

AUCTION POLICY

1. Introduction

Chemmanur Credits and Investments Limited is an NBFC mainly engaged in lending against the security of gold ornaments. The situation for auction of the gold ornaments pledged arises only when the borrower has not repaid the dues in spite of the various opportunities given to him by the Company. Thus, auction of the pledged gold ornaments is the last measure resorted by the Company to recover the dues from the borrower. It shall be the policy of the Company to avoid the auction of the ornaments pledged by the customer to the maximum possible extent.

2. Auction of the ornaments Pledged in overdue Gold Loans

The Company shall follow up with the borrowers for release of the pledged ornaments before putting the same in the auction list by sending registered notice reminding the borrowers. Even after putting the ornaments in the auction list, a last opportunity shall be given to the customer to get the pledged items released by all possible means of settlement.

3. Criteria for Auctioning

The Company normally categorizes those loan accounts in which pledged ornaments are not released within the loan tenure as overdue loans accounts, and the same will be put in the auction list. Ornaments pledged in such accounts will be sold by public auction as per the terms of this policy. Though normally the Company includes only those accounts which are overdue for auction, in a situation where the gold price is on downward trend and the realisation of the loan dues is difficult, the Company can start the auction procedures by giving proper prior notice to the customer even before the accounts are categorised as overdue. However such steps will be initiated only after a decision to that effect is taken by the Board.

4. Intimation of Auction.

If the loan is not settled by the customer even after receipt of the registered notice sent in respect of the overdue loans, final auction intimation shall be given to the customer by registered post with acknowledgement due giving him another 15 days' time and intimating him of date and place of auction. This intimation shall contain the details of loan such as the loan number, date of loan, net weight of the ornament pledged, principal amount, interest, additional interest and other charges due from the customer, and total amount due. The Company shall keep the post office receipt towards proof of intimation/ notice to the customer.

5. Auction Procedure

a) 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.

b) Appointment of Auctioneers:

The gold ornaments pledged will be auctioned only through auctioneers approved and appointed by the Board.

c) News Paper Advertisement.

The auction shall be announced to the public by issue of advertisement in at least two daily newspapers (one in national and one in vernacular language) and shall be made well in advance before the auction. The auction list shall also be displayed at respective branch office(s).

d) Venue of Auction.

The auction shall be conducted in the taluk or town in which the branch that has extended the loan is located. If public auction could not be successfully completed at taluk level auction centres as announced, such ornaments shall be re-auctioned at our district level re-auction centres. The auction/re-auction centres shall be the branch office of the Company or the venues situated within the taluk, town or district mentioned in the auction notice.

e) Registers and Records.

The Company shall maintain auction files in which all the necessary documents in respect of the auctions are filed. It shall be kept under the custody of Manager-Auction and Recovery. A separate attendance register showing the names, addresses, identity details and signatures of the bidders who have attended the auction shall be kept. A sale register shall also be kept in which details such as the names, addresses, identity details of successful bidder, weight of the ornament auctioned, reserve price, the price at which the ornaments are auctioned and the last bid price of the unsuccessful bidder are recorded. The Attendance Register and the Sale Register shall be signed by the Auctioneer on each occasion.

6. Other Terms and Conditions.

a) The auction on “as-is-where-is” basis.

The auction of the ornaments shall be done on “as-is-where-is” basis.

b) Inspection

The bidders shall have the right to inspect the ornaments before the auction in the presence of the authorised officer of the Company.

c) Reserve Price

The Company shall fix a Reserve price for each lot to be auctioned. This price shall not be less than 85% of the previous 30 days average closing price of 22 carat gold as declared by India Bullion and Jewellers Association (IBJA) and value of jewellery of lower purity in terms of carot shall be proportionately reduced. The auction shall commence at a price above the reserve price. The bidder who quotes the maximum price above the reserve price shall be the successful bidder. The bid amount shall be inclusive of GST as applicable for the sale of gold ornaments in public auction. Reserve price fixed for each lot shall be declared before commencement of the auction and

recorded in the attendance register, Sale register and the terms and conditions sheet signed by the bidders.

The successful bidder shall sign a consent letter towards payment of the bid amount finalised within the stipulated time.

d) Proof of identity

The bidders shall produce proof of their identity in order to be eligible for participating in the public auction. Any one of the documents such as Aadhaar card, Election ID card, Driving license etc., which are acceptable as identity document will be accepted by the Company towards ID proof. Such proof of identity shall be handed over to the auctioneer of the Company for verification along with a copy of the same. The copy of the ID proof will be retained by the Company for its records. A token will be issued by the Company duly signed by the auctioneer to each bidder, who alone will be permitted to enter the auction hall.

As a policy the Company itself shall not participate in the auctions held.

e) Earnest Money Deposit

An amount of Rs.5,00,000/- is prescribed as Earnest Money Deposit (EMD) by those who wish to participate and bid at the auction. This amount can be paid by Bank remittance (RTGS/ NEFT/IMPS) to the Company's Bank account well in advance. The EMD is refundable to the unsuccessful bidders on completion of auction to the credit of their Bank account.

f) Minimum payment on bid.

On the date of auction, successful bidders shall remit on the spot stipulated percentage of the bid amount as decided and declared by the Company, if required so. The EMD 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.

In case, the successful bidder fails to deposit the stipulated percentage of the successful bid amount as declared by the Company, then the Company will have the right to forfeit the EMD amount towards the loss of the Company. In such case, the next highest bid may be considered for acceptance at the discretion of the Company.

g) Delivery of the Ornaments

The Company shall deliver the auctioned gold to the successful bidder on or after the date of receipt of the bid amount in full.

h) Notice to the Borrowers

A post auction notice with full details of the value fetched in the auction and the outstanding dues adjusted shall be sent to the customer. The notice shall contain details such as date and place of auction, the bid amount, amount adjusted there against on account of the principal, interest, additional interest and other charges due from the borrower and the amount of surplus or deficit on account of the auction held.

i) **Deficit on Auction**

The Company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrowers subsisting even after the auction.

j) **Disposal of Auction Surplus.**

The amount realised on auctioning of the gold ornaments over and above the amount due from the borrower, shall be treated as auction surplus and the same shall be disposed in the following manner:

- i) The deficit amount, if any, due from the same borrower in respect of any previous auction/s shall be adjusted from the auction surplus.
- ii) If there is any balance amount of auction surplus after the adjustment at (i) above and the same borrower has another gold loan account, the remaining surplus will be adjusted to that account under intimation to the borrower, taking into account the history of default resulting in auction.
- iii) If any surplus is left after the adjustments at (i) and (ii) above, the same shall be transferred to a separate Bank account and Cheques will be issued in the names of the borrowers and sent to their address available with the Company.

7. **Disclosure in Annual Reports**

The Company shall disclose in its Annual Report the details of the auctions conducted during the financial year such as the number of loan accounts, outstanding amount, value fetched and whether any of its sister concerns participated in the auction.
