

ELARA FINANCE (INDIA) PRIVATE LIMITED

FAIR PRACTICE CODE

Summary of Policy

Policy Name	Fair Practice Code
Related policies and regulations	RBI Guidelines on Fair Practice Code
Name of the Company	Elara Finance (India) Private Limited
Approver	Board of Directors of Elara Finance (India) Private Limited
Annexures	None
Date of Approval	15.02.2018

INTRODUCTION

The Reserve Bank of India ('RBI') vide its circular DNBS (PD) CC No.80/03.10.042/2005-06 dated September 28, 2006, and subsequently through various notifications, issued guidelines on Fair Practices Code ('FPC') for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method. All the circulars/notifications in this regard have been consolidated vide Master Circular – Fair Practices Code (circular number DNBR (PD) CC.No.054/03.10.119/2015-16) dated July 1, 2015.

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circular. This sets minimum Fair Practice standards for the Company to follow when dealing with customers. It provides information to customers and explains how the Company is expected to deal with them on a day to day basis.

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, Corporate governance principles, Greater transparency and Building customer confidence in the company

GUIDELINES ON FAIR PRACTICES CODE

A. Applications for loans and their processing

1. Loan application forms shall 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 the borrower can take an informed decision.

2. The loan application form shall indicate the documents required to be submitted with the application form.
3. The Company shall provide acknowledgement for receipt of all loan applications.
4. Time frame within which loan application will be disposed shall be indicated in the acknowledgement.
5. Language of loan application shall be in English and if possible, in vernacular language or language understood by Borrower.

B. Loan Appraisal and Terms/Conditions

1. The Company shall convey in writing in English to the borrower by means of approval letter or Sanction Letter key terms and conditions of the proposed exposure;
2. Such Letter shall provide information such as the amount of loan approved, terms and conditions, including the annualized rate of interest and method of application thereof, Penal Interest, Tenure of Loan and maturity date for repayment of Loan and interest thereupon, mode of repayments availed to borrower;
3. The Company shall furnish a copy of the loan agreement in English as understood by the borrower along with copy of all relevant enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of the loan and shall be duly approved by the customer and countersigned by the authorized officials of Company.
4. The Company shall keep the acceptance of these terms and conditions by the borrower on the Company's files.

C. Disbursement of Loans including Changes in Terms and Conditions

1. The Company shall give notice in English to all its borrowers 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 affected only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.

2. Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
3. 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.

D. General

1. 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).
2. In case of receipt of request from the borrower for transfer of borrower's loan 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.
3. If the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding the customer by sending the notice or by making personal visits and/ or repossession of security, if any. In case of default, the Company may refer the case to the recovery agent and will inform the customer of the recovery proceedings being initiated. The Company shall ensure that its process of recoveries will not involve harassment to the Customer such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. Appropriate instructions will be provided by the Company to its staff for handling customer queries and grievances cordially.
4. Company shall not charge foreclosure charges/pre-payment penalties on floating rate term loans sanctioned to individual borrowers.

E. Responsibility of Board of Directors

The Company has laid down grievance redressal mechanism within the organization as per details mentioned in the next paragraph. Such Mechanism ensures that all disputes arising out of the decisions of lending by the Company's functionaries are suitably heard and disposed of at least at the next higher level. The Company shall annually review the Compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of compliance shall be submitted to the Board every year.

F. Grievance Redressal Mechanism

1. The Board of Directors of 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 company are heard and disposed off at least at the next higher level. The customer shall be informed of the customer complaint process / GRM followed by the Company. The customer shall be entitled to approach the Grievance Officer, who shall ensure to take up the grievance promptly and try to resolve the matter expeditiously. The said forum will meet within a period of 3 weeks from the date of receiving any grievance intimation. All communication in relation to the GRM shall be in writing.
2. The customers and other stakeholders including vendors can submit their grievances, complaints and suggestions. All complaints received by the Company shall be tabled at the meeting of the Board of Directors every quarter.
3. The name and contact details (telephone and email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company. The company has appointed the following officials as Grievance Redressal Officer:

Name of Grievance Redressal Officer of the company	Mr. Kamal Kishore Sati
Contact No.	+91 22 6164 8574
Email Address	Kamal.sati@elaracapital.com

4. The name and contact details as mentioned below of Officer-in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the Company falls, if the complaint is not resolved within 1 month.

Name of Grievance Redressal Officer	General Manager Reserve Bank of India Mumbai Central Post Office, Opp. Mumbai Central Railway station, Mumbai Central (West), Mumbai-400 008.
Contact No.	022-23084121

G. Language and mode of communicating FPC

Fair Practice Code as laid down by the Company has been established in English language and is based on the guidelines as outlined by the RBI.

H. Complaints & Regulations about excessive interest charged by the Company

1. The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.
2. 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.
3. 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.
4. The rates of interest and the approach for gradation of risks shall also be made available to the borrowers. The information should be updated whenever there is a

change in the rates of interest.

5. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

I. Clarification regarding repossession of vehicles financed by the Company

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

2. The Company shall ensure that a copy of such terms and conditions is made available to the borrowers in terms of circular wherein it was stated that NBFCs 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.

J. 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.

- i. The Company shall put in place Board approved policy for lending against gold that should inter alia, cover the following:
 - a. Adequate steps 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 for the jewellery received,
 - c. Internal systems to satisfy ownership of the gold jewellery,
 - d. The policy shall also cover putting in place adequate systems 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. As a policy, loans against the collateral of gold should not be extended by branches that do not have appropriate facility for storage of the jewellery,
 - e. The jewellery accepted as collateral should be appropriately insured,
 - f. The Board approved 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. It shall also lay down the auction procedure that would be followed. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with 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. As a policy the NBFCs themselves shall not participate in the auctions held,
 - i. Gold pledged will be auctioned only through auctioneers approved by the Board.
 - j. The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
 - k. The Company would put in necessary framework and processes for ensuring

compliance with the recommendations of the Working Group on NBFC lending against collateral of gold jewellery as enumerated under Circular No. DNBS.CC.PD.No.356 /03.10.01/2013-14 dated September 16, 2013.Regarding the valuation of the gold jewellery, company to follow the guideline as per the circular DNBR.CC.PD.036/03.10.01/2014-15 dated May 21, 2015

ii. The loan agreement shall also disclose details regarding auction procedure.

The Company will abide by all guidelines, directives, instructions and advices of Reserve Bank of India as will be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The Company will apply better practice so long as such practice does not conflict with or violate Reserve Bank of India regulations.