice from the borrower or his relatives along with date and time;
8. Copies of the News Paper Auction Publications;
9. 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.
10. 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. Surplus, if any, available in the auction sale proceeds over and above the dues shall be refunded to the respective customers as mentioned in Point N-Refund of Surplus, Recovery of Shortfall. A rightful lien will also be retained against such surplus subject to proper notice to the customer in case the borrower has other unsettled liabilities to the Company and surplus shall be refunded to the borrower after adjusting such dues if any. Steps including legal action for recovery of any shortfall after appropriating the auction proceeds shall also be initiated where ever feasible and after analyzing the cost benefits.

#### **M) 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 resulting loss to the Company in case the loan is continued, demand notice can be sent to the borrower, within 15 days of identification of loss in the account, 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 borrower 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 from the date of receipt of such notice, 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.

The Board of Directors shall be empowered to approve modifications to the points mentioned above from time to time on the recommendations of the Auction Department keeping in view, inter alia, the regulatory directives, legal position and the Fair Practice Code adopted by the Company.

## **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 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) Proper notice/intimation shall be served upon the borrower as per the Table mentioned below 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 Board of Directors shall be empowered to grant extended time for repayment to the borrower on a case to case basis on the recommendations of the Auction Department.
- 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 Board of Directors on the recommendations of the Auction Department.

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

LetterType	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>
Intimation Letter	A notice in English language should be sent to the borrower within 15 days of identification of loss in the account by Speed Post calling upon the borrower to settle the loan within a maximum period of 14 days 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 English language should be sent to the borrower within 15 days of detection as spurious / low quality by Speed Post calling upon the borrower to settle the loan within a maximum of 30 days from the date of receipt of such notice. The Speed Post 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).	A notice in English language should be sent to the borrower within 5 days of detection as spurious/low quality by Speed Post. The notice should clearly provide reference to the following details, inter alia: Completion of tenure of the loan. That auction notice had already been sent after completion of the tenure of the loan. That the Company had undertaken only a preliminary verification of the gold at the time of disbursing the loan and as per the rights 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. That the Company is proceeding with auction as already intimated.



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.	Nil
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**4. Re-auction of Gold Ornaments Not Successfully Auctioned (Normal Gold/Spurious/ 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.

**N) 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:

- a. After Auction, Company shall send a letter to customer for Short fall Recovery or refund of Surplus amount.

- 1) If the customer has already updated his/her bank details, the surplus to be refunded to the customer through banking channels within 15 days from the date of data generation of auction proceeds. An SMS is also to be sent to those Customers intimating the relevant details.
- 2) Auction surplus amounts up to Rs.5000/- can be refunded to the Customer directly from the branch through cash within 30 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/ bank and it is found that the details of the bank are not updated, the Company shall send an SMS to the customer for updating his /her bank details within 7 days from the date of receiving the SMS.
- 3) If the said amount is not released and/ or the bank details are not updated within the specified time, the Company shall issue account payee cheque favouring the concerned Customer. An intimation through SMS is also be given to those customers.
- 3) 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 Auction Department and the Board of Directors for their approval.

Customers whose pledge 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 Board of Directors from time to time.

#### **O) 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 the Board of Directors. A standard, legally vetted agreement should be entered into with all the empanelled Auctioneers.

#### **P) 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 transaction during the auction including group companies and related entities.

**Q) Maintenance of registers / records**

All registers and records are 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 Department.

**R) Review:**

The Auction Department will review this Policy, time to time, in compliance with the RBI circulars issued in this regard and suggest modification(s) subject to the approval of the Board of Directors at their meeting.



## ACHIEVERS QUICK GOLD LOAN

A Non-Banking Finance Company (NBFC) registered with the RBI

### Notice for Auction Recovery

To

(Customer Name and Address)

Sir,

We are writing to you with reference to Loan A/c No: ..... dated ..... A/c Holder Mr. ...., about the following facts:-

That after the said auction on ....., the amount received from the auction was Rs ..... that was adjusted to your account reflecting total outstanding of Rs..... and it is found that Rs. \_\_\_\_\_ is short from the actual outstanding.

Therefore, you are hereby requested to pay the shortfall amount of Rs..... Within 1 week from the date of receiving of this letter to avoid legal action that may/shall be initiated by the Company after expiry of the said period.

Thanking you,

Branch Authorized Signatory

Branch .....

Date.....



# ACHIEVERS QUICK GOLD LOAN

A Non-Banking Finance Company (NBFC) registered with the RBI

## Notice for Auction Surplus

To

(Customer Name and Address)

Sir,

We are writing to you with reference to Loan A/c No: ..... dated ..... A/c Holder Mr. ...., about the following facts:-

That after the said auction on....., the amount received from the auction was Rs..... that was adjusted to your account reflecting total outstanding of Rs....., including prior unsettled outstanding dues, if any, the surplus amount is Rs.....

You are requested to collect the surplus amount of Rs..... Within 1 week from the date of receiving the letter. For further details, please communicate with our nearest branch.

Documents Require: ID and Address proof, Pawn ticket or any supplement documents proving the loan, Bank Passbook / Cancel cheque.

Thanking you,

Branch Authorized Signatory

Branch .....

Date.....