



PAUL MERCHANTS
FINANCE PRIVATE LIMITED

CIN : U65921CH2010PTC032462 NBFC REGISTRATION NO. N-06.00596

Regd. Office: Ground Floor, SCO 827-828, Sector 22 A, Chandigarh 160022

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Gold Loan

Auction Policy

Paul Merchants Finance (P) Ltd. (PMFPL)
PML HOUSE, SCO 829-830, Sector 22A, Chandigarh 160022 India



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AUCTION POLICY

This auction policy has been framed by the Board of Directors of Paul Merchants Finance (P) Ltd in their meeting held on 11 Jan, 2024 in terms of Master Direction – Reserve Bank of India (Non – Banking Financial Company – Scale Based Regulation) Directions, 2023 dated Oct 19, 2023 updated from time to time.

The Company has appointed a dedicated Recovery Department at the Head Office of the Company at Chandigarh to initiate, supervise and monitor the auction process in the light of this policy with respect to the Gold pledged with the Company by its customers/ borrowers.

Authorization for Auction of Gold

Auction will be conducted by an auctioneer whose appointment shall be approved by the Board of Directors of the Company.

Once the accounts, for which auction is to be held, have been identified and listed by the Recovery Department and the Final Auction list is prepared; the same has to be approved by the Director/Business Head 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, shall be determined by the approved auctioneer in consultation with the Company considering various related aspects.

Right to Auction

The Company shall have the right to auction the Gold ornaments pledged with the Company, which have not been redeemed within the tenure of the loan as specified under the Terms and conditions / loan agreement, by way of public auction after abiding by all the pre-requisites as mentioned below.

If there is an erosion in the realizable value of the asset pledged under any gold loan scheme to cover the dues (Principal + Interest + other charges), such cases can be taken



for auction. The recovery department should monitor the releasable value of the asset pledged in accordance with the price of gold in the market.

Time frame for Auction and Grace Period

Company shall have a right to sell the gold ornaments pledged by the borrower by way of public auction, if the concerned loan account has become overdue by 90 days after the expiry of the due date. Further the ornaments pledged by the borrower can also be auctioned by the company in any other circumstances as provided in the Terms and Conditions of the loan.

Notice to the borrower

The Company or the approved Auctioneer will ensure to give prior notice of auction to the borrower by registered post at least 15 days before the date of Auction.

Public Notification

Auction shall be announced to the public by issue of advertisements in at least 2 newspapers, one in a vernacular newspaper and another in a national daily at least 7 days in advance.

Participation

The Company or its Directors or employees shall not participate in such an auction. Company or its related entities, directors or its employees shall not participate in the said auction and there shall be no conflict of interest and there will be arm's length relationship in all transactions during the auction.

Appropriate measures

Proper systems and procedures will be put in place for dealing with fraud during the time of auction including separation of duties of mobilization, execution and approval. 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.



Place of Auction

The auction shall be conducted in the same branch or in the town or taluka in which the branch that has extended the loan is located. As per the approved guidelines by RBI, Company 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:

- a) The first auction has failed.
- b) The Company shall ensure that all other requirements of the applicable RBI Regulations regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.) are met.

Due diligence on Participants

Proper and acceptable documents along with KYC documents for identification of the participants in an auction should be obtained before permitting them into the auction hall.

Declaration of Reserve Price

The proposal with recommendations for fixation of the reserve / floor price for each auction shall be done by the Recovery Department of the Company taking into consideration the regulatory directions in place, recommended by the Head-Operations and approved by the Business Head in consultation with the Director. While auctioning 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 Indian Bullion Jewellery Association (IBJA) (Formerly known as Bombay Bullion Association (BBA)) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission and value of the jewellery of lower purity in terms of carats shall be reduced proportionately or as may be prescribed by RBI from time to time.

The Company will provide 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.



Maintenance of the Records

The Company shall maintain all the details and records of auction including:

- Postal receipts of registered post of auction notices issued to the Borrower; Acknowledgements received from borrower in respect of notices delivered to them and details of auction notices which returned undelivered;
- copies of newspaper publications;
- details regarding auction participants and auction items;
- KYC and other documents of the auction participants
- details of bid price and bidders which are recorded including last bid details of all bidders recoded and authenticated by board approved auctioneers;
- Bid documents
- sale invoices;
- Evidence of computation of reserve price
- Post Auction Notice sent to the borrower specifying the entire details including amount fetched during the auction and the balance amount which will be given to the borrower

Company shall disclose in its annual report the details of the auctions conducted during the financial year including the number of loan accounts, outstanding value of the auction accounts, value fetched, excess value fetched, excess amount refunded to borrowers, and whether any of its sister concerns participated in the auction.

Transparency with the borrower

Post Auction the Company shall ensure to provide complete details of the value fetched in the auction and outstanding dues will be adjusted and any amount over and above the loan outstanding shall be paid to the borrower/customer.

Auction Procedure

1. Gold Jewellery/ Ornaments which are specified in unredeemed accounts listed for auction shall be put up for sale 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.
2. An Auction will be carried out provided minimum 3 bidders participates in the auction.



3. The auction of such unredeemed ornaments as mentioned above will be conducted in the same branch from where the customer has availed the loan by pledging gold subject to the procedure specified in para titled as “Place of Auction” above.
4. In case of auction at branches, the Recovery Department shall be authorized by the Board approved auctioneer to conduct the auction subject to following conditions.
 - a) Any genuine bidder can participate in branch auction subject to deposit of prescribed Earnest Money Deposit (EMD) of two lakhs (2 Lakhs) and submission of acceptable documents as ID proof including Aadhar Card, Address proof (Shops & establishment / VAT registration certificate), PAN card copy, GST registration.
 - b) The final bidder shall be approved by the Director.
 - c) Each lot/Individual gold packets can be separately taken up for auction for the security reasons and better realization.
 - d) Bidder has the right to inspect the lot/Individual gold packets before commencement of the auction in the presence of authorized officers of the company and approved auctioneer.
 - e) 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 will be declared as the successful bidder and a bid confirmation will be obtained from him, allowing maximum time up to 2 days to remit the amount and lift the auctioned gold.
 - f) If the bidder fails to remit the amount within the stipulated period, his bid will be treated cancelled.
 - g) If the highest bidder fails to remit the bid amount and lift the auctioned gold within the stipulated time resulting in cancellation of his bid, the Business head may, at his discretion, decide to confirm the bid of next highest bidder by following the process of seeking bid confirmation from them individually as per the descending order of their bid amount and by giving 7 days’ time to each of them to remit the amount and lift the gold. In case the other bidders are not willing to confirm the bid, or fail to remit the amount and lift the gold within the stipulated time limit, the auction process will be declared as cancelled and steps will be initiated for conducting a fresh auction of the gold following entire procedure defined in this policy like sending of notices to the borrowers, publication of notice in the Newspapers etc.
 - h) Bids for substantially lower rates than the reserve price should not be confirmed without prior approval from Business-Head. The reason for low rate may be ascertained by Business-Head and approval may be accorded considering the market conditions too.
 - i) When the auctions are scheduled at branches, the records as specified above shall be maintained irrespective of whether auctions were conducted or not. Such records should



be authenticated by the Branch Manager as authorized representative of the Approved Auctioneer.

- j) In case the auction could not be conducted at the branch on the scheduled auction date due to any reasons such as lack of minimum number of 3 bidders etc. then the branch will display on the branch notice board, the address of the centralized location where the next auction will be carried out subsequently with date of subsequent auction and the gold items will be lifted to the centralized location within the same District in which the loan was extended where the same will be sold through public auction. The auction notice and paper advertisement will clearly specify both the locations and the respective dates of auction. Auction will take place on the date specified in the newspaper or on subsequent dates.
- k) The amount due to the company by the borrower, being the aggregate of principal and interest accrued thereon and other expenses as fixed by the company related to auction will be adjusted against sale proceeds. Any balance amount (if any) fetched during the auction shall be intimated by the Company to the borrower within a maximum period of 30 days.

Sd/-
Chairman