

**YOGAKSHEMAM LOANS LIMITED.**  
**RECOVERY AND AUCTION POLICY**  
**(Master Copy)**

**Revision History**

<b>History</b>	<b>Adopted by</b>	<b>Date</b>
<b>Originally Adopted</b>	<b>Board Meeting</b>	<b>10-01-2015</b>
<b>1.Review &amp;Amendment</b>	<b>Board Meeting</b>	<b>07-05-2018</b>
<b>2.Review &amp; Amendment</b>	<b>Board Meeting</b>	<b>18-10-2019</b>
<b>3.Review &amp; Amendment</b>	<b>Board Meeting</b>	<b>05-08.-2020</b>
<b>4.Review &amp; Amendment</b>	<b>Board Meeting</b>	<b>10-03-2023</b>

**Content**

<b>Introduction</b>	<b>2</b>
<b>Objective</b>	<b>3</b>
<b>Factors that may affect Auction</b>	<b>3</b>
<b>Part-1 Gold Auction</b>	<b>4</b>
<b>Organisation Structure for Auction</b>	<b>4</b>
<b>Norms for identification of Accounts</b>	<b>4</b>
<b>Auction Centres</b>	<b>7</b>
<b>Authorisation for Auction</b>	<b>8</b>
<b>Notices</b>	<b>8</b>
<b>Auction Lot</b>	<b>10</b>
<b>Earnest money</b>	<b>11</b>
<b>Refund of Surplus</b>	<b>12</b>
<b>Appointment of Auctioneers</b>	<b>13</b>
<b>Eligibility for Bidding</b>	<b>13</b>
<b>Maintenance of records</b>	<b>14</b>
<b>Part-II- auction of non- gold asset</b>	<b>14</b>
<b>Empanelment of Arbitrator and Advocates</b>	<b>15</b>
<b>Disposal of Asset</b>	<b>16</b>
<b>Service of third party portals</b>	<b>17</b>
<b>Review and amendments</b>	<b>17</b>
<b>Empowerment</b>	<b>17</b>
<b>Language used</b>	<b>17</b>
<b>Effective date</b>	<b>18</b>

## **YOGAKSHEMAM LOANS LTD.**

### **RECOVERY AND AUCTION POLICY**

**(First approved by the Board on 10<sup>th</sup> January 2015)**

#### **I) INTRODUCTION**

i) The core business of YOGAKSHEMAM LOANS Ltd (the Company) consists of lending against the collateral security of gold ornaments (gold), normally ‘Household Used Jewellery’ (HUI). The inherent strength in such security is that it ensures automatic and prompt repayment of loans on the basis of the presumed ‘emotional attachment’ of the borrower to such HUI.

ii) Most borrowers repay the loan in the normal course and some others after receiving reminders/notices from the Company. Yet, there could still be a small proportion of the borrowers who fail to liquidate the loans within the normal tenure despite all soft and persuasive efforts. In some of these ‘hardcore’ cases even notices sent by registered post do not evoke a positive response. Consequently, the only option left for the Company to settle such overdue accounts is to go in for Auction of the pledged gold to realize its dues. The normal tenure of a loan as of now is 1 year within which period the borrower is expected to liquidate the account. However, the company has the power to extend or reduce the period of such loan in accordance with the loan policy and accordingly the company has been offering gold loans with an initial tenure up to 3 months under specified schemes with an option to extend the tenure subject to the compliance of conditions applicable to those schemes.

iii) The company is focusing on diversifying its loan portfolios and therefore building up non gold portfolio as well and the recovery measures of those portfolios may also results in auction/ disposal of underlying security.

iii) 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.

#### **II) OBJECTIVES**

The broad objectives of framing an Auction Policy are to:

i) Ensure the overall financial health of the Company by focusing on asset (loans) quality and comply with the NPA / Provisioning norms laid down by the Reserve Bank of India.

ii) Monitor adherence by the borrowers to the agreed repayment schedules and encourage them to liquidate the loans in the normal course without constraining the Company to resort to recovery by sale of security.

iii) Internalise the maxim “Maximise Customer Satisfaction by Minimising Auction” in devising recovery strategies by using auction only as a last resort for recovery of dues.

iv) Adopt an efficient, transparent and fair approach to the conduct of auction proceedings after giving proper and adequate notice to the borrower. v) Ensure compliance with legal, taxation and regulatory requirements while conducting the auction proceedings.

- vi) Put in place an organizational structure to initiate, conduct, control and monitor the auction procedures. Define the roles & responsibilities of the concerned officials operating in the structure.
- vii) Devise and implement adequate and sturdy internal control systems and risk management practices governing the auction procedure. Provide periodical structured reports / MIS connected with Auctions to the various senior functionaries.
- viii) lay down a standard process and control mechanism for auction of non gold securities including vehicles which are surrendered or repossessed by the company.

### **III) FACTORS THAT MAY INFLUENCE AUCTION**

- i) Recalcitrant and non-cooperative borrowers.
- ii) Substantial erosion in the realizable value of the security to cover the dues.
- iii) NPA / Provisioning norms laid down by the RBI.
- iv) Cash flows of the Company.
- v) Market price and volatility.

#### **Part- I**

#### **Matters relating to Recovery and Auction of Gold loan**

##### **A) Public Auction**

The Company shall resort to realization of the security only through 'Public Auction'. The term 'Auction' used in the policy shall mean realization of the security through 'Public Auction' only. As a general rule auction process shall be initiated for all accounts which are outstanding on the expiry of the contracted period except as otherwise stated in this policy. The auction can also be conducted online through the web site of the Company and in that case the Company shall provide secured access to eligible bidders to bid through the facility and an opportunity to the eligible bidders to physically see the assets put up for auction.

##### **B) Organisation Structure for Auction Proceedings**

- i) The Company shall have a dedicated team under the Recovery Department at the Head Office (Gold loan Dept.) to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department must be adequately staffed and headed by sufficiently senior officer. The Department will function under the overall control of Managing Director.
- ii) As and when required dedicated officials for assisting the Auction process at various centres may be posted under the overall supervision of the Head of the Recovery Department. Official(s) from the Recovery Dept should be specifically deputed to remain present and oversee the actual auction proceedings and will be entrusted the responsibility for the proper conduct thereof.

##### **C) Norms for Identification of Accounts for Auction**

- i) Taking into consideration the prevalent NPA norms, all accounts in which interest remain unserviced until the end of the contracted tenure from disbursement shall be kept under close monitoring by the Recovery Dept to accelerate normal settlement of the dues. Consequently, accounts in which 75% of the interest due from the date of disbursement has not been serviced will be identified and listed as 'Auctionable' pledges.

ii) Extension of the auction shall be considered only on payment of interest to the satisfaction of the company and the borrower should be clearly advised in writing at the time of each extension that acceptance of partial dues shall not entitle him/her to further notices for auction. At the end of the 4<sup>th</sup> month from the expiry of the contracted period of the loan, accounts in which 75% interest due has not been paid, even after notices served, shall be listed for auction (Auction List) without any further extension or notice. Recovery Dept should, however, be in immediate readiness to auction such pledges where the above grace period is given along with the other accounts already listed for auction.

iii) Subject to the NPA norms applicable to the Company and on the sufficiency of security cover, where the borrower has serviced interest up to date but the principal has not been repaid, in part or full, the borrower should be persuaded to avail a new loan, if required, after liquidating the existing loan considering the fact that, in spirit, the loan is a performing asset. The Dept should closely monitor such accounts to ensure regular payment of interest. In case of loans availed for shorter durations, steps shall be initiated for inducing the customer to close the loan or to avail a fresh loan on expiry of the contract period and before the loans become NPA.

iv) Accounts in which interest due has been serviced in FULL or part will be considered and accepted as NPA in line with the NPA norms applicable to the company as a matter of policy if the principal remains due in part or full.

v) Accounts that have not completed the contracted tenure (from disbursement date) may be taken up for auction in exceptional circumstances when the interests of the Company are substantially affected and all other recovery initiatives have not met with success. Approval for listing such accounts for auction shall be given by the MD and CEO on the recommendations of the Head of the Operations Dept, Head of the Recovery Dept and Head of the Compliance/ Legal Dept. The instructions relating to Auction will be observed fully in such cases also.

vi ) Auction of Gold Ornaments Identified as Spurious / Low Quality, Re-auction of Gold Ornaments Not Successfully Auctioned

a) Accounts in which pledge of spurious / low quality gold ornaments have been detected subsequent to disbursement may be taken up for auction even before the lapse of the contracted tenure of the loan subject to the undermentioned compliances.

b) As a first step, normal soft methods should be used to speed up recovery which should include a written intimation by registered AD to the borrower that the pledged gold is found to be of inferior quality and hence the loan should be closed.

c) If such soft recovery measures fail to evoke the desired response, notice in local language or a language as understood by the borrower should be sent to the borrower within 15 days of detection as spurious / low quality by registered AD calling upon the borrower to settle the loan within a maximum of 30 days from the date of such notice. The registered AD notice should refer to the rights conferred on the Company to dispose of the security by virtue of the undertaking of the borrower in the loan application form and clauses in the loan sanction letter (pawn ticket).

d) Before serving the above notice the purity of the gold ornaments shall be re-verified internally through a competent officer / auditor. When the amount of initial estimated loss is Rs 1.00 lakh (Rupees one lakh) or above the services of an external expert appraiser may also be obtained in case disputed by the borrower. Melt test (assaying) of a small portion of the pledged gold may be resorted to for re-confirming the purity or in the “difficult- to- assess” cases.

e) The MD shall be empowered to grant extended time for repayment to the borrower on a case to case basis on the recommendations of the Head of the Operations Dept, Head Office.

f) Where the borrower fails to settle the loan within the stipulated period mentioned above the gold ornaments shall be taken up for auction on an “as is where is basis” through public auction as per the procedure laid down in the Auction Policy. A final notice by registered AD should be sent to the borrower before the pledge is listed for auction.

g) The reserve price for such spurious / low quality ornaments must be fixed keeping in view the reconfirmed assessed purity. Expert internal / external opinion should be obtained to arrive at a realistic reserve price.

h) If such 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. A representative of the Auctioneer shall remain present during the melting activity alongwith 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 intervals not exceeding 1 calendar quarter.

(i) The same procedure as mentioned in para h (i) to (iv) above shall be adopted when ‘normal’ gold ornaments (viz. gold ornaments not identified as spurious / low quality upto the date of auction) are not bid at the auction due to perceived low quality.

(j) Auction of such spurious / low quality gold ornaments shall not be taken up when police or criminal case has been filed against the borrower or when there is any other legal impediment. Suitable internal guidelines regarding filing of police cases should be formulated and approved by the MD & CEO.

#### **D) Selection and Approval of Auction Centres, Safe Custody, Security Arrangements**

i) Auction shall be conducted only in approved Auction Centres / Offices. Approval of Auction Centres / Offices shall be accorded jointly by the Head of the Operations Dept, Head of Compliance and Head of the Auction Dept based on the recommendations of the Regional Manager. Internal

guidelines must be put in place for identification, selection and approval of such Auction Centres/Offices.

ii) Wherever possible auctions may be conducted at branches where the loan was sourced or auctions pertaining to branches in a Taluka may be conducted at an auction centre falling in that Taluk.

iii) Registration of such Auction Centres shall be complied with as required under local laws / taxation regulations.

iv) Auction Centres / Offices should be provided with appropriate, adequate and functional infrastructure such as space, storage arrangements, security environment, accessibility, CCTV cameras, electronic weighing machines etc. Internal guidelines should be framed covering these and other relevant points.

v) Physical transfer of pledged gold from various branches to the Auction Centres / Offices shall be done in convenient and desirable lots keeping in view of the transit / security risks, insurance coverage etc. Internal guidelines should be framed covering the entire procedure with suitable internal controls. The guidelines should include the number of officials to accompany the consignment, mode of transport, timings, fixation of limits, tracking of movements etc.

vi) In case of online auctions, the jewellery shall be transported to the branch where the place of delivery is fixed by the successful bidder in compliance with the provisions of applicable laws.

#### **E) Authorisation for Auction of Gold**

i) Once the accounts have been identified and listed for auction by the Recovery Department the proposal, in a structured format, shall be put up to the MD&CEO for approval. The Recovery Department shall ensure that the list is accurate, complete and in compliance with the approved Auction Policy.

#### **F) Mode and Periodicity for Sending Notices, Intimation to the Borrower**

i) Management shall ensure that proper notices were given to the customers at periodical intervals so that the borrowers will be reminded of the outstanding liability and also to induce them to close/renew the loan accounts on its maturity and to avoid charging of penal interest and auctions. The notices can be in the form of emails, SMS etc unless otherwise a specific mode of communication is provided in this policy.

ii) It shall be desirable on the part of the management to send an ordinary letter in the regional language or a language as understood by the borrower in an approved format on the expiry of 6 months from the date of disbursement reminding the borrower to remit the interest/ principal for loans with a tenure longer than 6 months.

iii) In order to ensure that the schedule for auction proceedings are observed punctually, a notice in the regional language or a language as understood by the borrower, in an approved format, shall be sent to all 'Auctionable' pledges (please refer para C (i) above) by registered post AD 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. This notice shall be sent immediately on the expiry of the contracted tenure of the loan..

iv) 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 compliance shall vest with the Head of the Recovery Dept.

v) As a matter of abundant caution in respect of such accounts ('Auctionable' pledges) where notices as above have been sent, but have been returned undelivered or for which AD card or postal acknowledgement downloaded from the department's portal(hereafter referred to as 'portal')is not available, a final notice should be served on the borrower immediately after 13months from disbursement. If the AD card or postal acknowledgement obtained from the portal is again not received within a reasonable period the Auction Dept shall apply to the post office and obtain a certificate of delivery to the addressee from the post office.

vi) The acknowledgement card or certificate of delivery from the post office or from the portalor the unopened cover (letter returned undelivered cases), as applicable, should be carefully preserved and systematically stored for easy future retrieval. Such records shall be under the direct custody and control of the Auction Dept for a period of atleast 1 year from the auction date. Thereafter, such records shall be transferred alongwith with the other records for proper storage.

vi) A final notice proximate to the auction shall be sent to or served on the borrower by ordinary/registered with A/D post intimating the date and place of auction shall be given to the borrowers.

vii) The responsibility for ensuring compliance with the above policy guidelines shall vest with the Head of the Recovery Department Internal Audit Department, Head Office shall verify compliance and bring out deviations, if any, to the immediate attention of the top management.

#### **G) Public Notification of Auction, Display of Information**

i) The list of accounts taken up for auction shall be displayed at the concerned Branches atleast 15 calendar days before scheduled date of auction and compliance of which must be ensured by the respective Regional Managers and monitored by the Recovery Dept.

ii) Conduct of auction proceedings shall be announced through advertisement in two newspapers - one in vernacular and the second in a national daily. Such notification in the newspapers should be published atleast 4 calendar days before the scheduled auction date.

iii) The format, content, size and clauses in the advertisement shall be standardized and got approved. The advertisement shall also be approved by the Head of the Recovery Dept in each instance. The notification should clearly mention that identification documents must be carried by those desiring to participate in the auction. The advertisement should also indicate that the gold ornaments will be auctioned on 'as is where is' basis.

iv) Guidelines issued by the Reserve Bank of India (RBI) from time to time shall be followed while conducting auctions and such instructions shall prevail over this policy in case there is a conflict between the two.

### **H) Convenient Auction Lots, Fixation of Reserve Price, Security, Insurance**

- i) Pledges taken up for Auction must be segregated into appropriate / convenient lots to facilitate disposal based on various parameters such as assessed purity, quantity of gold, expected participation of bidders, prevailing market prices etc.
- ii) Each lot shall be separately taken up for bidding for security reasons and better realization prospects. Deviations, if required, may be got approved by the MD and CEO on the recommendations of the Head of the Recovery Dept.
- iii) Participants shall have the right to inspect the gold ornaments, preferably one after another, before commencement of auction in the presence of the officer entrusted the responsibility to oversee the Auction procedure (para IV (B) (ii) above).
- iv) Participants should be clearly advised that local taxes as applicable would be payable by them on successful bidding.
- v) Adequate and foolproof security arrangements must be in place well in advance considering the level of participation and quantity involved. Insurance company should be kept informed where required.
- vi) The proposal with recommendations for fixation of the reserve / floor price for each auction shall be done by the Head of the Recovery Dept, recommended by the CFO/EVP&CS and approved by the MD & CEO. The reserve price shall not be less than 85% of the 30 day average closing price of 22carat Gold as declared by Bombay Bullion Association in the normal course and in the case of spurious/ low quality gold below the above caratage, the price may be fixed based on market situation subject to the above, in order that the auction attracts bidders and is successfully completed the reserve price may be fixed at about 5 % below the prevailing market price.
- vii) When there are no bidders at the reserve price fixed the reasons therefor shall be ascertained and the auction held as detailed in para C vi (i)

### **I) Legal Requirements**

- i) All legal requirements governing such auction (before, during and after) shall be listed, circulated to the concerned officials for adherence. Head of the Gold loan Recovery Dept shall certify compliance with all applicable legal requirements at the end of each auction and the Compliance department may oversee the compliance
- ii) The responsibility for issue of adequate and proper notices to the borrowers and overall compliance with all guidelines shall lie with the Recovery Department Internal Audit Dept should verify compliance at periodical intervals.
- iii) Pledged gold suffering from legal infirmities / complications due to disputes, legal cases, deceased accounts etc. shall not be taken up for auction in normal circumstances. Such accounts shall be dealt with on a case to case basis on merits by the Recovery Dept with the approval of head of Compliance department on the recommendations of the Head of the Operations Dept, Head of Recovery Dept and Head of the Legal Dept.

### **J) Due diligence on Participants, Earnest Money Deposit (EMD)**



- i) Proper and acceptable documents for identification of the participants in an auction should be obtained before permitting them into the auction hall. The usual documents taken for customer account KYC compliance may be accepted.
- ii) A reasonable amount EMD should be insisted upon from every participant. The mode of payment, amount and procedure should be got internally approved on the recommendations of the Head of the Recovery Department

**K) Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders,**

- i) Receipt of the bid amount in general shall be by means of bank transactions. However, on account of any exceptional circumstances like bank holiday, indefinite strikes etc the consideration is fully or partially accepted in cash such acceptance shall be in full compliance with the regulations and laws as applicable including the identity of the bidder is properly established.
- ii) A minimum of 25% of the bid amount including the EMD 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 alongwith the terms and conditions. The balance shall be payable within 3 working days after auction date. If the full amount is not received within the 3 working days after auction date the bid shall be treated as cancelled and suitable penalty levied on the bidder and intimated. The penalty shall be recommended by the Recovery Dept and approved by MD&CEO. It may be recovered from the amount already paid. The Auction shall be re-held at an early date after observing the procedure mentioned in para G & H above.
- iii) Delivery of gold to successful bidders should be made only after confirmation of full receipt of payment or realization of cheque / draft alongwith 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.
- iv) Loans to bidders against such auctioned gold shall be not permitted.

**L) Refund of Surplus, Recovery of Shortfall**

- i) Appropriate accounting entries should be put through in the customer loan accounts within 15 working days after the full receipt of auction proceeds.
- ii) Surplus, if any, arising in individual accounts should be refunded to the customer within 30 days from the date of realization of the amount, irrespective whether a claim is made or not by the borrower, either through crossed account payee cheque or electronic transfer. However, a rightful lien on such surplus may be retained, subject to proper notice, in case the borrower has other unsettled liabilities to the Company.
- iii) Legal action for recovery of shortfall in individual accounts may be considered where required and justified after a cost-benefit analysis is done and put up to the MD for approval.
- iv) A post auction intimation shall be given to the borrowers whose account has been auctioned within 60 days of the date of auction. The notice shall be sent by registered post in case of payment of surplus and by ordinary post in other cases. Notice shall contain the following information;

a, Net weight

- b, loan amount
- c, accrued interest including overdue interest
- d. other charges, if any,
- e. amount realized
- f. Surplus/deficit as the case may be.

**M) Panel of Auctioneers, Commission Rates, Role & Responsibility**

- i) Keeping in view the recent guidelines of the RBI 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. In centres where such Auctioneers are not available the Auction must be conducted using the services of competent Lawyers.
- ii) The appointment of Auctioneers (and Lawyers) shall be done in a transparent manner and after ensuring due diligence on each of them. The panel shall be progressively made sufficiently broad to foster healthy competition and provide greater options to the Company. The empaneled auctioneer shall be provided with a letter of appointment describing their roles and responsibilities to conduct the auction in a transparent manner.
- iii) The charges, fees etc. payable to the Auctioneers shall be fixed after proper internal approvals and reviewed periodically. The performance of the Auctioneers shall be periodically reviewed in a structured format.

**N) Eligibility Criteria for Participating / Bidding in Auctions, Guarding Against Cartels / Groups**

- i) Persons, entities having known criminal background shall not be allowed to participate in the Auctions.
- ii) Cartel formation by groups of bidders with ulterior purpose should be guarded against through appropriately tweaking the strategies from time to time.

**O) Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship**

- i) The Company or any of its related entities 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.

**P) Maintenance of registers / records**

- i) All registers and records mandatorily required under law and as per instructions issued by the Company shall be properly maintained and updated under the safe custody of a designated senior official and subject to periodical internal audit. Suitable instructions should be issued in this regard. Compliance shall be ensured by the Head of the Recovery Department

**Part II**

**Matters relating to Recovery of non-gold loans and disposal of security**

Since the company is sanctioning loans which are secured on other assets, it shall recover its loans by invoking the security interest and protect its interest in case of default from the borrowers. The

recovery of such loans shall be in a transparent and non-coercive manner and shall be completed in a time bound manner to enhance the scope of recovery of the amounts due to the company.

**1. Terms and conditions in loan agreement.**

- a) The loan agreement with the borrowers shall have necessary powers for the company to take appropriate steps for recovery of the loan in case of any default including to recall the loan before its maturity.
- b) The loan agreement shall specify the powers of the company to take possession of the asset offered as security in case of a default in repayment of loan or otherwise if there are reasonable grounds to believe that the asset if allowed to be in the possession of the borrower, co-borrower or guarantors, as the case may be, it may lose its economic value or otherwise alienated to the detriment of the interest of the company.

**2. Prompt recovery steps**

- a) The company shall be in readiness to take all recovery measures wherever there are symptoms of stress in servicing interest or principals in an account either in bullet payment or EMI/EMI/EDI. (Equated Monthly installments/ weekly installments/daily installments)
- b) where a borrower defaults two or more installments of principal and interest, soft recovery measures such as telephone calls to the borrower, co-obligants/guarantor and personal visit of concerned officials shall be initiated.
- c) Where such soft recovery measures are not evoking required response from the borrower, the company shall proceed to other recourses such as sending notices by registered post to the borrower and the guarantors to remit the entire dues within a period of 15 days.
- d) Where a continuous default in servicing interest or principal for 3 or more installments are noticed, the loan shall be recalled by giving not more than 15 days time to repay the loan in full to the borrowers by registered post with A/D.
- e) Where a loan is recalled and on the failure of the party to pay the loan in full or any partial payment to the satisfaction of the head of recovery of the concerned loan, the company may proceed to initiate legal action such as suit or arbitration in terms of the loan agreement with the borrower.
- f) The company shall intimate the borrower, co-obligant/ guarantor of the reference of the case to the Arbitral Tribunal and the appointment of the Arbitrator by a registered notice.
- g) Where a loan is identified for recovery through legal action, the request may be made to the head of recovery by the branch with the recommendation of the Regional Manager and or business head. The head of recovery may hand over the file to the Legal department with the approval of MD&CEO. The legal department shall forthwith initiate steps for legal action in terms of the loan agreement.
- h) Notwithstanding anything stated above where a fraud on the company is committed by the borrower/co-obligant/guarantor or suspected to be committed and which may result in depriving

the company all or any of its rights over the loan or the security offered to the company against the loan, the company may take appropriate steps to secure its rights under the agreement.

### **3. Empanelment of Arbitrators and Advocates,**

The company may engage sufficient number of Arbitrators for constituting arbitral tribunals. The Arbitrators shall be advocates with minimum of 10 years of practice or had held any judicial position post qualification of a degree in law and have experience in conducting arbitration.

The company may also engage advocates as may be required to represent the company in courts and other forums for matters in its favor or against. Advocates practicing in courts for more than 3 years may be preferred.

### **4. Surrender/repossession and disposal of assets offered as security.**

i. The company may take possession of assets, moveable or immoveable offered to it as security in the manner provided under the terms of the loan and by following the process as per prevailing laws.

ii. The assets so possessed shall be properly secured in a manner such that its value will not decrease otherwise than normal wear and tear.

iii. Where assets are so possessed an inventory shall be made by the concerned department and when the asset is returned to the borrowers on settlement of the loan, it shall be returned with the inventory and an acknowledgement from the borrower shall be obtained.

iv. Where immoveable properties are possessed through court process or otherwise, it shall be properly fenced with its borders are properly identified. A Board shall also be securely affixed to notify the public that the property is belonging to the company.

v. Where residential/ commercial buildings are possessed by the company, detailed inventory shall be done and witnessed and sealed with company's own lock and notice to be securely affixed on the premises. While taking possession of such buildings, perishable / dangerous articles, if any, are noticed the same shall be removed from the building in witness and shall be dealt with it appropriately.

vi. In case of vehicle loans, the borrowers may be permitted to surrender the vehicle in case of continuous default. Vehicle may also be repossessed in accordance with the process of law such as obtaining interim orders from court/arbitral Tribunal. Where it is suspected that the vehicle will be alienated to the detriment of the interest of the company it may take appropriate steps to secure the possession of the vehicle in a peaceful manner irrespective of the pendency of any proceedings in the case.

vii. Wherever necessary, the company shall take appropriate steps to secure its rights and title over the assets offered as security and incur necessary expenses for it including the registration of assets in its own name.

### **5. Service of recovery agents**

The company may avail the service of professional loan recovery agents for the purpose of collection of debt or recovery of securities. The agents so engaged shall have experience in commercial or personal debt collection for a period of not less than 3 years.

### **6. Disposal of assets**

i. The company may sell the assets repossessed or surrendered by the borrowers in as is where condition is. However, if the asset is not in a position to put in use for its intended purpose, the company may make the same to worth the purpose.

ii. The assets shall be offered for sale through public auction. Before putting in auction a base price shall be fixed for the asset and the base price may be arrived by referring to on line sale platforms or any other independent avenues capable of ascertaining prevailing market price of asset or with reference to the insurable value.

iii. The base price shall be approved by MD & CEO or any other person authorized by him in this regard.

iv. The auction/ bidding process shall be arranged in a transparent manner and there shall be proper delegation of authority for different functions associated with it. Periodical audits shall be conducted on the entire auction process.

v. The auction shall be fixed to the bidder who is bidding the highest amount and the successful bidder shall remit at least 15% of the consideration on the date of bidding and the balance payment shall be made within 5 working days of the auction. If he fails to pay the balance price before the committed date, the bid shall be cancelled and the advance received shall be forfeited. The assets shall be put for auction again.

vi. A registered notice of the intention of the company to sell the asset in auction shall be given to the borrower/co-obligant/guarantor in whose name the asset stands registered giving them a final opportunity of seven days to settle the dues and reclaim their assets. The company may proceed to auction once the proof of service of notice is received or the letter returned undelivered.

vii. The proceeds realised on sale of assets net of taxes and other statutory levies shall first be used to appropriate the expenses incurred in realizing the asset and followed by interest and other charges and finally towards principal.

viii. A post sale notice to be given to the borrower/ co-obligant /guarantor in whose name the asset stands registered giving details of the amount fetched in auction , its appropriation and the surplus/ deficit. In case there is a surplus the surplus shall be refunded to the owner of the asset within 30 days from the date of sale.

. In case of under recovery the company may take appropriate steps for the recovery of the shortfall in accordance with the terms of the loan agreement.

x. Proper records and registers of auction, disposal of assets including the identity of the bidders shall be kept by the collection and recovery department.

<sup>1</sup>xi. **Service of third party auction portals**

In view of the gaining importance of on line auction platforms maintained by IT service providers and as a measure of attracting bidding participants from a wider spectrum to improve the potential for better value realisation, the company may make use of auction platforms and web portals or the services provided by established service providers in this field for auction of goods re possessed by the company including Gold. The company shall ensure that the service providers follow transparent practices with reference to the auction process.

**IV) REVIEW OF POLICY AND AMENDMENTS**

The policy can be reviewed and amended or modified by the board of directors by passing a resolution either at its meeting or by circulation. Notwithstanding any amendments taken place, the actions taken in good faith under the then existing policy shall continue to have effect and will be binding on the parties concerned. The policy shall be reviewed by the board at least once in a year.

**V) EMPOWERMENT**

Managing Director & CEO of the company is empowered to issue internal instructions for implementation of the policy and the operational aspects. Where a deviation of any terms of this policy was necessitated by unforeseen situations and on circumstances outside the control of management, the deviation may be approved by the **credit committee** of the company consisting of MD&CEO,EVP&CS and CGM and shall be brought to the Board for review and amendment of the policy, if found necessary.

**VI) SEVERABILITY.**

If any portion of this policy is found to be inoperative on account of change in underlying directions issued by the RBI or of the accounting standards or declared to be inoperative by any regulatory authorities, the remaining portion which are not so inoperative will continue to be in force and binding on the company. Any action taken by the company or its officers under the policy before it became inoperative or unenforceable shall continue to be binding on the company.

**VII) LANGUAGE USED**

The expressions used in in this policy in its singular form shall mean and include its plural form as well and *vice versa*. Similarly expressions used in its masculine character shall mean and include its equivalent feminine character as well and *vice versa*.

**VIII) EFFECTIVE DATE**

The policy will be effective from the date of its approval by the board either originally framed or reviewed and amended from time to time

---

<sup>1</sup> Insertion of point no xi (service of third party auction portals.) in the board meeting dated 05.08.2020