



## **MUTHOOTTU MINI FINANCIERS LTD**

*Reviewed in the Meeting of Board of Directors held on 13<sup>th</sup> February 2023*

### **AUCTION POLICY**

The core business of MMFL consists of lending against the collateral of gold ornaments. For this purpose, the company has formulated various loan schemes. Under these schemes, loans are granted for a maximum tenure of 12 months. As per these schemes, the borrowers are to repay the loan amount together with accrued interest latest by the end of the tenure fixed. Most of the borrowers repay the loan in the normal course and in some cases reminders/notices are sent by the Company. In spite of these efforts, a small percentage of borrowers fail to repay the loan within the normal tenure. Consequently, the only option left for the company is to settle such overdue accounts by means of a public auction and realize its dues.

### **AUCTION PROCEDURES**

#### **A) Norms for Identification of Accounts for Auction.**

- i) All accounts in which interest remains unserved in full and if the loan is not closed at the end of tenure in various schemes, it will be identified and listed as “eligible for auction accounts”.
- ii) An account which has been classified as a NPA account in accordance with policies laid down by the company; or
- iii) Accounts that have not completed loan tenure, but having a substantial erosion in the realizable value of the security to cover the dues i.e. Mark to Market (MTM Cases) loss accounts may be taken up for auction in case all recovery initiatives fails.

#### **B) Intimation to the borrowers, Periodicity for Sending notices.**

1. Once an account has been identified as “eligible for auction accounts” a notice in the local language shall be sent to all “auction accounts” by registered post with acknowledgement card requesting the borrower to immediately pay the full dues.
2. With a view to reduce the number of auction identified accounts and as a measure of customer service, the Company shall send a registered auction notice with acknowledgement due 20 days from the date of overdue notice, requesting the

borrower to immediately pay the full dues, failing which the security would be liable to be put on public auction, without further notice, for recovery of dues.

- 3 A notice in the local 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 requesting the borrower 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.
- 4 A demand notice in the vernacular language shall be sent to all MTM Loss accounts by Registered post, requesting the borrower to immediately pay the loss amount including interest. Failing which the security (gold) will be liable to be put on public auction or E auction either account wise or as a lot without further notice for recovery of the loss and dues.
- 5 When such letters are returned undelivered, intensive action should be taken to locate the borrower, reconfirm the KYC documents and re-evaluate the security. The responsibility for ensuring the compliance would vest with the branches.
- 6 The acknowledgement card or unopened (returned undelivered letters), as applicable, should be preserved and systematically stored for easy future retrieval. Such records shall be under the custody of the branch up to the Auction. The responsibility for ensuring the compliance with the above policy guidelines shall vest with the respective Regional Managers.

## **7 Organizational structure for auction**

The Company shall have a dedicated Asset Quality Department at Corporate office to initiate, supervise and monitor the auction procedures. The department will function under the overall control of Managing Director. Official from the Asset Quality Department or authorised officials should be present and oversee the actual auction proceedings and will be entrusted the responsibility for the proper conduct and preserving the records thereof.

## **8 Auction Centers and Movement of Auction packets.**

- i) The auction should be conducted in the same branch /district or pool gold jewellery from different branches in a district and auction it at any location within the district subject to the 1<sup>st</sup> Auction has failed.
- ii) Approval of Auction centers shall be accorded jointly by the Head of the Operations department and CEO, based on the recommendations of the Regional Heads through Asset Quality Department. The number of auction centers in a state will be on need basis.

- iii) Auction Centers should be provided with appropriate, adequate and functional infrastructure such as space, storage arrangements, CCTV cameras, electronic weighing balance etc.
- iv) Physical movement of “auction accounts” from various branches to auction centers shall be done by the authorized employee/s of the branch. “The authorized employee/s” shall be decided by the RM considering the quantum, distance, terms and conditions as instructed in the Transit Insurance Policy schedule.
- v) Dedicated auction team (Authorised employees from the CO or ZM, along with Authorized Field functionaries) with Gold appraiser/s and auditor shall receive auction packets from branches as per the schedule given by the Asset quality department. Verification, lot creation and grading shall be done by the auction team as and when the packets are received and kept under the joint custody of Auction team or authorized officials

#### **9 Auction Announcement:**

The list of accounts taken up for auction shall be announced through advertisement in National daily and in a vernacular language. Such notification in the newspapers should be published at least 14 calendar days before the scheduled auction date. Copy of the auction advertisement shall be displayed in the branch and the respective regional Managers should ensure the compliance, monitored by the Asset Quality Department.

#### **10 Public auction, Creation of Convenient lots.**

- i) The company shall resort to realization of the “auction accounts” only through Public auction in “as is where is” and “as is what is” condition except as otherwise stated in the auction policy.
- ii) Gold loans taken up for auction must be segregated in to convenient lots to facilitate easy disposal based on the various factors such as purity, quantity, expected number of bidders and prevailing market rate of Gold.
- iii) Each lot shall be separately taken up for auction for security reasons and better realization.
- iv) Bidders have the right to inspect the lot before commencement of auction in the presence of authorized officers of the company and approved auctioneer. In the case of E-Auction, the highest bidders will have the right to inspect the lot only after Bid confirmation.
- v) Adequate insurance coverage and security arrangements must be arranged in advance considering the quantity and number of participants involved.
- vi) The proposal for fixing the reserve price for each auction shall be above 85% of the previous 30 day average closing price of 22 carat gold as declared by the India Bullion and

Jewelers Association Ltd and the value of the jewelry of lower purity in terms of carat should be proportionately reduced.

vii) When there are no bidders at the reserve price fixed, the reason therefore shall be ascertained and the auction will start from the highest closed bid from the participants or re-auction will be conducted in the online platform in case of E-Auction.

### **11 Legal, Low quality and Spurious accounts:**

i) Pledge gold having legal complications due to disputes, legal cases and deceased accounts etc. shall not be taken up for auctions under normal circumstances. Such accounts shall be dealt on a case to case basis with the recommendation from legal Dept., operation Dept. and approval from Managing Director.

ii) In normal course, branch will ascertain the purity of the collateral (Gold) before sanctioning the loan, but due to misjudgment at the time of sanctioning the loan, there is a chance for low quality or spurious items accepted as collateral. In such instance, branches shall send one registered notice to the customer, as and when such item is identified and if there is no chance for normal recovery or legal recovery, such accounts may be auctioned. Legal and Operation Departments should also certify that there is no chance for recovery either by normal or legal course.

iii) Spurious and low quality accounts may be included in the public auction as separate and convenient lots on “as is what is basis” based on the reserve price arrived at internal and external valuation (if required) by trained appraisers. If the realized amount is less than the total outstanding amount of the loan (inclusive of interest and auction charges), the deficit shall be written off in case all the other recovery measures fail.

iv) When there are no bidders at the reserve price fixed, the reason shall be ascertained and the measures are taken for disposing the accounts with the prior approval of Managing Director

### **12 Earnest Money Deposit (EMD) and Documents to be submitted by the Bidder:**

- i) All participants have to pay an EMD of Rs. 2 lakhs to MMFL in case of Public Auction and in case of E Auction to the respective service provider.
- ii) Proper KYC documents and PAN card shall be submitted by every participant. If the participant is representing a Company/firm, proper authorization, copy of registration, including GST Registration details and PAN card of the company shall be submitted to participate in the auction in addition to the Participants’ KYC documents.
- iii) Person, entities having known criminal background shall not be allowed to participate in the auction.

iv) The company or any of its related entities shall not participate in the auction

### **13 Empanelment of auctioneers, their responsibilities and Qualification.**

- i) Auction shall be carried out only through Auctioneers including E-auctioneers empaneled by the Company with the approval of the Auction Committee.

In centers, where such Auctioneers are not available the auction must be conducted by

- a. Lawyers with more than one year experience.
- b. Professionally qualified, work experience with auction and related activity in any financial Institution or Bank for more than 3 years.
- ii) The charges, fees payable to the auctioneers shall be fixed after proper internal approvals and reviewed periodically.
- iii) Considering the number of auctions and the availability of auctioneers, company reserves the right of empanelling one or more auctioneers in an area.

### **14 Self-Bidding and Disclosure in the Annual Report and refund of Surplus, recovery of Shortfall**

- i) MMFL or any of its related entities shall not participate in the public auctions.
- ii) The company will disclose in its annual report the details of the auctions conducted during the financial year including the number of loans, outstanding amount and Value realized.
- iii) After full receipt of auction sale proceeds, appropriate accounting entry will be passed in the customer accounts.
- iv) If there is any surplus, after adjusting outstanding loan amount, auction related expenses and notice charges arising in the individual account, should be refunded to the borrower, either through crossed cheque or electronic fund transfer irrespective whether a claim is made or not, within three months from the closure of the said account after verification of the credentials collected and entered by the branch.
- v) However if the borrower has other unsettled liability to the company, the surplus amount shall be adjusted to such account/s.
- vi) Company reserves the rights to send a deficit notice for recovering the auction deficit through normal course or legal action against borrowers after analyzing the cost benefit.

### **15 Registers and Records of Auction**

- i) All registers and records relating to public auction will be kept in the auction center under the joint custody of RMs concerned and bid confirmation, lot details, KYC and authorization, newspapers, copy of participants register and lot register will be kept at the corporate office under the custody of Asset quality department, subject to periodical internal audit.
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