

AUCTION POLICY FOR GOLD LOANS

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1. INTRODUCTION

This Gold Loan Auction Policy outlines the procedures and standards for the auction of gold jewelry pledged as collateral with TCPL in the event of borrower default. The policy ensures that such auctions are conducted transparently, fairly, and in compliance with the directives of the Reserve Bank of India (RBI) and industry best practices. Reserve Bank of India had issued “Guidelines on Fair Practices Code” vide Circular No:DNBS.CC.PD No:054/03.10.119/ 2015-16 dated July 1, 2015 wherein NBFCs are advised inter alia, to put in place an “Auction Policy”, duly approved by the Board of Directors.

This Policy shall be in compliance with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“RBI Master Directions”) as amended from time to time as well as any other guidelines issued by the Reserve Bank of India (“RBI”) in this regard.

2. OBJECTIVES

- Establish a standardized and transparent process for auctioning pledged gold ornaments.
- Ensure compliance with RBI directives and safeguard the interests of both borrowers and TCPL.
- Maintain ethical lending and recovery practices, upholding the trust placed in TCPL by its customers.

3. SCOPE

This policy applies to all gold loan facilities extended by TCPL, where gold jewelry is pledged as collateral. It governs the circumstances, processes, and compliance requirements for conducting auctions of pledged gold assets in the event of borrower default.

3.1. Definition of Default

- **Non-Payment of Dues:** Failure to repay the principal, interest, or any other charges, margin-calls due under the terms of the gold loan agreement on the specified date/due date(s).
- **Overdue Classification:** A gold loan account is considered overdue if the demand is not serviced within the specified due date(s) as per the sanction terms. A gold loan which is overdue for more than 90 days from the due date, will be classified as NPA in line with RBI’s Non-Performing Asset (NPA) classification norms.
- **Maturity Default:** In cases of bullet repayment loans, if the full repayment (including principal, interest and other charges) is not made on or before the agreed maturity date.



- **Intentional Non-Compliance:** If the borrower obstructs TCPL's attempts to enforce its security interest or fails to comply with contractual obligations related to the pledged gold.
- **Auction of gold ornaments identified as Spurious/ Low Quality:**
 - a. Low quality gold ornaments detected during audit verification anytime subsequent to disbursement of the loan may be taken up for auction even before the due date as per the tenure of the loan, subject to the under mentioned compliances. The said procedures shall also be followed for auction of low quality items detected at the auction centres during the course of an auction or while sorting items for the purpose of lifting for auction after completion of the tenure of the loan.
 - b. Such items will be separated and auction notice will be sent to customers intimating them about the low quality nature of the gold and giving them an opportunity to verify and redeem the items by repaying the dues. In case they fail to repay the dues and close the loan, auction proceedings will be initiated after publishing advertisements in newspapers indicating the time and place of auction, thus giving further time to customers to regularize the account and redeem the ornaments.
 - c. Before serving the above notice, purity of the gold ornaments shall be re-verified internally through a competent officer/auditor. Melt test (assaying) of a small portion of the pledged gold may also be resorted to for reconfirming purity if required.
 - d. The reserve prices for such spurious/low quality ornaments shall be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. A realistic reserve price will be fixed as per the purity of the ornaments assessed. Alternatively proportionate net weight of gold ornaments may be adjusted to match the purity of gold to 22 ct.

4. AUCTION PROCESS

4.1. Pre-Auction Procedures and Timelines

| Stage | Action Taken | Timeline |
|----------------------------|---|---|
| 1. Account Becomes Overdue | Loan account crosses due date (maturity/ EMI/Interest Payment) without repayment. | Day 1 of overdue |
| 2. Reminder Communications | System-generated SMS/call/email reminders sent to the borrower. | Day 1 to Day 60 of the account becoming overdue |

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| 3. NPA Classification | Account classified as Non-Performing Asset (NPA) as per RBI norms. | On Day 90 |
| 4. Final Demand Notice | A 15-day final notice sent via registered post/email/SMS, warning about impending auction. | Between 60-90 days from account becoming overdue |
| 5. Auction Notification | Public notice issued in 2 newspapers (vernacular + English) disclosing auction date & venue. | Minimum 7 days before auction date |
| 6. Borrower Can Repay Anytime | Borrower may repay dues and redeem gold before the auction starts. | Up to 1 day prior to auction date |

4.2. Auction Day

- The auction will be conducted **at the branch location or within the same district**, in accordance with RBI guidelines.
- Minimum three bidders are required for the auction to be valid.
- Gold lots will be auctioned via open bidding or sealed process.
- Bidders will be KYC-compliant and may be required to deposit a refundable security.
- The highest bid above reserve price will be declared the winner.

4.3. Post-Auction Actions

| Action | Timeline |
|--|---|
| Winning bidder makes payment | Within 2 working days of auction |
| Auction proceeds adjusted against all dues | Immediately upon receipt |
| Surplus refunded to borrower | Within 30 working days from auction date |
| Borrower informed of auction result | Within 3 working days from auction date |
| Records archived for compliance/audit | Maintained for 8 years minimum |

4.4. Reserve Price

- The reserve price shall not be less than **85% of the 30-day average closing price** of 22-carat gold, as declared by BBA or any RBI-recognized source.
- For lower-purity ornaments, the value shall be reduced proportionately.

4.5. Auction of Gold Jewelry

The term “**auction**” in this policy refers to the **realization of the security interest** (pledged gold ornaments) through a **public auction**, including through **online platforms**, wherever permitted.

Gold loans are extended against the pledge of gold jewelry, generally for a **maximum tenure of 48 months**, or for such other periods as determined by the Company.

As per the loan agreement, the interest/EMI should be serviced on or before the demand date and loan must be closed on or before the due date by repaying principal, accrued interest, and applicable charges. Failure to do so shall result in the gold ornaments being **liable for auction**, after due process.

- The auction is conducted **on behalf of the customer**, and proceeds are utilized to **liquidate the loan account**.
- Auction proceeds shall be adjusted against Principal outstanding, Interest overdues, other charges and any other dues from the customer
- **Applicable GST** is deducted from sale proceeds.
- **Excess realization** (if any) will be refunded to the customer within **30 days** of realization.
- Borrower retains the right to **redeem ornaments until the working day prior to the auction**.
- In select cases, the borrower may be **allowed to participate in the auction** and redeem their ornaments by matching the final bid price.

Customer-Centric Measures

- TCPL acknowledges the **emotional and sentimental value** attached to pledged gold.
- To **avoid auction**, TCPL will make all reasonable efforts to:
 - Send **timely reminders** and follow-ups urging interest payment,
 - Encourage **early redemption or loan renewal** (with applicable LTV margin adjustments),
 - Offer **grace time** of 2 days for resolution before taking recovery action.

5. DISCLOSURE & MONITORING

- TCPL shall disclose details of auctions conducted (number of accounts, dues, value realized, surplus refunds, etc.) in its annual report.



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- TCPL and its sister concerns or employees of the company directly administering the auction or employees having conflict of interest shall not participate in auctions.
 - Records will be preserved for 8 years, and policy compliance shall be reviewed by internal and external auditors.

6. POLICY REVIEW

This policy shall be reviewed annually or upon issuance of new RBI directives, and updates will be approved by the Board of Directors.

