

**FAIR PRACTICE CODE**

**Mahan Industries Limited**

**(‘Company’)**

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## **INTRODUCTION**

Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time, prescribed broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies.

The Fair Practices Code is aimed to provide to the customers effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

Any subsequent revision in the RBI guidelines related to fair practices code, the revised RBI guidelines shall supersede the current Fair Practice Code to the extent it is not in compliance with the updated guidelines / instructions.

## **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:

### **1. Application for loans and their processing:**

- The Company will devise a loan application form for all the products offered to its customers depending upon the nature of the product. Loan application forms would include necessary information of the customers, features of the product and the documents required to be submitted for loan processing.

The Company would devise a system of giving acknowledgement for receipt of all loan applications.

### **2. Loan appraisal and terms/conditions:**

- The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment would be in line with the Company's Credit policy, norms and procedures in respect thereof.
- The Company shall convey in writing to the borrower by means of sanction letter/approval letter or passbook along with Key Facts Statement or any other mode, the amount of loan approved - along with the terms and conditions, including the effective rate of interest thereof. It would keep the acceptance of these terms and conditions by the borrower on the Company's files in digital or physical mode as applicable.
- The Company shall mention the penal charges<sup>1</sup> for late repayment in bold in the loan agreement along with applicable taxes if any<sup>1</sup>.

- The Company shall furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of/post disbursement of loans.
- The Company shall give acknowledgement for receipt of the loan application.

### **3. Penal Charges in Loan Accounts<sup>1</sup>:**

- i Any fees or penalty charged by the Company for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as ‘penal charges’.
- ii. There shall be no capitalization of penal charges i.e no further interest computed on such charges. However this will not affect the normal procedures for compounding of interest in the loan account.
- iii. The Company shall not introduce any additional component to the rate of interest.
- iv. The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions. Schedule of Charges and the product policies to be appropriately amended to stipulate the penal charges for individual borrowers (other than business purpose) and non-individual borrowers.
- v The quantum of penal charges by the Company shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- vi. The Company to disclose the quantum and reason for penal charges to the customers in the loan agreement and most important terms and conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company’s website under Schedule of Charges.
- vii. The Company to communicate the borrowers about the applicable penal charges while sending the reminders for non-compliance of material terms and conditions of loan.
- viii. Further any instance of levy of penal charges and the reason therefore shall also be communicated by the Company to the borrowers.

For the purpose of para (iv) and (v) above, the Managing Director/Chief Operating Officer or Chief Financial Officer shall be responsible to decide and identify the quantum, parameters and materiality of the terms and conditions for which the penal charges will be made applicable.

For the purpose of para (vi), (vii) and (viii) above requisite change shall be made in the respective SOP/Product Note (if any) for due implementation.

Inserted as per the new guidelines issued by RBI dated August 18, 2023 on Fair Lending Practice - Penal Charges in Loan Accounts. Vide – Circular dated December 29, 2023, these guidelines are made effective from April 1, 2024 (or revised date if any stipulated by RBI in future) instead of January 1, 2024 for any new loans sanctioned on or after April 1, 2024 and in the case of existing loans, the switchover to new penal charges regime as per the new guidelines is to be ensured on the next review/renewal date falling on or after April 1, 2024, but not later than June 30, 2024. or any other timeline as communicated by RBI.

#### **4. Disbursement of loans including changes in terms and conditions:**

- The Company shall give notice to all its borrowers in English language or a 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 shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- The Company shall release all securities on repayment of its full dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against its borrowers. 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.

#### **5. General:**

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for 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 Company).
- 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 to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, the Company shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

The Company shall ensure Charging of interest from the date of actual disbursement of the funds to the customer. Similarly, in the case of loans being disbursed by cheque, interest shall be charged from the date of the cheque handover

- In the case of disbursement or repayment of loans during the course of the month, charging of interest shall be only for the period for which the loan was outstanding and interest shall not be charged for the entire month.

## **6. Grievance Redressal Procedure:**

The Company has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the functionaries are heard and disposed of at least at the next higher level.

The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted:

- The name and contact details (Telephone / Mobile no. and email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- The name and contact details (Telephone/Mobile no. and email address) of the Principal Nodal Officer who can be approached by the public for resolution of complaints against the Company.
- Reserve Bank - Integrated Ombudsman Scheme, 2021 ('Scheme')
- Salient features of the Scheme in English, Hindi and the regional language
- If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Reserve Bank of India through the complaint lodging portal: <https://cms.rbi.org.in/>

## **7. Appointment of Nodal Officer/Principal Nodal Officer:**

The Company has appointed Nodal Officers at its Regional Offices situated at Ahmedabad and a Principal Nodal Officer in accordance with the Scheme.

## **8. Wide Dissemination and Periodic Review:**

The Company shall put the above Fair Practice Code outlined hereinabove on its website, for the information of various stakeholders. The Company would also review and refine the Fair Practice 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.

### **Explanatory Note:**

In wholesale lending business, the rate of interest is decided based on the complex risk profile matrix of each borrower. The Company would disclose the Prime Lending Rate (or any other applicable benchmark, or if fixed rate, then such fixed rate), Applicable Spread and Reset Frequency by way of sanction letter and facility agreement. Any change w.r.t. these factors would be suitably disclosed and communicated to the borrower.

Further these borrowers are generally mid-size/ large corporate groups which are well informed and hence in case of any up gradation of their risk profile, they are in a position to negotiate better terms. The interest rates in project loans are clearly spelt out in the sanction letter as well as the facility agreement.

## **9. Repossession of vehicles**

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 conditions of the contract/loan agreement would 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 the 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 must be made available to the borrowers in terms of circular wherein it would be stated that the Company may invariably furnish a copy of the loan agreement along with a copy each 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.

## **10. Responsible Lending Conduct –Release of Movable/Immovable Property Documents on Repayment/Settlement of Personal Loans<sup>2</sup>**

Under the guidelines issued by RBI, the Company shall release all the original movable/immovable property documents and remove the charges registered with any registry within a period of 30 days after full repayment/settlement of loan account. The Company shall further have appropriate document/SOP to abide by the provisions under the guidelines

## **11. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans**

The Company at the time of sanction and during rate reset shall ensure compliance with the requirement of RBI Circular dated August 18, 2023 on Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans. The appropriate framework has been put in place in Interest Rate Model Policy of the Company.

## **12. Review/Revision**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions