

## FAIR PRACTICE CODE

### INTRODUCTION:

Reserve Bank of India (RBI) has prescribed guidelines on Fair Practice for all Non-Banking financial Companies (NBFCs) on the Basis of which Fair Practices Code (FPC) Shall be put in place by NBFCs. The Fair Practice code of the company has been prepared in accordance with the RBI master directions/ Circulars / notifications to the extent applicable.

### BACKGROUND

Chetana Financial Services Private Limited (hereinafter referred to as "CFSPL" or "the Company") is a private limited company incorporated under the provisions of Companies Act, 1956 and is a non-deposit accepting Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India. CFSPL is engaged in the business of financing MSME, Mortgage, Vehicle and Business loans. The Company extends loans in rural/semi-urban/urban areas of Karnataka State.

### OBJECTIVES OF THE POLICY

- Develop a comprehensive Fair Practice Code to adopt guidelines provided by the regulator and self-regulatory organizations.
- Formulate operating guidelines for implementations for Fair Practice Code in as effective manner.
- Disseminate the policy guidelines in an effective manner to all stakeholders in general. Review and reinforcement mechanism to ensure high level of adherences to Fair Practices Code.
- Mechanism for constantly receiving feedback/ grievances from group companies in order to improve the implementation for Fair Practices Code.

### Applications for loans and their processing:

- a. All communications to the borrower(s) shall be in English or in vernacular language / the language as understood and confirmed by the borrower(s).
- b. All communications to the borrower shall be in English or in vernacular language / the language as understood and confirmed by the borrower.
- c. Loan application of CFSPL will 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.
- d. The documents required to be submitted with the loan application including KYC documents will be informed to the borrower.
- e. The Company shall provide to the prospective borrower an acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of, will be indicated in the acknowledgement.



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## 1. Loan appraisal and terms/conditions:

- a. CFSPL shall convey in writing to the borrower in English or in vernacular language / the language as understood and confirmed by the borrower, the terms of the loan application by means of sanction letter or otherwise. In case of sanction of loan, the sanction letter shall contain the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof. The penal interest charged, if any, for late repayment in bold in the sanction letter and loan agreement.
- b. The acceptance of the terms and conditions communicated by the borrower shall be preserved by the Company on its record. The Company will furnish a copy of loan agreement along with a copy of each enclosure quoted in the loan agreement to all borrowers at the time of sanction/disbursement of loan in English or in vernacular language / the language as understood by the borrower.

## 2. Disbursement of loans including changes in terms and conditions:

- a. CFSPL shall give notice to the borrower in English or in vernacular language / the language as understood by the borrower, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges shall be effected prospectively and a suitable condition in this regard shall 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, if any, 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 CFSPL 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 CFSPL are entitled to retain the securities till the relevant claim is settled/paid.

## 3. Resource planning:

- a. The Company will be sourcing the funds from Banker's
- b. The Company will be sourcing the funds from Equity investors, from Debentures as Compulsory convertible debentures and also from Non-Convertible Debentures i.e., as and when required by the company.
- c. While issuing Debentures or Equity Company will be regulating all the laws & rules as may be applicable on the Company.
- d. To issue Debentures or Equity Company will only issue it as per Companies Act, 2013, RBI master directions & other provisions as and when applicable.
- e. Issues of Debentures or Equity will be as per Private Placement or Rights issue.



#### 4. General:

- a. The Company will 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 its notice.
- b. In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of CFSPL, if any, should be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per contractual terms entered into with the borrower and in consonance with statutes, rules, regulations and guidelines as may be applicable from time to time.
- c. In the matter of recovery of loans, the Company shall resort only to remedies which are legally and legitimately available to it and will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. CFSPL shall ensure that its staff is adequately trained to deal with the customers in an appropriate manner.
- d. The Company takes into account relevant factors such as cost of funds, margin and risk premium, etc. to determine the rate of interest to be charged for loans and advances. The Interest Rate Policy also covers the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers and same is published and disseminated on the web-site of the Company.

#### 5. Grievance Redressal Mechanism:

- a. The Company has an appropriate grievance redressal mechanism within the organization to resolve any disputes arising in this regard. Such a 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.
- b. CFSPL will display at its branches or places where business is transacted the name and contact details of the Grievance Redressal Committee/official who can be approached for resolution of complaints against the Company.

#### 6. Periodic Review

The Board of Directors of the Company shall review at regular intervals, the compliance with this Fair Practice Code. The Fair Practices Code is subject to revision based on the RBI guidelines and such revisions shall be made on a time-to-time basis.

  
Nagendra Mali  
Chairman and Director  
DIN: 02235648  
Date : 13.04.2024



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