

**KERALA STATE INDUSTRIAL
DEVELOPMENT CORPORATION LTD**

Fair Practice Code

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1. Introduction

This Policy shall be termed as Fair Practices Code of KSIDC ('KSIDC' or the 'Corporation'), prepared and posted on the Corporation's web site in accordance with the directions of Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 (RBI/DoR/2023-24/105-DoR.FIN.REC. No.45/03.10.119/2023-24 dated October 19, 2023) and Fair Lending Practice-Penal charges in loan accounts” RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 issued in August 2023 and other directives issued by Reserve Bank of India.

2. RBI Guidelines

The Reserve Bank of India has rolled out certain guidelines to cover inter alia, they are:

- Application for loan and their processing
- Loan appraisal and terms & conditions
- Disbursement of loans including changes in terms and conditions
- Recovery of loans
- Language and mode of communication of Fair Practice Code
- Regulation of excessive interest charged by NBFCs
- Complaints on excess interest charged by NBFC and
- Responsibility of Board of Directors

KSIDC has put in place the FPC with an endeavor to achieve synchronization of best practices when the Corporation is dealing with its stakeholders such as customers, employees, vendors, etc. The Corporation's Fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities.

3. Fair Practices Code

3.1. Key commitments

The following are the Corporation's key commitments to customers:

- a. Adopt the best practices in dealing with customers
- b. To provide professional, efficient, courteous, diligent and speedy services.
- c. Promote good, fair, transparent and legally tenable practices by minimum standards in dealings with customers.
- d. To be fair and honest in any advertisement and marketing of loan products.
- e. To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
- f. If sought, to provide such assistance or advise to customers seeking loans.
- g. To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal system within the organization.
- h. To comply with all the regulatory requirements in good faith.
- i. Foster fair and cordial relationship between the customers and the Corporation

3.2. Application of loans and their processing

- a. All communications to the customers/borrowers shall be made in English or vernacular language or a language as understood by the borrower.
- b. All loan application forms shall contain 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 application form shall indicate the documents required to be submitted.

- c. All loan applications received by the Corporation will be given an acknowledgement slip.
- d. Loan applications shall be processed and after necessary due diligence is done; customer shall be issued a sanction letter. The acceptance of the terms and conditions by the borrower shall be kept by the Corporation for its records. The Customer shall sign the loan agreement and other documents. Such agreements and documents shall have the schedule for interest rates and charges mentioned in bold. All the terms and conditions shall be explained to the customers
- e. Being project specific loans, sanctions will be obtained after the approval of the Executive Committee/ Board which are normally held once in 3 months.

3.3. Loan appraisal and terms / conditions

- a) The Corporation will convey in writing to the borrower, the amount of the loan sanctioned along with the terms and conditions including applicable rate of interest, method of charging interest, repayment terms and keep the acceptance of these terms and conditions by the borrower on its record.
- b) As complaints received against NBFCs generally pertain to charging of high interest / penal charges, the Corporation shall mention the penal charges charged for late repayment in bold in the loan agreement.
- c) The Corporation has an “Interest Rate” policy which lays out the principles for charging Interest and other fees to customers
 - i. The interest rate to the customer is determined based on cost coverage and reasonable returns to the organization and its shareholders.
 - ii. The rate shall be annualized rate
 - iii. The rates of interest and the approach for gradation of risks shall be made available on the website of the Corporation.
 - iv. The Corporation’s pricing methodology will continue to evolve and be more and more refined as we get more insights into risk levels of each sub segment.
 - v. Applicability of penal charges, the methodology of levying the charges and collection of penal charges.
 - vi. The Corporation offers loan rates based on loan size, perceived credit risk, nature and value of collateral and credit history with other FIs. Existing customers who take a repeat loan will also get benefit of lower rates as they have a demonstrated track record.

3.4. Disbursement of loans including changes in terms and conditions

- a) The Corporation will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Corporation will also ensure that changes in interest rates and charges are effected only prospectively.
- b) The Corporation shall recall or accelerate the payment of loans in consonance with the conditions in the loan agreement.

- c) The Corporation will release all securities on repayment of all the dues subject to any legitimate right or lien for any other claim, it may have against the borrower.

3.5. Post- disbursement supervision

The post disbursement supervision by the Corporation, particularly in respect of loans shall be constructive with a view to take care of any genuine difficulty that the borrower may face. For collection purposes, the Corporation shall adhere to the policy guidelines as per Code of Conduct for Collection and Recovery of dues from borrowers.

Further the Corporation reiterates the following points with regard to post disbursement supervision:

- a) Before taking decision to recall / accelerate payment or performance under the facility terms or seeking additional securities, the Corporation shall give notice to borrowers, as specified in the facility terms or a reasonable period if no such condition exists in facility terms (unless the security is in jeopardy).
- b) The company shall release all securities on receiving payment of loan or realization of loan, subject to any legitimate right or lien for any other claim the Corporation may have against the borrowers/guarantors.
- c) The change in the terms and conditions of the loan agreement shall be informed to the loanees prospectively.
- d) The loan application register shall be kept at the office recording the details regarding the sale of loan applications, receipt of application, sanction of applications and rejection of applications with reasons for rejection.
- e) Prior notice shall be given to the loanee if additional security is sought for from them.
- f) A Grievance Redressal Mechanism shall be formulated and set up within the organization for effectively handling the complaints received by the Company from various clients.

3.6. 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 sanction of the loan (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender).
- b) In case of receipt of request for transfer of borrowal account, either from the borrower or from a lender which proposes to take over the account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days with the receipt of the 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.

3.7. Responsibility of Board of Directors

The Board of Directors of the Company shall 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 Corporation's functionaries are heard and disposed of at least at the next higher level. Periodical review of the functioning of the grievance's redressal mechanism shall be done in every 3 months at various levels of management and the Chief Compliance Officer. Periodical review of the compliance of the Fair Practices Code shall be done by the Board of Directors/RMCB based on the reports of CCO as well as CGRO.

3.8. Chief Grievance Redressal Officer

- The Corporation shall implement all possible steps to prevent and minimize customer complaints/ grievances.
- The Corporation shall put in place an effective Customer Grievance Redressal mechanism details of which will be displayed on the website and in all the branches. The mechanism will specify inter alia the names & designations of the officials with whom complaints can be registered.
- The contact details of the Chief Grievance Redressal Officer shall be displayed in all the Branches for the benefit of customers.
- If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer -in-charge of the Regional Office of DNBS of RBI as per the contact details displayed in the branch

3.9. Repossession of vehicles financed by KSIDC

The Corporation should 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 shall also contain provisions regarding:

- (i) notice period before taking possession;
- (ii) circumstances under which the notice period can be waived;
- (iii) the procedure for taking possession of the security;
- (iv) a provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
- (v) the procedure for giving repossession to the borrower; and
- (vi) the procedure for sale/ auction of the property.

A copy of such terms and conditions must be made available to the borrower. The Corporation shall 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 forms a key component of such contracts/loan agreements.

The Fair Practice Code of KSIDC shall be updated as and when required.

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