

L&T INFRA DEBT FUND LIMITED

Fair practice code

Version Control:

Version	Date of adoption	Change reference	Owner	Approving authority
1.0	March 25, 2013	FPC drafted and approved by the Board	Group Regulatory Compliance	Board of Directors
1.1	October, 2017	FPC reviewed and updated as per Master Directions of RBI	Group Regulatory Compliance	Board of Directors

Important Note:

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by Reserve Bank of India arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by Reserve Bank of India shall prevail.

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INTRODUCTION:

Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time, prescribed broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies

The Fair Practices Code is aimed to provide to the customers effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

FAIR PRACTICES CODE:

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles – all of which form part of the Company's Board approved Investment and Credit Policy.

In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

1. Applications for Loans and their Processing:

- Loan application forms shall include necessary information, which affects the interest of the borrower. The loan application form may also indicate the documents required to be submitted with the application form. The sanction letter would contain all the significant commercial terms and conditions offered by the Company so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and the borrower can take an informed decision.

2. Loan Appraisal and Terms/Conditions:

- The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment would be in line with the Company's Credit policy, norms and procedures in respect thereof.
- The Company shall convey in writing to the borrower by means of approval 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. It would keep the acceptance of these terms and conditions by the borrower on the Company's files.
- The Company shall mention the penal interest charged for late repayment in bold in the loan agreement.
- The Company shall 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.

3. Disbursement of Loans including Changes in Terms and Conditions

- The Company shall give notice to all its borrowers in English language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are effected only prospectively. It could be done retrospectively only when (i) they are accepted by the Borrower in writing (ii) they are favourable to the Borrower. A suitable provision in this regard shall be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- 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.

4. General

- All communications to the borrower shall be in English language or a language as understood by the borrower.
- The Company shall 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 borrower, has come to the notice of the Company).
- In case of receipt of request from the borrower for transfer of borrowal 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.
- In the matter of recovery of loans, the Company shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- The Company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances.
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- Sanction letter shall indicate the annualised rate of interest and method of application thereof, so that the borrower is aware of the exact rates that would be charged to the account. Further change in the Company's Prime Lending Rate ('PLR') (or (or any other applicable benchmark, or if fixed rate, then such fixed rate) shall be notified on Company's web site.

5. Grievance Redressal Officer:

- The Company has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the functionaries are heard and disposed of at least at the next higher level.
- The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted
 - The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer 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 Regional Office of DNBS, Reserve Bank of India, at the following address:

Officer-in-Charge,

- **Reserve Bank of India,**

Department of Non-Banking Supervision,

Mumbai Regional Office,

Reserve Bank of India

3rd Floor, Opp. Mumbai Central Railway Station,

Byculla, Mumbai - 400 008

6. Wide Dissemination and Periodic Review

The Company shall put the above FPC outlined hereinabove on its website, for the information of various stakeholders. The Company would also review and refine the FPC, as may be required periodically - based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard:

Explanatory Note:

- In wholesale lending business, the rate of interest is decided based on the complex risk profile matrix of each borrower. The Company would disclose the Prime Lending Rate (or any other applicable benchmark, or if fixed rate, then such fixed rate), Applicable Spread and Reset Frequency by way of sanction letter and facility agreement. Any change w.r.t. these factors would be suitably disclosed and communicated to the borrower. Further these borrowers are generally mid-size/ large corporate groups which are well informed and hence in case of any up gradation of their risk profile, they are in a position to negotiate better terms. The interest rates in project loans are clearly spelt out in the sanction letter as well as the facility agreement.
- It may be noted that the following specific clauses below seem to be more suited for retail business:
 - The Board of each NBFC shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances. 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 or customer 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 web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.

The FPC would be reviewed at periodic intervals.