

ELECTRONICA FINANCE LIMITED

FAIR PRACTICES CODE

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FAIR PRACTICES CODE

1. Preface

Electronica Finance Limited (hereinafter referred to as “EFL” or “the Company”) is a Public Limited company incorporated under the provisions of the Companies Act, 1956 registered as an NBFC with Reserve Bank of India (RBI), classified as Non-Deposit taking Systemically Important Finance Company.

EFL is engaged in the business of extending loans to micro, small and medium enterprises and small businesses for various requirements.

This Fair Practices Code (the Code) has been formulated pursuant to the Guidelines issued by the Reserve Bank of India on Fair Practices Code for Non-Banking Financial Companies vide its Master Circular bearing No.RBI/2014-15/34 DNBS (PD) CC No.388/03.10.042/2014-15 dated 1st July 2014, wherein Reserve Bank of India (RBI) has summarized the guidelines on Fair Practices Code for NBFCs and in accordance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time.

The Code is intended to cover the following areas:

- Applications for loans and their processing
- Loan appraisal and terms/conditions
- Disbursement of loans, including changes in terms and conditions
- General provisions
- Grievance Redressal mechanism, and
- Interest Charges

2. Important Definitions

- a. Company/EFL: Shall mean the organization ‘Electronica Finance Limited’ (“EFL”) for which this Fair Practice Code has been framed.
- b. Board: Shall mean the Board of directors of EFL.
- c. Code: Shall mean the Fair Practice Code, as amended from time to time.
- d. Borrower/Customer: Shall mean any existing or prospective borrowers/customers of EFL.

3. Objective

- Promote good, fair and trustworthy practices by setting minimum standards in dealing with customers
- Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services.
- Promote a fair and cordial relationship between the customers and the Company.
- Building Customer confidence in the Company;
- Recovery and enforcement, where necessary, is conducted following due process of law.

4. Applicability

The Code is applicable to all products & services offered by the Company and must be adhered to by the Company, its employees and other persons authorised to represent the Company in the course of its business.

5. Applications for loans and their processing

- a. All communications to the Borrower shall be either in paper or digital form and in the vernacular language or a language as understood by the borrower.
- b. The Company shall obtain from its customers such information as is required to meet its obligations under the prevailing statutory and /or regulatory Know-Your-Customer and Anti Money Laundering guidelines; and if the customer fails to provide the requisite information to the satisfaction of the Company, it may decline to make available its products and services to the person concerned.
- c. The Company shall carry out Borrower's due diligence to ascertain the credit worthiness of Borrower which will be an important parameter in taking decision of the application before sanctioning or rejection of any Loan Application Form.
- d. All relevant information pertaining to the loan/loan facility will be made available in the relevant loan application form(s) or through other modes (term sheet, sanction letter etc.). The loan application form will also indicate/contain the documents required to be submitted together with the duly completed application form and the timelines within which the application will be disposed of, subject to receipt of necessary documents. The Borrower will have the option to receive all the correspondences, loan documents, recall notices etc. relating to loan in vernacular language or a language understood by the Borrower. For this purpose the Borrower need to indicate his/her/its preference in the loan application form by selecting the appropriate option.
- e. Receipt of completed application forms will be duly acknowledged within appropriate timeframe.

6. Loan appraisal and terms/conditions

- a. Loan applications shall be assessed in accordance with the Company's credit appraisal process and policies. The Borrower shall be advised of the outcome of the credit appraisal (approval/rejection) within the period for appraising the loan application indicated in the acknowledgment to loan application, in the vernacular language or a language understood by the Borrower.
- b. Upon approval of the loan, the Company shall convey the amount of loan sanctioned, annualized interest rate and other important terms and conditions to the Borrower by way of sanction letter or otherwise in the language selected by the Borrower in the application form for correspondence, etc.
- c. The penal interest, if any, to be charged by the Company for late repayment, etc. shall be mentioned in bold in the loan agreement. etc. An acceptance of such terms and conditions shall be retained by the Company.
- d. The Company shall enter into an agreement indicating the amount of loan sanctioned, annualised rate of interest applicable, along with the terms and conditions with the Borrower. A copy of the said agreement along with schedule(s) and annexure(s) to the agreement will be provided to the Borrower in the language opted by the Borrower.

7. Disbursement of loans, including changes in terms and conditions

- a. Any changes to the terms and conditions, interest rates, shall be informed individually to the borrowers in case of account specific changes, and in case of others, the same shall be available at the Registered office / Corporate office of the Company or on website. Changes in the interest rates and charges shall be effected prospectively. A suitable condition to this effect will be inserted in the loan agreement.
- b. Decision to recall / accelerate payment or performance under the agreement shall be in accordance with the terms and conditions of the loan documents executed by the borrower with the Company.
- c. All securities/ assets pertaining to the loan would be released on receipt of full and final payment of the loans, subject to any legitimate or contractual right or lien or right to setoff which the Company or any other person may have under the loan documents against the borrowers.
- d. If such right of set-off of assets 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 right to retain or setoff the securities/sale proceeds from the securities or right to transfer the securities or sale proceeds is exercised by the Company.
- e. All notices, correspondence in respect of the loan will be made in the vernacular language or language understood by the borrower.

8. Non- Discrimination Policy

The Company shall not discriminate in extending products and facilities including loan facilities to the physically / visually challenged applicants on the grounds of disability. They shall be treated at par with the other applicants and their application shall be dealt on merit as per the credit process and policy of the Company. All possible assistance will be provided to the applicants with the disability (ies) to enable them to understand, select and avail appropriate product or loan facility.

9. Advertising, Marketing and Sales:

- a. The Company shall ensure that its publicity and promotional literature and other materials are not misleading.
- b. In any advertisement and promotional literature that draws attention to a service or a product and includes a reference to an interest rate, the Company will indicate whether other fees and charges will apply, and shall disclose that the final sanction of the loan will be subject fulfilment of the relevant terms and conditions.
- c. The Company shall not use personal information of customers for marketing purposes by any entity including self, unless authorized by the customer.

10. General Provisions

- a. EFL shall provide the Customers with all the information regarding their dues and provide reasonable time for payment of the same.

- b. EFL shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim they may have against the Borrower.
- c. 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 EFL is entitled to retain the securities till the relevant claim is settled/ paid.
- d. EFL shall while protecting its interest adopt reasonable and lawful measures to recover its dues from defaulting Borrowers, including the use of persuasive methods for the purpose of collection of its dues.
- e. EFL shall ensure that the staff is adequately trained to deal with the Customers in an appropriate manner.
- f. The Company shall refrain from interference in the affairs of the borrower, except for the purposes and as provided in the terms and conditions of the loan documents or unless new information, not earlier disclosed by the borrower, has come to the notice of the Company.
- g. In case of receipt of request from the borrower for transfer of borrower 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.
- h. In the matter of recovery of loans, the Company shall not resort to any harassment (viz persistently bothering the borrower at odd hours, use of muscle power, etc) for recovery of loans. Training will be imparted to ensure that staff is adequately trained to deal with customers in an appropriate manner.
- i. The Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loans sanctioned, for purposes other than business to individual borrowers with or without co-obligant(s). The Foreclosure charges are to be applied as per the regulatory directions issued from time to time.
- j. 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.
- k. Sanction letter shall indicate the annualised rate of interest and method of application thereof, so that the borrower is aware of the exact rates that would be charged to the account.

11. Repossession of assets financed

Where applicable, the Company shall have a re-possession clause in the loan agreement with the borrower which will be legally enforceable. To ensure transparency, the terms and conditions of the loan agreement shall contain provisions regarding repossession of the assets and the resale/ auction thereof.

12. Grievance Redressal Mechanism

The implementation of the Fair Practices Code shall be the responsibility of the Company. The Company shall make every effort to ensure that its dealing with borrowers / customers is smooth

and hassle free. Any complaint brought to the notice of the Company by a borrower / customer will be handled expeditiously.

Guidelines for complaint and grievance redressal as laid down in the Grievance Redressal Policy of the Company which is duly approved by the Company shall be followed.

13. Regulation of Excessive Interest charged

The Company has laid down appropriate internal principles and procedures in determining interest rates and processing and other charges. To ensure that the customers are not charged excessive interest rate and charges the Company has adopted the "Interest Rate Policy". Such Policy shall be made available on the website of the Company.

Rate of interest to be charged depends upon the gradation of the risk of borrower based on the financial strength, business, regulatory environment affecting the business, competition, past history of the Borrower etc.

The rate of interest and total interest amount to be charged over complete tenure of loan will be communicated so that the Borrower is aware of the exact interest liability that would be charged to the Borrower.

The said information published in the website or otherwise shall be updated whenever there is a change in the rates of interest. The Board of EFL has laid out appropriate internal principles and procedures for determining interest rates, processing and other charges.

14. Responsibilities for Outsourced Activities:

- a. In case of outsourcing of any activity by the Company, the onus of compliance with the Code and relevant RBI Directions shall rest with the Company.
- b. The Company shall be accountable to the Customer for any inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal to the Customer.

15. Dissemination of the Code

This Code will be posted on the Company's website, and copies may also be obtained from its corporate and other offices.

16. Review of the Code and related aspects

The Code shall be reviewed annually and placed before the Board of Directors for approval of changes. A half-yearly confirmation regarding compliance with the Code shall be placed before the meeting of the Board of Directors held immediately after the end of the half-year.

A half-yearly report on functioning of the grievances redressal mechanism shall be put up to the Board of Directors (or a Committee of Directors).

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