



Auction Policy

Date of Last Revision and approval by the Board of Directors: March 31, 2023



Document ID	MFL/Risk Management/Auction Policy
Version No.	v.1.2
Page No.	Page 1 of 4
Effective Date	31.03.2023

DOCUMENT IDENTIFICATION INFORMATION

Document Name	Auction Policy
Index	MFL/Risk Management/Auction Policy
version	Version v.1.2
No of Pages	4
Process owner	Julian I A, Deputy Manager - Audit & Risk Management
Department HOD	Head - Audit & Risk Management
Recommended By	CEO
Approving Authority	Board of Directors
Review Frequency	At least once a year or if significant changes occur to ensure its continuing suitability, adequacy, and effectiveness
Location of the document	Corporate Affairs Department
Regulatory/Internal Circular Clause	RBI MD

Revision/Change History

Author	Reviewer	Version No.	Effective Date	Change Description
		1.1	07.07.2012	Approved by the Board on 07.07.2012.
Head - Audit & Risk Management	MD/COO	1.2	23.03.2022	Reviewed on 23.03.2022.
Head - Audit & Risk Management	CEO	1.3	31.03.2023	Reviewed on 31.03.2023. Minor changes due to inclusion of Suvarna Loans.

Document ID	MFL/Risk Management/Auction Policy
Version No.	v.1.2
Page No.	Page 2 of 4
Effective Date	31.03.2023

Auction Policy

- a. Gold ornaments pledged with the company, if not redeemed within the tenure of the loan as per the loan agreement, will be disposed off by the company by way of public auction, after the expiry of the tenure of the loan and seven days of grace.
- b. Gold Ornaments pledged under MSGB/Suvarna loans, if the loan becomes 90 DPD (days past due), will be disposed off by the Company by way of public auction after the expiry of the said days and seven days of grace.
- c. The company or the approved auctioneer will give due notice of auction to the customer by registered post at least 15 days before the date of auction.
- d. Details of the auction to be conducted will be published in a vernacular newspaper and in a national daily at least 7 days in advance.
- e.
 - (i). Auction will be conducted by an auctioneer approved by the Board of Directors of the company. The method of conducting auction, including stipulation of the terms and conditions and prescription of caution deposit to be collected from the bidders, may be determined by the approved auctioneer in consultation with the company considering various related aspects.
 - (ii). The confirmed bidder shall remit the bid amount within 3 Bank working days excluding the date of auction and take possession of the auctioned articles. Otherwise, interest @18% per anum will be charged on the bid amount from the date of auction till remittance of the bid amount (both days included). 7 days' minimum interest will be charged in such cases. If the successful bidder fails to remit the due amount within 30 days from the date of auction, the EMD of the bidder will be forfeited and the auctioned articles will be re-auctioned by giving at least 7 days' notice in a vernacular newspaper and in a national daily.
 - (iii). If a bidder is authorising another person to attend the auction on his behalf, the authorization shall be under his signature and the signature of the authorised person shall also be attested by the bidder.

Document ID	MFL/Risk Management/Auction Policy
Version No.	v.1.2
Page No.	Page 3 of 4
Effective Date	31.03.2023

The auction shall be conducted in the same branch or in the town or taluka in which the branch extended the loan is situated.

NBFCs can however pool gold jewellery from different branches in a district and auction it at any location within the district, subject to meeting the following conditions:

- (i) The first auction has failed.
 - (ii) The NBFC shall ensure that all other requirements of the extant directions, regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met.
- f. The company shall declare a reserve price for the pledged ornaments which shall not be less than 85% of the previous 30 days average closing price of 22 carat gold as declared by The Bombay Bullion Association Limited (BBA) and value of the jewelry of lower purity in terms of carats shall be proportionately reduced or as may be prescribed by RBI from time to time.
- g. The amount due to the company by the customer, being the aggregate of the principal and the interest accrued thereon as well as other related expenses to be fixed by the Company for conducting auction, will be adjusted against the sale proceeds. Surplus, if any, shall be refunded to the customers and deficit if any, will be collected from the customer. In the case of two or more accounts involved in auction relating to the same borrower, the surplus if any, in one or more account/s will be adjusted/set off against the deficit in other account/s. While issuing notice to the customer for recovery of the balance amount, the adjustments done as aforesaid regarding auction surplus will also be indicated if not communicated earlier. The amount of auction surplus together with the details thereof will be sent to the borrower within 45 days of the auction. Similarly, the details of deficit will also be communicated to the borrower within 45 days of the auction, calling upon him to pay the deficit amount together with interest accrued on it and charges, if any. If the payment is not forthcoming from the borrower as demanded, the company may initiate legal proceedings, if needed, to recover the amount.

Document ID	MFL/Risk Management/Auction Policy
Version No.	v.1.2
Page No.	Page 4 of 4
Effective Date	31.03.2023

- h. If at any time after the loan is granted, the company has reasons to believe that a customer has obtained loan through misrepresentation of facts and has failed to repay the loan with interest on demand, the company shall not be bound to follow the above procedures but shall be at liberty to sell/auction the gold ornaments pledged by him in the manner as may be deemed appropriate.
- i. If at the time of marking a pledged article/s for auction, the Company finds that the pledged article/s is/are of less purity as declared by the customer at the time of creation of the pledge the Company shall inform the customer to redeem the pledged article/s within 7 days. If the pledged article/s is/are not redeemed within the specified time the Company may proceed to dispose of the pledged article/s in auction as per the extant guidelines.
- j. The company shall disclose in its annual report the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amount, value fetched and whether any of its sister concerns participated in the auction.
- k. There shall be no conflict of interest and arm's length relationship shall be maintained for dealings in any transaction (during the auction process) with entities including group companies and related entities.
- l. The Company i.e., Muthoot Fincorp Limited or its directors or employees will not participate in the auction.

=====

