



CONTINENTAL SECURITIES LIMITED

AUCTION POLICY

The Reserve Bank of India had issued “Guidelines on Fair Practices Code” wherein NBFCs were advised inter alia to put in place an “Auction Policy”, duly approved by the Board of Directors. This policy is drafted on the basis of the guidelines contained in circular.

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 only including online auction.

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

1. Auction triggers in the normal course:

The following situations will trigger an auction:

- On the loan remaining unpaid beyond the due date as per the sanctioned tenure
- 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)

2. Auction triggers in other situations:

a) Auction due to depletion in the value of security due to fall in prices etc. (auction before completion of tenure): 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 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 Customer not remitting the required amount/not pledging the additional gold to cover the outstanding as per the demand made by the Company within 15 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.

b) Separate Auction of gold ornaments identified as spurious / Low Quality or Re-auction in the case of unsuccessful auction:

- Spurious / low Quality gold ornaments detected during verification anytime subsequent to disbursement of the loan may be taken up for auction even



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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 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.

- Such items will be separated and Auction notice will be sent to customers intimating them about the inferior quality of the gold and giving them an opportunity to verify and redeem the items by repaying the dues. In case they fail to repay the dues and close the loan, auction proceedings will be initiated after publishing advertisements in newspapers indicating the time and place of auction, thus giving further time to customer to regularize the account and redeem the ornaments.
- Before serving the above notice the purity of the gold ornaments shall be re-verified internally through a competent officer/ auditor. Melt test (assaying) of a small portion of the pledged gold may also be resorted to for reconfirming purity.
- 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.
- 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. Auction conducted for any other person:

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.

4. General rules:

No extension of loan period will be permitted in deviation of the above rules. Auction proceedings will be completed within 4 months from the loan due date before which the borrower should close the loan

5. Part payment:

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.

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.

Any amount retained in "Sundry Creditors a/c" will be appropriated towards shortfall in Auction.

6. Postponement of scheduled auction of an account:

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



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not repaid, the auction will be carried out in such cases notwithstanding the remittance made towards interest/ principal.

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 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.

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.

7. Auction process:

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

- 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.
- Board approved Auctioneers appointed at various centres shall be assigned with the Auction process.
- Registered Auction notice with acknowledgment due shall be served to all such identified borrowers giving 15 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.
- Surplus if any available in the auction sale proceeds over and above the dues shall be refunded to the respective customers within 10 working days after receipt of the full auction proceeds. 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 analysing the cost benefits.

8. Auction procedure:

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.

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 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



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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.

- 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.

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:-

- Online auction process shall be resorted to after physical auction at respective branches and conducted branch-wise by complying with all statutory regulations
- Final notices/ newspaper advertisements will be done by our Company as before
- Minimum bid price as prescribed by RBI shall be complied with in online auction also.
- We expect more bidders to participate in auction process.
- All auction related documents can be downloaded from system itself
- 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.
- Auction gold will be put up for sale in appropriate/convenient lots.
- Auction shall be live on the scheduled date with minimum expected price provided by or Company.

9. Fixation of minimum bid price:

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

- Prevailing market price of gold based on the rates published by the Indian Bullion and Jewellers Association Ltd
- 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.
- 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.