

Salem Erode Investments Ltd

CIN No. L31200WB1931PLC007116

Reg. Office : 14, Motilal Nehru Road, Kolkata – 700029
Corp. Office : V.K.K Building, Main Road, Irinjalakuda, Thrissur (Dist.), Kerala - 680121
Email : salemerodeinvestmentsltd@gmail.com; cs@salemerode.com
Tel : +91 33 24752834; +91 0480 2828071; Website: www.salemerode.com

Auction Policy of Salem Erode Investments Limited, as approved by the Board of Directors vide. Meeting held on Saturday, the 13th day of February, 2021.

Salem Erode Investments Limited (hereinafter referred to as “the Company”) is an emerging financial services providing Company established and emerged in 16.05.1931 with a registration under the Companies Act, 1913 and expanded its operation into Non-Banking Financial Sector in 1998 with the approval of Reserve Bank of India. Presently, the Company is planning to expand and diversify its operations to different parts of the Country in the coming Financial Years. The Reserve Bank of India (RBI) has issued guidelines on Auction Policy for Non-Banking Finance Companies (NBFCs) thereby setting standards for transparency and proper procedure for the Auction vide it’s Circular DNBS.CC.PD.No. 266 /03.10.01/2011-12. Thus in view of the same, the Board of Directors has approved Auction Policy vide meeting held on 13th February, 2021.

The Auction Policy of the Company is as under:

A. Introduction

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. This Auction Policy will replace, in full, the existing auction policy and all instructions arising there from.

B. Auction Procedure in the Normal Course (after completion of tenure of the loan):

The company shall obtain registration under respective rules and regulations in force particularly under VAT rules. All the terms and conditions prescribed under such rules/regulations shall be complied with.

1. Organization Structure for Auction Proceedings

The Company shall have a dedicated Auction Department at the Head Office (Auction Dept) to initiate, supervise and monitor the auction procedure including adherence to the approved policy. The Department will function under the overall control of Executive Directors.

2. Auction of the Ornaments Pledged in Overdue Gold Loans

The term "Auction" used in the policy shall mean realization of the security through Public Auction only. It shall be the policy of the company not to sell the ornaments pledged by the customer to the maximum extent possible. The company shall follow up the release of the pledged ornaments before putting the same in the auction list by sending notices at intervals of 3 months, 6 months, (Registered post) and 1 year (Registered post) reminding borrowers of over dues in interest/ principal. Even after putting the ornaments in the auction list, a further opportunity shall be given to the customer to get the pledged items released by all possible means of settlement.

3. Criteria for Auctioning

The company normally categorizes those pledges which are not released within the loan period and become overdue, as time barred pledges and the same will be put in the auction list. Such items will be sold by public auction as per the terms of this policy. Though normally the company includes the accounts which are time barred pledges for auction, in periods where the metal price is on downward trend and the realisation of the loan dues is difficult the company can start the auction procedures even before the accounts are categorised as time barred pledges, after giving proper prior notice to the customer. However this will be done only after a decision taken at the Management committee of the company.

4. Deferring of Auction

Discretionary powers to defer auction in accounts where atleast 75% of the interest due has been paid shall be vested with the MD on the recommendations of the Executive Director.

An auction can be deferred at the request made by the customers on reasonable ground; such proposals for deferment of auction submitted by CRMs/RMs shall be recommended by Executive Director and approved by the Managing Director.

5. Intimation of Auction

If the loan is not settled by the customer even after receipt of the registered notice sent in respect of the time barred pledges, final intimation cum auction letter in the local language, along with English translation, 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 (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. The company shall keep the post office receipt towards proof of intimation/ notice to the customer.

- i. If the AD card is not received within a reasonable period the Auction Department shall apply to the post office and obtain a certificate of delivery to the addressee from the post office. Alternatively, if the AD card is not available the auction notice may be served on the borrower personally by an employee of the Company and signature of the borrower obtained in the duplicate copy of the notice.
- ii. MD shall be empowered to approve modifications to the above guidelines for Auction from time to time on the recommendations of the Executive Director

keeping in view, inter-alia, the regulatory directives, legal position and the Fair Practice Code adopted by the Company.

6. Newspaper Publication

A release in two dailies (one in national and one in vernacular language) having sufficient circulation shall be made well in advance before the auction. The auction list shall also be displayed at respective branch office(s).

Public notification of auction/advertisement/display of information and other related procedures shall be in line with the applicable rules, regulations and RBI guidelines issued from time to time.

7. Venue of Auction

The auction shall be conducted in the taluk or town where the loan was originated. The auction shall be made at the branch office of the company where the items are due for auction or at a centralised location depending upon the number of branches and the number of gold loan packets involved. Physical transfer of gold 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.

8. Registers and Records

The company shall maintain an auction file in which all the necessary documents in respect of the auctions are filed. It shall be kept under the custody of a senior designated officer of the company. A register shall also be kept in which details; such as the bidders present, price offered, price at which the ornaments auctioned etc are recorded. A separate attendance register showing the names and signatures of the bidders who have attended the auction shall also be kept at the auction centre. Compliance shall be ensured by the Head of the Auction Department.

9. Other Terms and Conditions:

i. The auction on "as is where is basis"

The auction of the ornaments shall be done on "as is where is basis".

ii. Inspection:

The bidders shall have the right to inspect the ornaments before the auction in the presence of the authorised officer of the company.

10. Minimum Price

The company shall fix a minimum price for each item to be auctioned. The minimum price fixed shall not be less than 85% of the previous 30 days average closing price of 22 carat gold as declared by Bombay Bullion Association (BBA) and value of jewellery of lower purity in terms of carot shall be proportionately reduced. The auction shall commence at a price above the minimum price. The bidder who quotes the maximum price above the minimum price shall be the successful bidder.

11. Proof of Identity

The bidders shall produce proof of their identity in order to be eligible for participating in the public auction. Any one of the documents prescribed by RBI under KYC guidelines shall be accepted by the company towards ID proof. Such proof of identity shall be handed over to the auctioneer of the Company. A pass will be issued by the company duly signed by the auctioneer to each bidder; who alone will be permitted to enter the auction hall.

As a policy the NBFC themselves shall not participate in the auction.

12. Security Deposit

An amount of Rs. 25000/- is prescribed as security deposit (EMD) by those who wish to bid at the auction. This amount can be paid by cash/DD drawn in favour of the company and is refundable to the unsuccessful bidders.

13. Mode of Payment by Successful Bidders & Delivery of Gold to Successful Bidders

The mode (banking channels) of receipt of bid amount shall be decided by the management from time to time taking into consideration the market conditions and Anti Money Laundering risks involved.

A minimum percentage of the bid amount as decided by the management from time to time including the security lying with the Auctioneer 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 along with the terms and conditions. The balance shall be payable within 5 working days from the date of auction. If the full amount is not received within the stipulated time, the bid shall be treated as cancelled and a penalty of 5% of bid amount or loss incurred by the company due to rate fluctuation whichever is higher shall be levied and intimated.

Delivery of gold 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.

Loans to bidders against such auctioned gold shall be not permitted.

C. Auction under Exceptional Circumstances

1. Auction Due to Depletion in Security Value (auction before completion of tenure of the loan):

Auction department shall regularly monitor the realizable value of gold and in any instance where the realizable value of gold is less than the actual value, such accounts shall be taken up for auction even before the completion of the tenure of the loan and in accordance with the directions laid down by the management from time to time.

2. Auction of Gold Ornaments Identified as Spurious / Low Quality

- 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 completion of the tenure of the loan, from date of pledge subject to the under mentioned compliances. *The said procedures shall also be followed for spurious/low quality accounts/pledges, identified at the auction centre or after completion of the tenure of the loan.*
- b. Proper notice/intimation shall be served upon the borrower as mentioned in **point C (3)**.
- c. 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 1,00,000 lakh (Rupees one lakh) or above the services of an external expert appraiser shall be obtained before serving the above notice. 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.
- d. The Executive Director shall be empowered to grant extended time for repayment to the borrower on a case to case basis on the recommendations of the CRM/RMs.
- e. The reserve price for such spurious / low quality ornaments must be fixed keeping in view the reconfirmed assessed purity and the RBI directions issued from time to time. Expert internal / external opinion should be obtained to arrive at a realistic reserve price.
- f. Auction of normal/spurious or 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 on the recommendations of the Executive Director.

3. Notice to borrowers identified in C (1) - Depletion in Security Value and C (2) -Spurious/Low Quality Gold.

Letter Type	Depletion in Security Value	Spurious/Low Quality: Identified at the branch or before completion of the tenure of the loan	Spurious/Low Quality: Identified at the auction centre or after completion of the tenure of the loan
Intimation Letter	A notice in local language should be sent to the borrower within 15 days of identification of loss in the account by registered AD calling upon the	A notice in local language should be sent to the borrower within 15 days of detection as spurious / low quality by registered AD calling upon the borrower to	A notice in local language should be sent to the borrower within 5 days of detection as spurious/low quality by registered AD. The registered notice should clearly provide reference to the following

	<p>borrower to settle the loan within a maximum of 2 weeks from the date of receipt of such notice or replenish the security with additional gold failing which the company may dispose the gold through auction without any further notice.</p>	<p>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).</p>	<p>details, inter alia:</p> <ol style="list-style-type: none"> 1. Completion of tenure of the loan. 2. That auction notice had already been sent after completion of the tenure of the loan. 3. That the Company had undertaken only a preliminary verification of the gold at the time of disbursing the loan and as per the right conferred on the Company as per the terms and conditions of the loan, to further check the purity/weight of the gold internally or by experts at any time, the purity of the gold was re verified at the auction centre prior to auction and was found to be of inferior quality. 4. That the Company is proceeding with auction as already intimated.
Final Letter	Nil	<p>In the case where the account remains unsettled after the issue of the above notice an auction notice furnishing the date and venue of auction shall be served on the borrower atleast 14 days before the proposed date of auction.</p>	

4. Re-auction of Gold Ornaments Not Successfully Auctioned (Normal Gold/Spurious or Low Quality Gold)

If the 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. Auctioneer/ his representative shall remain present during the melting activity along with 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.

D. Refund of Surplus, Recovery of Deficit on Auction

Any amount realised on auctioning of the gold which is more than the amount due from the borrower, shall be treated as auction surplus. This amount shall be paid to the borrower by cheque or Electronic Transfer on production of documentary proof like pawn ticket etc, within a maximum period of 30 days from the date of auction or within such time as may be directed by the regulatory authorities from time to time, either through crossed account payee cheque or electronic transfer. After this period, the amount will be transferred to an escrow account and thereafter, the amount will be paid through the escrow account. The company reserves the right to initiate appropriate legal action for recovering the deficit amount from the borrowers in whose accounts there has been deficit.

E. Panel of Auctioneers, Commission Rates, Role & Responsibility

In line with the FPC guidelines, 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. A standard, legally vetted agreement should be entered into with all the empanelled Auctioneers.

F. Bidding for Gold by Company / Related Entities, Maintaining Arm's Length Relationship

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.

G. Maintenance of registers / records

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 Auction Dept.

By order of Board,
For Salem Erode Investments Limited



K.G.
K.G. Anilkumar
Managing Director
(DIN: 00766739)