

AFL - Policy on Fair Practices Code

In the light of RBI Guidelines on Fair Practice Codes for NBFC's, from time to time, Aruna Finance Limited (referred to as the company) has formulated this Fair Practices Code to have put in place fair and transparent procedures / practices in dealing with the Borrowers of the Company.

i) Applications for loans and their processing

(a) All communications to the borrower shall be in the vernacular language or in a language as understood by the borrower.

(b) Loan Application Forms 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 indicates the documents required to be submitted with the application form.

(c) The Company would give acknowledgement for receipt of all loan applications. The time frame within which loan applications shall be disposed of is also indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

The Company shall convey in writing to the borrower by means of sanction letter, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof. The Company shall keep the acceptance of these terms and conditions by the borrower on its record. The Company shall also communicate to the borrower if the loan is rejected. The Company should mention the penal interest charged for late repayment in bold in the loan agreement.

The Company should furnish a copy of the loan agreement preferably in the vernacular language or a language as understood by the borrower 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.

iii) Disbursement of loans including changes in terms and conditions

(a) The Company shall give notice to the Borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard be incorporated in the loan agreement.

(b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

(c) The Company shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim the Company may have against the 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) 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 new 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 borrowal account, the consent or otherwise i.e. the Company's objection, if any, shall be conveyed within 21 days from the date of receipt of 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 viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company's staff are adequately trained (including not to behave rudely with the customers) to deal with the customers in an appropriate manner and also to ensure harmonious relations with the borrowers.

(d) Repossession of Security / Vehicle should be in consonance with the terms of the Loan Agreement.

(v) Grievances

The board of directors of the company lays down the appropriate grievance redressal mechanism within the organisation to resolve disputes arising in this regard. Such mechanism ensures that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors also provides for periodical review of the compliance of the Fair Practice Code and the functioning of the grievances redressal mechanism at various levels of management.

Sri. Madala Siva Rama Krishna Prasad, D.No: 59-2-1/2, ITI College Road, Ashok Nagar, Vijayawada 520 010, Andhra Pradesh, India. Email: arunalegaldept@gmail.com is the Grievance Redressal Officer under the Fair Practices Code who can be approached by the public for resolution of complaints against the Company. 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 Department of Non Banking Supervision (DNBS), Reserve Bank of India, Secretariat Road, Saifabad, Hyderabad – 500 004, Andhra Pradesh Tel: 040 23241270 under whose jurisdiction the registered office of the Company falls.

For the benefit of our customers, the above information on "grievances" be displayed at our branches / places where business is transacted.

(vi) Gradation of Risks

The rate of interest specified for each loan is at monthly rests. 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.

(vii) Interest Rate Policy

The rate of interest is depending on the risk profile of the customer, asset class, asset type, and prevalent liquidity conditions. Accordingly, the present rate of interest charged to our customers is in the range of 12% to 30% p.a. payable monthly.

Lending against collateral of Gold Jewellery:

While lending to individuals against gold jewellery, we have adopted the following in addition to the general guidelines as detailed above.

We put in place Board approved policy for lending against gold that covers the following:

1. 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.
2. Proper assaying procedure for the jewellery received.
3. Internal systems to satisfy ownership of the gold jewellery.
4. The policy also covers 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.
5. The jewellery accepted as collateral should be appropriately insured.
6. 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 should be given before the auction date. It also lays down the auction procedure that would be followed. There should 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.
7. The auction should be announced to the public by issue of advertisements in newspapers, in vernacular language.
8. As a policy we shall not participate in the auctions held.
9. Gold pledged will be auctioned only through auctioneers approved by the Board.
10. The policy also covers systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
11. The loan agreement shall also disclose details regarding auction procedure.

Review

- (a) The Fair Practices Code, preferably in vernacular language as understood by the borrower, shall be put up on the Company's Website for the information of various stakeholders.
- (b) The compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management are subject to the periodical review of the Board of Directors.

Annexure to Fair Practices Code

Grievance Redressal Mechanism

Dissemination of Information

1. Registered Office Contact Numbers together with mail ID are to be printed on Receipts being issued to the borrowers for the information of Borrowers to enable them to call the Head Office in case of any grievance.
2. Registered Office Contact Number together with mail ID is to be mentioned in Loan Sanction / Disbursal Communication wherein a specific request to be made to the borrowers to write to / contact the Registered Office in case of any dispute / grievance.

Redressal Mechanism

1. The following is the Dispute / Grievance Redressal hierarchy and all the complaints / disputes / grievance should be addressed and resolved by the concerned within a reasonable time frame and to report the ***Designated Official*** at Registered Office about the nature of dispute / grievance and its resolution status at regular intervals.

If the dispute / Grievance has arisen out the decisions of	Redressal Authority
Any Executive	Branch Manager / In-charge
Any Executive / Branch Manager / In-charge	Area Manager
Any Executive / Branch Manager / In-charge / Area Manager	State Head / Business Head
Any Executive / Branch Manager / In-charge / Area Manager / State Head	Managing Director / Executive Director

2. The Designated Official should report all such complaints / disputes / grievances to the Board of Directors periodically for its review.
3. A Notice is to be displayed at all the branches containing the contact details of the Grievance Redressal Officer of the Company together with the contact details of the Officer In Charge, DNBS, Reserve Bank of India, Hyderabad.

Notice to the Borrowers

- ☐ ***Contact the following Designated Officer in case of any Grievance in your dealings with the Company's Executives.***

Designated: Audit & Legal Manager
Mobile: 094406 72422
Land Phone No. 0866-2471700
Email ID: arunalegaldept@gmail.com

- ☐ ***Contact the following in case your grievance is not redressed in one month.***

Officer In Charge,
Phone No. 040-23241270, Fax. 040-23232648
Email ID: dnbshyderabad@rbi.org.in

AFL

ARUNA FINANCE LIMITED