



Navarathna Finance

Navarathna Financial Services Limited

Empowering the Rural Mass

Fair Practices Code

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

A. (i) Applications for loans and their processing

- (a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (b) Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.
- (c) The branches will be advised to give acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of will be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

As complaints received against NBFCs generally pertain to charging of high interest / penal interest, the company shall mention the penal interest charged for late repayment in bold in the loan agreement.

The Company will provide a copy of the loan agreement with all the terms and conditions including rate of interest preferably in the vernacular language as understood by the borrower along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

(iii) Disbursement of loans including changes in terms and conditions

- (a) The Company shall give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The company will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.
- (b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- (c) The Company shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim the company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/paid.



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(iv) General

(a) The company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender).

(b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

(c) In the matter of recovery of loans, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies the Company shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.

(v) The Board of Directors of the company shall also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

(vi) The Company shall put the above Fair Practices Code outlined hereinabove on its web site, for the information of various stakeholders once the Company's website is ready. The Company would also review and refine the Code, as may be required periodically - based on its own experience and fresh guidelines if any, to be issued by the RBI in this regard.

(vii) Complaints about excessive interest charged by the Company

The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

(viii) Regulation of excessive interest charged by the Company

(a) The Board of the company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

(b) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the Company once it is ready or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.

(c) The rate of interest shall be annualised rate so that the borrower is aware of the exact rate that would be charged to the account.

(ix) Clarification regarding repossession of vehicles financed by the company

The company shall have a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and



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conditions of the contract/loan agreement should also contain provisions regarding: (a) notice period before taking possession; (b) circumstances under which the notice period can be waived; (c) the procedure for taking possession of the security; (d) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property; (e) the procedure for giving repossession to the borrower and (f) the procedure for sale / auction of the property. A copy of such terms and conditions shall be made available to the borrowers in terms of circular wherein it was stated that the company may invariably furnish a copy of the loan agreement along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans, which may form a key component of such contracts/loan agreements.

(x) Lending against collateral of gold jewellery

While lending to individuals against gold jewellery, the Company shall adopt the following in addition to the general guidelines as above.

(a) Adequate steps shall be taken to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan

(b) Proper assaying procedure shall be carried out for the jewellery received

(c) Internal systems shall be employed to satisfy ownership of the gold jewellery

(d) The policy put in place for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to shall be followed meticulously. Loans against the collateral of gold shall not be extended by branches that do not have appropriate facility for storage of the jewellery,

(e) The jewellery accepted as collateral shall be appropriately insured

(f) The policy with regard to auction of jewellery in case of non-repayment shall be transparent and adequate prior notice to the borrower shall be given before the auction date. The auction procedures laid down shall be followed thoroughly. There shall be no conflict of interest and the auction process shall ensure that there is arm's length relationship in all transactions during the auction including group companies and related entities

(g) The auction shall be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper

(h) The Company itself shall not participate in the auctions held

(i) Gold pledged shall be auctioned only through auctioneers approved by the Board

(j) The policies laid down for dealing with fraud including separation of duties of mobilization, execution and approval shall be complied in full force

(k) The loan agreement shall also disclose details regarding auction procedure