



BERAR FINANCE LIMITED
FAIR PRACTICE CODE

RECORD OF REVIEW:

Document Number	01
Version Number	06
Document Classification	External
Originally formulated	March 21, 2013
Created by	Secretarial Department
Reviewed by	Board of Directors of the Company
Approved by	Board of Directors of the Company

<u>Version No</u>	<u>Created/Modified Date</u>	<u>Created/modified by</u>	<u>Approved by</u>
1	March 21, 2013	Secretarial Department	Board of Directors
2	December 23, 2017	Secretarial Department	Board of Directors
3	May 19 ,2021	Secretarial Department	Board of Directors
4	April 28, 2022	Secretarial Department	Board of Directors
5	March 30,2023	Secretarial Department	Board of Directors
6	November 10, 2023	Secretarial Department	Board of Directors

Background

Berar Finance Limited ("**Company**") is a public limited company incorporated under the Indian Companies Act, 1956 and is registered with the Reserve Bank of India ("**RBI**") as a deposit taking non-banking finance company ("**NBFC**") engaged in lending business.

This Fair Practices Code ("**FPC**" or "**Code**") has been prepared in compliance with the "Guidelines on Fair Practices Code for NBFCs" and other relevant circulars of RBI (issued and updated from time to time) and aims to provide its borrowers an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company. The Code applies to all categories of lending products and services offered by the Company.

The management of the Company will ensure that the implementation of this FPC becomes the responsibility of the entire organization and its employees. The fair lending practices shall apply to its entire business operations including marketing, loan origination, processing, servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counselling, monitoring, auditing programs, internal controls, optimal use of technology and empathy to service the needs of its customers. At the same time, the Company will remain cognizant of its customer's need for privacy and confidentiality for their personal data.

(i) Applications for loans and their processing:

- (a) The Company shall make it's best to communicate with the borrower in the vernacular language or a language as understood by the borrower.
- (b) Loan application form 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 informed decision can be taken by the borrower. The loan application form may indicate the documents including identity proof, income proof, and residential proof required to be submitted with the application form.
- (c) The Company shall give acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

(ii) Loan appraisal and terms / conditions:

- (a) The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or welcome letter, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest, method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. The Company shall mention the penal interest charged for late payment in bold in the loan agreement. The Company shall furnish copy of the loan agreement along with copy of all enclosures quoted in

the loan agreement to all the borrowers at the time of sanction or disbursement of loans.

- (b) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- (c) There shall be no capitalisation 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.
- (d) The Company shall not introduce any additional component to the rate of interest. The quantum of penal charges 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.
- (e) 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.
- (f) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on the Company's website under Interest rates and Service Charges.
- (g) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated.

(iii) Disbursement of loans including changes in terms and conditions:

- (a) The Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursements schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and changes are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- (b) Decision to recall/ accelerate payment or performance under the agreement should be in consonance with the loan agreement.
- (c) The Company shall release all securities on repayment of all dues or on realization of the outstanding amount of the loan subject to any legitimate right or lien for any other claim the Company may have against borrower. 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.

(iv) Release of Movable / Immovable Property Documents:

- (a) The Company shall release all the original movable / immovable property documents and/or No Objection Certificate ("NOC") as the case may be (original movable / immovable property documents/NOC are herein after called "the Documents") and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account (as applicable).
- (b) The timeline and place (home branch or head office as per preference of the borrower) of return of the Documents shall be mentioned in the loan sanction letter/welcome letter issued on or after December 01, 2023.
- (c) In the event of demise of the borrower, the Company shall handover the Documents to the legal heir of the borrower only after receipt of death certificate of the borrower and duly executed affidavit and succession certificate by the legal heir(s).
- (d) In case of delay in releasing of the Documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at the rate prescribed by Reserve Bank of India.
- (e) In case of loss/damage to the documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the Documents and shall bear the associated costs, in addition to paying compensation as indicated at paragraph (d) above. However, in such cases, an additional time of 30 days will be available to the Company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- (f) The above provision (a) to (e) shall be applicable to all cases where release of the Documents falls due on or after December 1, 2023.

(v) 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 the loan agreement (unless information, not earlier disclosed by the borrower, has come to the notice of the Company).
- (b) 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, should be conveyed within 21 (twenty one) days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- (c) At the time of giving a loan to the customer, the Company shall explain to the customer the repayment process including instalment amount, tenure, bounce charges, penal interest and periodicity of repayment. However, if the customer does not adhere to the repayment schedule, a defined process shall be followed for

recovery of loan dues. The process will involve one or more of the following actions i) reminding the customer by tele-reminders; or ii) sending him / her notice; or iii) by making personal visits; or iv) repossession of security if any. In the matter of recovery of loans, the Company shall strictly ensure that it or its agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower during odd hours for recovery of overdue loans, making false and misleading representations.

- (d) The Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans, if any, sanctioned to individual borrowers.

(vi) Grievances:

Mr. Yogesh Tahalyani, Vice President – Treasury and Finance, Ph No: 07126663999, Mobile: +91 9766687419 Email address: gro@berarfinance.com is Grievance Redressal Officer under the Fair Practices Code who can be approached by the public for resolution of complaints against the Company.

For the benefit of the Company's customers, the above information on "grievances" along with the Grievance Redressal Mechanism followed by the Company is displayed at its branches.

If the Customer is not satisfied with the resolution or has not received any resolution within a period of 30 days from lodging the complaint with the Company, he or she can appeal to the RBI Ombudsman, as per the 'Reserve Bank-Integrated Ombudsman Scheme 2021' ("**Scheme**"), a copy of which has been uploaded on the Company's website (www.berarfinance.com).

(vii) Gradation of Risk:

The rate of interest specified for each loan is at monthly rests, with the corresponding annualised rate being arrived at through the Company's interest rate model which takes into account relevant factors such as cost of funds, margin and risk premium. We take a comprehensive approach to the gradation of risk that does not discriminate between borrowers in the same class, but rather tailors the interest rate to each loan.

The decision to give a loan and the rate of interest thereon are carefully assessed on a case by case basis based on multiple factors which may include the borrower's cash flows (past, current and projected), borrower's other financial commitments, the borrower's credit record, the security for the loan as represented by underlying assets or other financial guarantees etc. Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection.

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 in the application form and communicated explicitly in the sanction letter. The rates of interest and the approach for gradation of risks shall also be made available on the website of the company.

(viii) Interest Rate Policy:

The rate would vary depending on the risk profile of the customer, asset class (commercial vehicle, car, tractors, construction equipment, machinery etc.), asset type (new/used), and prevalent liquidity conditions. The interest rate charged to the customers is as per the Interest Rate Policy adopted by the Company. According to the Policy the present annualized base interest rate charged by the Company to its customers shall not exceed the rate set by the ALCO Committee from time to time. Any deviation from the above will be with the consent of the ALCO Committee.

The ceiling shall be reviewed periodically, as and when required, to account for any changes in business conditions, competitive intensity, regulatory requirements among others.

(ix) Re-possession:

The Company will disclose the re-possession clause in the loan agreement with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the loan agreement will contain provisions regarding the following:

- (a) Notice period before taking possession.
- (b) Circumstances under which the notice period can be waived.
- (c) The procedure of taking possession of security.
- (d) A provision regarding final chance to be given to the borrower for repayment of loan before sale of the security.
- (e) The procedure for giving repossession to the borrower.
- (f) The procedure for sale/auction of the security.

(x) Review of Fair Practice Code:

Compliance with respect to all aspects of the Fair Practice Code shall be reviewed by the Board annually.
