



## AUCTION POLICY

*Auction Policy approved by the Board on 01<sup>st</sup> April 2023*

### 1) AUCTION OF THE ORNAMENTS PLEDGED IN OVERDUE GOLD LOANS

It shall be the policy of the company not to sell the ornaments pledged by the customer to the maximum extent possible. The company shall follow up on the release of the pledged ornaments before putting the same in the auction list. Even after putting the ornaments on the auction list, a further opportunity shall be given to the customer to get the pledged items released by all possible means of settlement.

#### **A) Criteria for Auctioning**

The company normally categorizes those pledges which have been completed 3 months from the due date and the same will be put in the auction list. Such items will be sold by public auction as per the terms of auction policy. Borrowers will be given an extension of a maximum period of 15 days if they remit at least 50% of the amount due to the company. Though normally the company includes the accounts which have crossed 3 months from the due date for auction, in periods where the metal price is on a downward trend and the realization of the loan dues is difficult the company can start the auction procedures even before the completion of tenure, after giving proper prior notice to the customer. However, this will be done only after a decision is taken by the Management Committee of the company.

#### **B) Intimation of Auction.**

The company shall give sufficient intimation regarding the auction by sending auction notice by ordinary post intimating the fact that the pledge is time-barred and due for auction and requesting the borrower to redeem/settle the dues within a period of 7 days. Further, the branch manager will follow up with the customer over the phone for settlement of the loan to avoid auction giving him 7 more days for settlement. If the loan is not settled even after this, final auction intimation shall be given to the customer by registered post with acknowledgment due. Such notices are issued in respect of time-barred un-redeemed pledges after 3 months from the date of the pledge. The company shall keep the post office receipt/acknowledgment card duly signed by the borrower or the registered letter returned undelivered by the post office, at the registered office as proof of having served the auction notice. In the case where the acknowledgment or returned letter is not received, the certificate from the post office or the copy of the online confirmation from the postal department for having delivered the letter to the addressee will be kept on record.

#### **C) Auction Procedure**

Registration: The company shall obtain registration under respective rules and regulations in force, particularly under GST rules. All the terms and conditions prescribed under such rules/regulations shall be complied with.

Auctioneers: The gold ornaments pledged will be auctioned only through auctioneers approved by the board.

Newspaper release: Release in two dailies (one in national and one in vernacular language) having sufficient circulation shall be made well in advance before the auction. The auction list shall also be displayed at the respective branch office(s).

Venue of auction. The auction shall be conducted in the taluk or district where the loan originated. The auction shall be made at the branch office of the company where the items are due for auction or at a centralized location depending upon the number of branches and the number of gold loan packets involved.

Registers and records. The company shall maintain an auction file in which all the necessary documents in respect of the auctions are filed. It shall be kept under the custody of a responsible officer of the company. A register shall also be kept in which details; such as the bidders present, price offered, price at which the ornaments auctioned etc. are recorded. A

separate attendance register showing the names and signatures of the bidders who have attended the auction shall also be kept at the auction center.

#### Other Terms and Conditions.

Size of Lot-For convenience, the company shall auction various ornaments in convenient lots. The auction shall be on an "as is where is basis".

Inspection-The bidders shall have the right to inspect the ornaments before the auction in the presence of the authorized officer of the company.

Minimum price-The company shall fix a minimum price for each item to be auctioned. The auction shall commence at a price above the minimum price. The bidder who quotes the maximum price above the minimum price shall be successful.

Proof of identity-The bidders shall produce proof of their identity to be eligible to participate in the public auction. Any one of the documents prescribed by RBI under KYC guidelines shall be accepted by the company towards Id proof. Such proof of identity shall be handed over to the auctioneer of the company. A pass will be issued by the company duly signed by the auctioneer to each bidder, who alone will be permitted to enter the auction hall.

Note: - As a policy, the NBFC themselves shall not participate in the auction.

#### Security deposit

An amount of Rs 25000/- is prescribed as a security deposit (EMD) by those who wish to bid at the auction. This amount can be paid by cash/DD drawn in favour of the company and is refundable to the unsuccessful bidders.

#### The minimum payment on the bid

On the date of the auction, successful bidders shall remit on the spot the stipulated percentage of the bid amount as decided and declared by the company, if required so. The security deposit already paid will be adjusted against the stipulated percentage remitted as above. The balance amount or the full amount in case the spot payment is not stipulated shall be paid within 3 working days.

#### Pledge of gold

If the successful bidder is not able to raise sufficient money to settle the auction dues within 3 days, he can opt to pledge the gold ornaments bid by him as per the gold loan policy of the company and arrange money for payment of the amount. For availing of the loan, the bidder shall have to pledge the entire lot bid by him.

#### Surplus/deficit on auction.

Any amount realized on auctioning of the gold which is more than the amount due from the borrower shall be treated as auction surplus. This amount shall be paid to the borrower by cheque within a maximum period of 30 days on production of documentary proof like pawn ticket etc. After this period, the amount will be transferred to an escrow account and thereafter, the amount will be paid through the escrow account. Any deficit portion on auction shall be borne by the company. The company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrower.

## **2) FRAUD PREVENTION**

The company is dealing mainly in granting gold loans after accepting gold ornaments from the customers for the pledge. Gold being an asset liquidity of which is high, the chances for fraud are comparatively more than other articles received as security. Hence a system should be in place to take preventive measures to check fraud as well as measures to deal with the fraud once happened.

The frauds can be of the following categories:

- A) Frauds Committed by borrowers.
- B) Frauds committed by the staff members.
- C) Frauds committed by the staff in connivance with the customers or outsiders.

The company will take the following measures to detect/ prevent fraud:

- A) All kinds of fraudulent activities or attempt to defraud, whether it is by the employees or outsiders, must be brought to the knowledge of the Management as soon as it is detected for proper action as per company guidelines.
- B) Attempt by any suspicious customer trying to pledge stolen/ spurious Jewellery should immediately be reported to the

COO/Head Audit/Internal Auditor/Any other officer deputed by the management and to the local police.

C) Inspection: All Branches will be periodically inspected and audited by internal audit staff at intervals specified by the Company. The audit Department will at random verify the quantity and purity of gold ornaments accepted by branches for the pledge. They will also audit various accounting procedures followed at Branches and ensure that the circular instructions issued by the Company from time to time are strictly adhered to

D) NBFC experienced staff who are trained in gold appraisal shall be given preference while recruiting.

E) The staff who are new to the field will be given adequate on-the-job training before entrusting the work of appraisal.

F) The duties such as cash handling, gold appraisal, system entry and loan sanction will be handled by different staff.

G) The gold ornaments accepted for pledging will be additionally appraised by the Branch Manager.

H) The ornaments pledged will be kept under the joint custody of the branch Manager and the joint custodian of each branch and the strong room will be operated by them jointly.

I) The gold ornaments pledged will be inspected by the gold inspectors at periodical intervals and there will also be surprise checks in between the regular gold inspections.

J) The correctness of the physical cash maintained at the branch will be checked by the gold inspectors, internal auditors as well as by the Area and Zonal Managers on their visits to the branch.

K) Periodical branch audit by the internal auditors is arranged to verify adherence to the systems and procedures as also the instructions given by the corporate office to the branches by circulars and other communications.

L) The vigilance officers will initiate legal actions and take steps to recover our dues in cases of fraud detected.

### **3) PRESENT SCHEMES, LTV, RATE OF INTEREST, AND LOAN PERIOD ARE BRIEFED BELOW:**

The most attractive factor to marketing the gold loan is the loans are without handling/processing/service charges (Selected states only)

#### **4) PROCESSING OF GOLD LOAN APPLICATION**

- The gold loan is one of our prime loan products where the risk factor is comparatively low and liquidity is very high in case of any interest default or failure to redeem the gold ornaments.
- The gold loan customer is to be attended by the Branch Manager in his cabin, ID creation is to be a smooth interface with Branch Manager and Loan Customer to start a strong customer relationship.
- When customer ID creation is in process, the Branch Manager ascertains the loan requirement and the ornament is to be passed on to the Assistant Branch Manager for appraisal.
- Meanwhile, the customer ID creation is done, and the process of gold appraisal is to be completed wherein the loan document is to be got printed by the Assistant Branch Manager, to be handed over to the Branch Manager for getting the signature from the customer and to sanction the loan.
- Once the process is over, the pawn ticket portion is handed over to the customer requesting him to collect the cash from the cashier.
- Meanwhile, the Branch Manager re-appraises the gold ornaments to ensure their quality and to be packed and sealed with joint signatures of the Branch Manager and Assistant Branch Manager/CRE.
- There may be occasions when the Branch Manager may go out for sourcing business. Then, on such occasions, the Assistant Branch Manager takes the lead and the Junior Assistant/CRE does the process of first appraisal and repetition to be done by the Assistant Branch Manager.
- When the Branch Manager comes back, to re-appraise the gold ornament and pack the same as mentioned above.
- The pledged gold ornaments are kept in a transparent plastic cover which will be used by the auditors also (Double Audit)

#### **5) APPRAISAL PROCESS**

The entire branch team gets acquainted with the appraisal process, which can be attained only through practice. While the KYC documents, whether it is a Ration card, Driving License, Aadhar Card etc. are of statutory compliance, the integrity of the consumer is to be ascertained from the interface during the Customer ID creation. With most of the branch

team being local, there should not any difficulty in getting the customer linked to any of the known persons in the area and one can have own methods to address this question. The point that drive-in is, one should not fall back on KYC compliance alone while granting the loan.

- The Gold ornaments are to be rubbed on the test stone without causing any damage to the ornament, and the nitric acid supplied is to be applied to the golden marks on the test stone.
- On application of the nitric acid on the gold particles on the test stone there should not be any reactions in the case of quality gold ornaments.
- In case the colour of the gold particles changes in reaction, the purity of the gold is in doubt.
- As a second step, the acid is to be drained from the stone and the salt water is to be applied to the gold particles, in case of no reaction the quality of the gold is ensured, in case of any reaction points out to the poor quality of the ornaments.

#### **6 ) SPURIOUS ORNAMENTS**

With the advancement in technology, the manufacturers use high-quality electroplating machines of one-gram gold-plated ornaments that look original and cannot be identified easily on a single touch. These types of ornaments are gold-plated ornaments.

Also, ornaments are made out of hollow gold pipes with copper and other alloys where the ornament preface looks like gold, known as a covered ornament which is to be identified out of the sound it produces when put on the glass surface, assessment of the weight putting in our hands. As already mentioned, it is on the integrity of the client other than the value of the ornament to be looked into while processing the loan.

#### **7 ) STAMP DUTY**

*Stamp duty applicable for States as per the Govt regulations, presently-Karnataka And Rajasthan*

#### **8 ) TRADER'S LOAN**

Dhanalakshmi Hire Purchase & Leasing Ltd have designed its Traders Loan to suit the varying needs of different types of traders. The main object of the trader's loan is to enable small traders to maximize their trade activity. The eligibility for loans is evaluated based on the customer's credibility and creditworthiness. The amount of loan sanctioned for a particular customer will be subject to all applicable regulations issued by RBI from time to time.

##### **A) Documents Executed**

1. KYC- ID and Address proof for both applicant and co-applicant.
2. Proof of Business. (License, Food and Safety Certificate, Merchant Association certificate)
3. Ownership proof Residence (Building Tax / Land Tax)
4. Postdated repayment Cheque (Bank account should be in name of the applicant or co-applicant with the amount and date specified)

##### **B) Delegation of powers**

The branch manager/ branch in charge is delegated with powers to sanction the loan up to Rs. 50,000/- after the unit visit and assessing the party and also obtaining a visit report by the credit manager. The total loan liability under trade loan should not exceed Rs. 10 lakhs in the branch at a given time Which means a branch can disburse 20 numbers of loans and further disbursement depends upon the daily recovery where the outstanding would come down on daily basis.