



FAIR PRACTICES CODE

PREAMBLE

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non-Banking Financial Companies (NBFCs) vide Reserve Bank of India (“RBI”) Circular no. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, thereby setting standards for fair business and corporate practices while dealing with their customers. This Fair Practice Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the company in respect of the financial facilities and services offered by the company to its customers.

Richa Holdings Limited. (“the Company”) hereby furnishes the Fair Practices Code (“the FPC”) based on the guidelines issued by RBI. The Company shall also make appropriate modifications in the FPC from time to time to confirm the standards that may be prescribed by RBI. 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 Circulars.

The Company's business will 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 will adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

PURPOSE

The Company has put in place the FPC with an endeavour to achieve synchronization of best practices when the Company is dealing with its stakeholders such as customers, employees, vendors, etc. The Company’s Fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. The Company’s commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company’s Board of Directors and the management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to fair lending and that all employees are aware of that commitment.

DEFINITION

- a. **“Board”** means Board of Directors of the Company.
- b. **“Company”** means Richa Holdings Limited.
- c. **“Directors”** means individual Director or Directors on the Board of the Company.
- d. **“FPC”** means Fair Practice Code



KEY COMMITMENTS

The essence of the FPC lies in the following aspects that the Company shall strive to follow in spirit and in letter:

- A. To act fairly and reasonably in all the dealings with borrowers by ensuring that:
 - i. The Company's products, services, procedures and practices will meet the broad requirements and standards in the FPC;
 - ii. The Company's products and services will be in accordance with relevant laws and regulations as applicable for the time being in force;
 - iii. The Company's dealings with its borrowers will rest on ethical principles of honesty, integrity and transparency.
- B. The Company will assist its customers in understanding as to what the broad features of its financial products and services are and what are the benefits and risks involved in availing the same by:
 - i. Providing information about the products and services in simple manner;
 - ii. Explaining the financial implications of using the products and services.
- C. The Company will make every attempt to ensure that its customers would have trouble-free experience in dealing with it. However, in case of error of commission and/or omissions, it shall:
 - i. Deal with the errors promptly and effectively;
 - ii. Deal with the Grievances redressal in a quick and efficient manner and to the satisfaction of the customers;
 - iii. Promptly handle Complaints;
 - iv. Have Escalation process, in the event of dissatisfaction of the borrower in handling his complaint(s);

APPLICABILITY OF FAIR PRACTICE CODE

The FPC will be applicable to the following broad areas:

- i. Loan applications and processing thereof
- ii. Loan appraisal and terms/conditions



- iii. Disbursement of loans including changes, if any, in terms and conditions
- iv. Post disbursement supervision/monitoring
- v. Other general provisions
- i. **Loan applications and processing thereof:**
 - i. Loan Application Forms will be made available to the prospective borrowers.
 - ii. Loan documentation set will, inter alia, include the broad features and the terms and conditions governing the loan which would 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 thereby helping the borrower in making an informed decision. The said Form shall also specify the documents required to be submitted by the borrowers
 - iii. The Company has system of giving acknowledgement for receipt of all loan applications.
 - iv. All the loan applications shall be disposed of within a period of 90 days from the date of receipt of duly completed Loan Application Forms together with the requisite documents and subject to receipt of all documents complying with prevailing rules and regulations by the borrower.
 - v. All communications to the borrower shall be in vernacular language or a language as understood by the Borrower.
- ii. **Loan appraisal and terms/conditions:**
 - i. The Company shall consider all the loan applications keeping in mind the risk-based assessment procedures adopted by it and
 - ii. The Company, before sanctioning the loan, would assess the ability of the borrowers to repay the loan and thereby approving the same on merit basis.
 - iii. The grant of the loan shall be communicated to the borrowers in writing in a vernacular language or a language as understood by borrower by means of a Sanction Letter or otherwise, the amount of loan approved along with the terms and conditions, including the annualized rate of interest and method of application thereof.
 - iv. The penal interest charged for late repayment will be mentioned in bold in the loan agreement.
 - v. The borrowers shall give their acknowledgement in writing in token of their acceptance of terms and conditions governing the loan.



- vi. A copy of the loan documents including loan agreement and annexures thereof shall be made available to the borrower.
- vii. If the Company cannot provide the loan to the customer, it shall communicate in writing the reason (s) for rejection thereof.
- iii. **Disbursement of Loan and Change in Terms & Conditions:**
- i. Disbursement of amount of loans sanctioned may be made available to the borrowers on demand subject to completion of all formalities including execution of loan documents.
 - ii. The Company shall give notice to all its borrowers in vernacular language or a language understood by the Borrower of any change in the terms and conditions – including disbursement schedule, interest rates, service charges, prepayment charges etc.
 - iii. The Company shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable provision in this regard is incorporated in the loan agreement.
- iv. **Post Disbursement Supervision:**
- i. The decision, if any, of the Company to recall/accelerate payment or performance of loan shall be in accordance with the terms and conditions of the Loan Agreement.
 - ii. The Company shall give reasonable time to the borrowers before recall the loan or asking for accelerating the payment or performance subject to the terms and conditions contained in the Loan Agreement and other related documents.
 - iii. 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.
- v. **Other General Provisions:**
- i. The Company will 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 customer, has come to the notice of the Company).
 - ii. The Company will not discriminate loan applications based on grounds of gender, caste and religion.



- iii. 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 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.
- iv. In the matter of recovery of loans, our Company staff is adequately trained to deal with customers and shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
- v. The Company has laid down appropriate internal principles and procedure in determining interest rates, processing fees and other charges. The Company has adopted an Interest rate policy taking into account relevant factors such as cost of funds, margin, risk premium etc. to determine the rate of interest to be charged on annualised basis for loans and advances and same is disclosed to the borrower in the loan application form and the sanction letter and also provided on the website of the Company
- vi. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of customers shall be disclosed in the loan application form and communicated explicitly in the sanction letter.

INTEREST RATE POLICY

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges.

This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001/ 2008-09 January 2, 2009, whereby which RBI advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers.

Richa Holdings Limited should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

In order to ensure its standards of transparency, in conformity with the stipulations of the RBI's directives, the Company has adopted the following interest rate policy for determining Interest Rates, Processing and Other Charges. This Policy applies to clients whose loans are booked in the Company.

Interest Rate



- **Tenor of the Loan** – The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest.
- **Internal cost loading** – The interest rate charged will also take into account costs of doing business.
- **Internal and External Costs of Funds** - The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as the Company's external cost of funds.
Internal cost of funds being the expected return on equity issued, is also a relevant factor. The interest rate charged will also take into account costs of doing business.
- **Credit Risk** – As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a particular transaction depends on our internal assessment of the credit strength of the customer.
- **Other Factors** – The rate of interest shall be based on the cost of borrowed funds, matching tenor cost, market liquidity, RBI policies on credit flow, offerings by competition, tenure of customer relationship, market reputation, cost of disbursements, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning and employment, deviations permitted, ancillary business opportunities, future potential, group strength and overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers , industry trends, switchover options, canvassed accounts etc.
- The company may adopt discrete interest rate model whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out above.
- The annualized rate of interest would be intimated to the customer.
- The interest rates would be offered on fixed, floating, variable basis.



- Interest rates shall be intimated to the customers at the time of sanction/ availing of the loan and the equated instalments/Balloon Payment/Bullet payment apportionment towards interest and principal dues shall be made available to the customer.

PROCESSING / DOCUMENTATION AND OTHER CHARGES

- All processing / documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan product, geographical location, customer segment and generally represent the cost incurred in rendering the services to the customers.
- The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
- Processing charges will be charged on case to case basis.
- Service Tax and other applicable taxes shall be charged as per the guidelines issued by the Government from time to time.

PENAL INTEREST / LATE PAYMENT CHARGES

- Besides normal interest, the Company may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities would be decided by the Company from time to time.

PRIVACY AND CONFIDENTIALITY

All Personal Information of the borrowers shall be treated as Private and Confidential and shall be guided by the following principles & policies. We shall not reveal Information or data relating to borrower accounts, whether provided by the customers or otherwise, to anyone, including our affiliates other than in the following exceptional cases:

- i. If the Company is required to provide the information to any statutory or regulatory body or bodies or otherwise required under any law;
- ii. If arising out of a duty towards the public to reveal the information;
- iii. If our interests require us to give the Information (for example, to prevent fraud) but it shall not be used as a reason for giving information about the borrower or borrower's accounts (including customer name & address) to anyone else for marketing purposes;



- iv. If the borrower has authorised the Company to provide such information to its group / associate/ entities or companies or any such person/ entity as specifically agreed upon;
- v. If we are asked to give a reference about a borrower, we shall obtain his / her written permission before giving it;
- vi. The borrower shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that we hold about him / her;
- vii. We shall not use borrower's personal information for marketing purposes by anyone including ourselves unless the customer specifically authorizes us to do so.

COMPLAINTS

In case of any complaint/grievances of the borrowers, the same shall be intimated by them in writing to the Grievance Redressal Officer. The Grievance Redressal Officer shall immediately make all efforts to redress the grievances within the time frame mentioned in the Grievance Redressal Mechanism.

GRIEVANCE REDRESSAL MECHANISM

The Company believes in speedy redressal of grievances of the borrower and guides its borrowers who wish to lodge a complaint and also provide guidance on what to do in case the borrower is unhappy with the outcome.

After examining the matter, the Company sends a response as soon as possible;

The Company has laid down the Grievance Redressal Mechanism for the speedy disposal/ remedy of its Customer's Complaints/ Grievance.

FORCE MAJEURE:

The various commitments outlined and made by the Company shall be applicable under the normal operating environment. In the event of any Force Majeure circumstances, the Company may not be able to fulfil the objectives under the FPC to the entire satisfaction of the borrowers, the stakeholders and the public in general.

PERIODIC REVIEW:

In order to enhance the value and relevance to the borrowers, the Board of Director of the Company shall annually review the compliance with this Fair Practice Code, adopted by the Board