

Auction Policy

1. INTRODUCTION

The auction policy of the company has been prepared in compliance with RBI Circular no DOR.CRE.REC.26/21.01.023/2025-26 of Reserve Bank of India (Lending against Pledged Collateral) dated 06-06-2025. & Paragraph no. 45.14 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

2. TRIGGERING OF AUCTION

Auction is to be carried out in cases of:

- a) LTV breaches regulatory threshold due to fall in price of gold.
- b) Loan account becomes NPA.
- c) Pledge collateral identified as Low quality.
- d) If any borrower is identified as high risk as per risk management fame work of the company.

3. AUCTION PROCEDURES

- a) In all cases of auction, the “LRAN” (Loan Recall Cum Auction Notice) has to be sent to the borrower via registered AD. The same should be simultaneously updated in the LRAN register & a duplicate copy should be kept in the LRAN File. The AD slip should be attached with the duplicate copy of the LRAN for future reference. There should not be a delay of more than 3 days in sending the LRAN notice to the borrower. If in any case the branch wants to hold the notice for more than 3 days (up to maximum 10 days) the reason should be captured in the Notice register with an approval from the Collection Head (H.O.). The acknowledgement card when received, should be kept along with the duplicate copy the letter in the LRAN file. In case the Notice is returned undelivered/refused by the borrower the same should be kept unopened & preserved intact in the LRAN file.
- b) Once the LRAN is issued to a borrower a final physical visit is to be done to the residence/office of the borrower along with a copy of the Notice to inform the borrower or the person available about the Auction Date, total amount due etc. It should be documented in the Final Visit Register.
- c) If there is no response from the borrower within 30 days from the date of issue of the notice “LARN” the company shall go for public notice.
- d) As per the regulations, auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper.

- e) In case payment is still not received in full or the borrower/legal heir(s) is untraceable despite issuance of public notice in newspapers the company shall proceed for auction post a period of 10 days from the date of publication of auction notice in newspapers. If the gap is more than 10 days than an approval taken from Business Head through Collection manager.
- f) No extension/deferment of auction will generally be entertained unless exceptional situations approved by BH.
- g) Before auction a format should be prepared (based on LRAN issue date, Notice published, Place of auction) by collection manager and checked by Internal Auditor and approval taken from BH.
- h) Payment of interest (total accrued till the date of payment)/principal are allowed till the date of auction.
- i) The pledged collateral shall be auctioned through its employee having, necessary experience and/or training or an auctioneer empanelled by the Board of Directors.
- j) The process of auction will be under purview of internal audit team, ensuring transparency & regulatory compliance.
- k) An auction will be carried out provided minimum 2 bidders are available as participants.
- l) The company shall ensure transparency in all its dealings relating to auction. The Company, Directors or Key Managerial Personnel or senior officials shall not participate as a bidder in the auctions held. There should be an arm's length relationship in all transactions during the auction including with group companies and related entities.

4. SELECTION AND APPROVAL OF AUCTION CENTRES, SAFE CUSTODY, SECURITY ARRANGEMENTS

- a) Auction Centre shall be finalized in line with the regulatory norms/ directions and internal guidelines of the company which shall be in compliance with RBI/statutory norms.
- b) The 1st auction shall be conducted physically in the same district in which the lending branch is located. However, in case of failure of first auction, the 2nd auction can be conducted in an adjoining district or online.
- c) If the said auction fails, the company will pool pledged collateral from different branches in a district and auction it at any location within the district.
- d) Physical transfer of Pledged Collateral 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.

5. FIXATION OF RESERVE PRICE

The company shall declare a Reserve Price for the Pledged Collateral at the time of auction. The reserve price for the pledged ornaments will not be less than 90% among the lowest between the previous 30-day average closing price of 22 carat Pledged Collateral and the previous day of 22 carat Pledged Collateral rate as declared by The Indian Bullion and Jewellers Association Ltd (IBJA) .In case auction process fails twice, a reserve price not less than 85% of its current value shall be adopted, and value of the jewellery of lower purity in terms of carats will be proportionately reduced.

6. REFUND OF SURPLUS

Surplus if any available in the auction sale proceeds over and above the dues shall be refunded to the respective customers within 7 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 wherever feasible and after analyzing the cost benefits.

A letter detailing full details of the value fetched at the auction and the dues adjusted is to be provided to each & every borrower whose Pledged Collateral has been auctioned.

A copy of the same is to be retained & documented for future reference.

7. DUE DILIGENCE ON PARTICIPANTS, SECURITY DEPOSIT

- a) The participant should deposit Rs. 25,000/- as EMD (earnest money deposit) to participate in the auction process against which he will be provided money receipt and Auction Form.
- b) Along with the EMD amount he has to submit self-attested copies of valid photo identity proof and address proof.
- c) In the process if the sale is not confirmed, then Ultimo Credit Pvt. Ltd. hereinafter called and referred to as the Company shall return the EMD of the participant within 4 working days from the date of auction.
- d) The EMD will be refunded without any interest whatsoever.
- e) In case the bid is successful, the EMD will be adjusted with the bid amount.

8. INSPECTION OF PLEDGED COLLETERAL BY PARTICIPANT

- a) After depositing the Security Deposit and completely filled up Auction Form the participant will be allowed to inspect the ornaments at Company specified date and time.
- b) Request to inspect the ornaments at any other date and time from the one specified by the Company will depend on Company's consideration.
- c) The participant will get only one chance to inspect the ornaments before Auction

9. MODE OF PAYMENT BY SUCCESSFUL BIDDERS & DELIVERY OF PLEDGED COLLETERAL TO SUCCESSFUL BIDDERS

- a) The mode of receipt of bid amounts (cash or bank transfer) shall be decided by the management from time to time taking into consideration the market conditions and AML risks involved.
- b) That in case the Auction is confirmed, and successful bidder intimated, he needs to deposit the balance amount within 4 working days from the date of auction. In case he fails to do so the EMD amount will be forfeited.
- c) If the full amount is not received within the stipulated time, the bid shall be treated as cancelled

d) Delivery of Pledged Collateral 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.

10. MAINTENANCE OF REGISTERS / RECORDS

All registers and records mandatorily required under law and as per instructions issued by the Company shall be properly maintained, updated and kept under the safe custody of a designated senior official and subject to periodical internal audit.

11. DISCLOSURES

The Annual Report of the Company shall contain a disclosure on the details of auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.

12. MISCELLANEOUS

- a) The Company shall not be liable for the quality / quantity of the pledge collateral post-delivery to the successful bidder.
- b) Any complaint after the confirmation of the sale will not be entertained by the Company.
- c) That the Company's decision on finalizing the auction (either to accept or to reject) is final & that the Company has the discretion to postpone or cancel the auction without assigning any reason whatsoever.
- d) The ornaments will be handed over to the bidder only after clearing the total amount as intimated to him during confirmation of sale.
- e) The bidder has to sign on the bill as a token of acceptance of the ornaments once the ornaments are handed over to him.
- f) All the records maintained at the auction centre should be authenticated by the Board Approved Auctioneer or his authorized representative or employee who conducts the auction.