

Muthoot Mercantile Limited

(A Unit of Muthoot Ninan Group)

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Auction Policy

Auction Policy of Muthoot Mercantile Limited is formulated in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and the Circular DNBS.CC.PD.No.266 /03.10.01/2011- 12.

I. Applicability

This Policy was reviewed and approved by the Board of Directors at the meeting held on 17th April 2023 This policy applicable with effect from the date of Board Meeting to till the date when it's reviewed or revised in future. The Board of Directors shall have the right to review any part of this policy or the entire policy at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

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.

The Auction Policy of the Company is as under:

II. Auction Procedure of Gold Ornaments

1. Compliance applicable rules & regulations;

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

2. Auction Department

The Company shall have a dedicated Auction Department at the Head Office (Auction Dept) to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Auction Dept for dealing auction will function under the overall control of Managing Directors /Executive Directors/Chief Executive Officer.

3. Auction of the Ornaments Pledged in Overdue Gold Loans (Normal Case)

The term "Auction" used in the policy shall mean realization of the security through Public Auction. It shall be the policy of the company not to sell the ornaments pledged by the customer to the maximum extent possible. Gold ornaments pledged with the company, if not redeemed within the tenure of the loan as per Pawn ticket will be disposed by the company by way of public auction, after the expiry of the tenure of the loan. The company will auction the pledged gold ornaments through auctioneer (s) appointed and approved by the Board.

1. Overdue Gold Loans Means those Pawnees who failed to repay the loan even after the date of expiry of gold loan specified in the Pawn ticket and agreed upon by the pledger. A notice/communication shall be sent to him by post demanding him to redeem the pledge, if not redeemed within the said period of 14 days of the receipt for the notice and cautioning him that pledge, if not redeemed within the said period of 14 days, will be auctioned in public.

2. If the Pledger fail to redeem the pledge within 14 days of the receipt of the notice or if he failed to receive the notice so sent, the company will go forward with auction procedure.

4. Auction under Exceptional Circumstances:

Auction Due to Depletion in Security Value (auction before completion of tenure of the loan)

The Company reserves the right to publicly auction the gold pledged with the company at any time prior to the expiry of the term after serving 15 days notice to the borrower, in the event of a significant fall in the price of gold or if the company incurs any loss in the gold pledged with the company.

In the event of a significant fall in the price of gold or if the company incurs any loss in the gold pledged with the company, a notice/communication shall be sent to him by post demanding him to redeem the pledge, if not redeemed within the said period of 15 days of the receipt for the notice and cautioning him that pledge, if not redeemed within the said period of 15 days, will be auctioned in public.

Any intimations related loans or auction of gold pledged with the company is received directly by the borrower or sent by post to the address as provided by the borrower, the letter shall be deemed to have been received.

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 Over due pledges, final intimation cum auction letter in the local language/ English language, in an approved format, shall be sent to all "Auctionable" pledges furnishing the date and venue of auction at least 14 days before the proposed date of auction by registered post with Acknowledgement Due (AD) requesting the respective borrowers to immediately pay the full dues failing which the security would be liable to be put on auction, without further notice, for recovery of the dues. The company shall keep the post office receipt towards proof of intimation/ notice to the customer.

Any intimations related loans or auction of gold pledged with the company, is received directly by the borrower or sent by post to the address as provided by the borrower, the letter shall be deemed to have been received.

- i. Managing Director/ Whole Time Director/ Chief executive Officer shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of the Board of Directors keeping in view, inter-alia, the regulatory directives, legal position and the Fair Practice Code adopted by the Company.

5. Newspaper Publication

A release in two dailies (one in national and one in vernacular language) having sufficient circulation shall be made 7 days before the auction. The auction list shall also be displayed at respective branch office(s). 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.

7. Venue of Auction

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

The company shall 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 Company-Auction Department shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met.

2. Online Auction

Apart from the auctions in the Physical mode as described above, auctions shall also be conducted on online platform. Online auction process shall be conducted by complying with all statutory regulations.

The Company-Auction Department shall ensure that all other requirements of the extant directions regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met in the online auction also.

8. 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 senior designated officer / Head of Auction department 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 centre. Compliance shall be ensured by the Head of the Auction Department.

9. Disclosure

Furnish the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched in the annual reports of the company.

10. Minimum Price

The company shall fix a minimum price for each item to be auctioned. The minimum price fixed shall not be less than 85% of the previous 30 days average closing price of 22 carat gold as declared by Bombay Bullion Association (BBA) and value of jewellery of lower purity in terms of carot shall be proportionately reduced. The auction shall commence at a price above the minimum price. The bidder who quotes the maximum price above the minimum price shall be the successful bidder.

11. 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 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. As a policy the Company themselves shall not participate in the auction.

12. Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders

The mode (banking channels) of receipt of bid amount shall be decided by the management from time to time taking into consideration the market conditions and Anti Money Laundering risks involved.

A minimum percentage of the bid amount as decided by the management from time to time including the security 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. 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 and a penalty of 5% of bid amount or loss incurred by the company due to rate fluctuation whichever is higher shall be levied and intimated. 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 be not permitted.

The entire auction proceedings have to be witnessed and signed at least two people of which one should not be an employee of the company.

13. Re-auction of Gold Ornaments Not Successfully Auctioned

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. Auctioneer/ his representative shall remain present during the melting activity along with a competent Internal Auditor of the Company who will certify 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 such intervals as prescribed by the management from time to time.

14. Refund of Surplus, Recovery of 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 or Electronic Transfer on production of documentary proof like pawn ticket or any other document acceptable to the company etc, within a maximum period of 30 days from the date of auction or Within such time as may be directed by the regulatory authorities from time to time, either through crossed account payee cheque or electronic transfer. After this period, the amount will be transferred to an escrow account and thereafter, the amount will be paid through the escrow account. The company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrowers in whose Accounts there have been deficit.

The full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding shall be payable to the borrower, should be properly communicated by way of messages to the customer.

15. Auctioneer(s), Role and Responsibility

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. Terms and conditions of appointment of Auctioneers as decided by the Board, and as agreed by the Auctioneer and the Board from time to time.

16. Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship.

The Company or any of its related entities or employees of the company shall not participate in the Auctions. Further, there shall be an arm's length relationship in all transactions during the auction including with group companies and related entities.

Date of last revision and Board approval: 17th April 2023