

Fair Practice Code

BACKGROUND

The Reserve Bank of India (“RBI”) has specified the broad guidelines on Fair Practices Code (FPC) vide its notification number RBI / 2006-07 /138 DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 and master direction RBI/DoR/2023-24/106 DoR.FIN.REC.No. 45 / 03.10.119/2023-24 dated October 19, 2023 and subsequent updates.

SMEIntellect Growth Capital Private Limited (“SMEIntellect”) has formulated and adopted the Fair Practices Code (“FPC” / “Code”) pursuant to said guideline and Fair Practices Code chapter of the Master Directions and amendments communicated from time to time.

The Code sets the standards for SMEIntellect to follow while doing business with its clients. SMEIntellect is registered with RBI as a Non-deposit accepting Non-Banking Financial Company (NBFC) as a Loan Company.

APPLICATION OF THE CODE

SMEIntellect is engaged in the business of providing loans to individuals, small business owners / MSMEs, corporate clients, etc. for setting up small businesses, working capital or to improve their existing businesses. This Code shall be applicable to all the products and services offered by SMEIntellect.

OBJECTIVES OF THE CODE

This Fair Practice Code has been designed to:

- Objectively state the minimum standards for customer relationship;
- Increase transparency of commercials and service levels enabling clients to take an informed decision;
- Issue guidelines for internal staff on treating customer in a fair manner;
- Foster client confidence in the company.

KEY COMMITMENTS UNDER THE CODE

Our key commitments to our customers are as follows:

To Act fairly and reasonably in all our dealings with our clients:

- Meeting the commitments and standards in this Code, for the products and services we offer, and in the procedures and practices we follow.
- Ensuring that our dealings with the client rest on ethical principles of integrity and transparency.

To help clients understand how our products work:

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower. Giving information in any one or more of the following languages – Tamil, English, Hindi, or the appropriate local language.
- Ensuring that our advertising and promotional literature is clear and not misleading and will not be claiming the availability of loans in a matter of 2-3 minutes.
- Ensuring that clients are given clear information about our products, the terms and conditions and the interest rates/service charges, which apply to them.

1. Applications for loans and their processing

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- SMEIntellect Loan application forms 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 shall indicate the documents required to be submitted with the application form.
- SMEIntellect shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.
- As part of the loan process, to inter alia ensure utmost transparency, SMEIntellect provides all necessary information to the customer along with the term sheet/LOI/sanction letter / proposal as the case may be including but not restricted to the nature of security required, fees/charges, if any, payable for processing, pre-payment options, check list in respect of information/papers required for considering the loan and any other matter which effects the interest of the customer so that a meaningful comparison with the terms and conditions offered by other Non-Banking Financial Companies ('NBFCs') can be made and an informed decision can be taken by the customer. On exercise of its choice, the customer would be given the relevant information about the loan product of its choice.
- The customer will be informed of the processes involved till sanction and disbursement of the loan and will be notified of the timeframe within which all the processes will be completed ordinarily.
- The Company will convey in writing to the borrower by means of a sanction letter, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. Rate of Interest, Annualized Rate of Interest and Penal Interest would be mentioned in bold in sanction letter and Loan Agreement.

2. Loan appraisal and terms & conditions; and Key Facts Statement for Loans and Advances:

- SMEIntellect shall scrutinize the information submitted by the customer and additional data, if any, required should be called promptly to facilitate the expeditious disposal of the loan.
- 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.
- SMEIntellect shall convey in writing to the customer in the vernacular language as understood by the borrower by means of sanction letter or otherwise,
 - the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. SMEIntellect shall mention the penalties charged for late repayment in bold in the loan agreement.
 - Details of the default interest / penal interest rates (expressed in percentage per month / annum as the case may be) and the charges payable by the customers in relation to their loan account.
 - Terms of enforcement of any security including possession and auction of securities.
 - All other information which is relevant from the point of view of the transaction and all the parties involved.

- All the above information can be part of the loan agreement expressed in writing and shall be duly approved by the customer and countersigned by the authorized officials of SMEIntellect.
- Wherever possible, reasons for the rejection of the loan will be conveyed to the customers.
- A copy of such terms and conditions must be made available to the borrower.
- SMEIntellect shall furnish a copy of the loan agreement as understood by the borrower to all the borrowers along with a copy each of all enclosures quoted in the loan agreement at the time of sanction / disbursement of loans, which forms a key component of such contracts/loan agreements.
- Loan Documentation across all branches are standardized.
- SMEIntellect shall comply with the instructions contained in the circular on 'Key Facts Statement' (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time.

3. Penal charges in loan accounts

- 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. 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.
- SMEIntellect shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- SMEIntellect shall formulate a Board approved policy on penal charges / additional Finance Charges / late payment interest or similar charges on loans, by whatever name called.
- 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.
- The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to nonindividual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed by SMEIntellect to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites under Interest rates and Service Charges.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- SMEIntellect shall carry out appropriate revisions in their policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date.

4. Disbursement of loans including changes in terms and conditions

- On execution of the necessary documentation and completion of formalities, SMEIntellect shall ensure that the loan is disbursed at the earliest opportunity.
- SMEIntellect shall give notice of 2 days to the borrower in the vernacular 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.
- SMEIntellect shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- SMEIntellect 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 they 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 SMEIntellect is entitled to retain the securities till the relevant claim is settled/ paid.

5. Responsible Lending Conduct - Release of movable/immovable property documents on repayment/ settlement of personal loans

Towards promoting responsible lending conduct SMEIntellect shall follow below guidelines

Release of movable/immovable property documents

- (i) SMEIntellect shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
- (ii) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the NBFC where the documents are available, as per her/his preference.
- (iii) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- (iv) In order to address the contingent event of demise of the sole borrower or joint borrowers, SMEIntellect shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on our website along with other similar policies and procedures for customer information.

Compensation for delay in release of movable/immovable property documents

- (i) In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, SMEIntellect shall communicate to the borrower reasons for such delay. In case where the delay is attributable to SMEIntellect, we will compensate the borrower at the rate of ₹5,000 for each day of delay.
- (ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, SMEIntellect shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (ii) above. However, in such cases, an additional time of 30 days will be available to the NBFCs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- (iii) The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

6. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans

SMEIntellect has put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

- (i) At the time of sanction, SMEIntellect shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- (ii) At the time of reset of interest rates, SMEIntellect shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- (iii) The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ prepayment penalty shall be subject to extant instructions.
- (iv) All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the NBFCs from time to time.
- (v) SMEIntellect shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
- (vi) SMEIntellect shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/ Annual Percentage Rate (APR) for the entire tenor of the loan. NBFCs shall ensure that the statements are simple and easily understood by the borrower.

Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment-based loans of different periodicities.

7. General

- SMEIntellect 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 SMEIntellect).
- In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of SMEIntellect, 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.
- In the matter of recovery of loans, SMEIntellect shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, SMEIntellect shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- If any staff member misbehaves with the customer or not following the right collection procedure set by the company, the customer has the right to escalate the same to branch Manager/ Supervisory layers/ Customer Care or to the Grievance Redressal Officer. In the event of non-resolution of the complaint, the customer can write/ speak to the

Principal Officer. Any complaints still being unresolved beyond the stipulated time can further be escalated to the Reserve Bank of India. The contact details of all these touch points shall be made available at every branch.

- SMEIntellect shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

8. Responsibility of Board of Directors

- The Board of Directors of SMEIntellect has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes. Such a mechanism ensures that all disputes arising out of the decisions of SMEIntellect functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

8.1 Complaint / Grievance Redress Mechanism

- In case of any complaint / grievance, the customer can make his complaint through any of the following modes, quoting the account number and gist of the complaint.
 - a. Call to the Branch Manager / customer care department at weregard@SMEintellect.in / Customer Walk-in at Branch Office / Corporate Offices.
 - b. In case a customer chooses to log his complaint through either email, an email/ SMS will be sent to the customer, acknowledging his complaint and also informing him about his complaint number and expected time of resolution.
 - c. In case a customer chooses to log his complaint at the office he will be requested to give his complaint in writing,

In case the grievance is not resolved within 10 days, a copy of the complaint with acknowledgment may be forwarded to the Grievance Redress Officer, who will provide him his unique complaint number, with the expected time of resolution.

The company will not only ensure that all the complaints received are recorded and resolved, but also ensure an effective monitoring / escalation mechanism to the senior levels responsible so as to ensure that none of the complaints remain unresolved.

8.2 Grievance Redressal Officer

SMEIntellect shall display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer i.e., GrievancesRedressalOfficer@SMEIntellect.in, who can be approached by the public for resolution of complaints against the Company.

These complaints will be regularly monitored by Grievance Redress Officer to ensure effective resolution and escalation.

If the complaint / dispute is not redressed within a period of one month and in case customers are not satisfied with the resolution provided by the company, they may further approach:

The Officer-in-Charge of the Regional office / Director - Chennai
Department of Non-Banking Supervision (DNBS)

Reserve Bank of India,

Fort Glacis, No. 16, Rajaji Salai, Chennai - 600 001, Tamil Nadu

Tel: 044 - 2536 1490/ 2539 9222/2536 1631; Fax: 044 - 2536 5222

E-Mail ID: dnbsnewchennai@rbi.org.in

under whose jurisdiction the registered office of the Company office falls.

9 Reserve Bank - Integrated Ombudsman Scheme, 2021

SMEIntellect is covered under the Reserve Bank - Integrated Ombudsman Scheme, 2021 (RBIOS, 2021) and shall comply with the directions provided under the said Scheme.

9.1 Nodal Officer/ Principal Nodal Officer

Under the Ombudsman Scheme, SMEIntellect has appointed a Nodal Officer in accordance with directions.

The Nodal Officer shall be responsible for representing the company and furnishing information to the Ombudsman and the Appellate Authority in respect of complaints filed against the company. The Nodal Officer shall also be responsible for coordinating and liaising with the Customer Education and Protection Department (CEPD), RBI, Central Office.

The customers can approach the Nodal officer in writing at SMEIntellect Growth Capital Pvt. Ltd., 1471, H Block, V5, 21st Street, Anna Nagar, Chennai, Tamil Nadu, 600 040 or by e-mail to NodalOfficer@SMEIntellect.in.

Post resolution of the complaint, the customer will get an e-mail / SMS / etc. confirming the resolution of the complaint. At this point the customer has to confirm whether the complaint has been resolved to his satisfaction or not. The complaint will be deemed closed if the customer does not respond to e-mail / SMS.

10. Language and mode of communicating Fair Practice Code Fair Practices Code (which shall preferably be in the vernacular language or a language as understood by the borrower) based on the guidelines outlined hereinabove SMEIntellect shall be put in place with the approval of Board. The fair Practice code shall also be put up on our website, for the information of various stakeholders.

11. Regulation of excessive interest charged by SMEIntellect

- The Board of SMEIntellect has laid down appropriate internal principles and procedures in determining interest rates and processing and other charges.
- The Board of SMEIntellect shall adopt an interest rate / pricing 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. However, the company reserves the right to charge differential rate of interest depending on the risk profile of the borrowers. 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.

- SMEIntellect shall ensure that the information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- The rate of interest must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account. The rate of interest shall be fixed for the entire tenure of the loan.
- The rate of interest to be charged depends much upon the gradation of the risk of borrower viz. the financial strength, business, regulatory environment affecting the business, competition, past history of the borrower etc.
- The rate of interest for all loans will be decided from time to time, based on the prevalent interest rate scenario, market conditions and track & credit record of the borrower / group / Industry.
- Interest is charged on daily products of the loan under Daily Diminishing Balances (DDB) / daily reducing balance Method only and compounded monthly. Interest is debited to all loan accounts at monthly intervals and at the time of closure, if the loan is closed before the end of the month.
- The penal interest for the delayed payment shall be charged @ 3% per month on the delayed amount for the delayed period only. Such interest will be charged along with regular interest at monthly intervals.
- Processing charges at the rate of 2 to 3% of the loan amount plus applicable taxes shall be charged on all the loans.
- If the loan is prepaid, pre-closure charges @ 5% plus applicable taxes of the sanctioned amount shall be applicable. The charges will vary on type of loan and same will be included in sanction letter to the Borrower.
- For NPA accounts, interest is chargeable as per Income Recognition & Asset Classification (IRAC) norms advised by RBI from time to time/ policy of the Company.

12. Complaints about excessive interest charged

- SMEIntellect Board shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard, the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are kept in view. Though interest rates are not regulated by the Reserve Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice.

13. Collection Process and repossession of Assets / Vehicle financed by SMEIntellect

- The customers are required to make prompt repayment of EMIs on or before the due date, as communicated to them, without any reminders from SMEIntellect.
- The collection process will commence once there is a default of an EMI by the customer.
- The Sales Officer and the Branch Manager will connect with the customer in case of any default in repayment beyond due date and try to understand the reasons for delay.
- In cases where the delay is because of genuine reasons, the Branch Manager engages with the customer on a constructive basis to arrive at a mutually acceptable revised repayment date.
- If the customer still stays in default and does not keep up the commitment given for the revised repayment date, the Sales Officer and the Branch Manager will connect with the customer on a repetitive basis by way of calls / visits / SMS / WhatsApp / Emails, etc. to request the customer to pay the defaulted amount at the earliest, which will also reduce the penal interests.

- If the default continues and crosses a month, the next level of Supervisory follow up will commence. As part of the collection process, a written commitment may be insisted and obtained from the customer.
- After 2 reminders of Supervisory follow up by way of calls / visits / SMS, etc. with the customer and the customer continues to default the payment, including failing to adhere to his written / verbal commitment, legal notice may be sent to the customer from the Head / Branch Office for immediate repayment of the overdue and failing which the option to recall the loan will be exercised.
- In case the customer tries to engage in fraudulently selling the property, while in default with the company, the company reserves the right to display its interest in the mortgaged property to safeguard its genuine interest in the property.
- As always, SMEIntellect has the right to proceed with the legal course of action at any point of time during the course of the default including auction of property / Asset.
- At all points of time, the interactions with the customer will be conducted with courtesy, right decorum and discipline. If the customer misbehaves with the staff of the company, the customer can be suitably warned. The same shall be reported to the Head Office.
- SMEIntellect shall have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable.

To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:

- (i) notice period before taking possession;
- (ii) circumstances under which the notice period can be waived;
- (iii) the procedure for taking possession of the security;
- (iv) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
- (v) the procedure for giving repossession to the borrower; and
- (vi) the detailed procedure for sale / auction of the property.

A copy of such terms and conditions shall be made available to the borrower.

SMEIntellect will follow transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process shall ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities, The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper. As a policy, SMEIntellect shall not participate in the auctions held.

SMEIntellect 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, which forms a key component of such contracts/ loan agreements.

14. Loan facilities to the physically / visually challenged

SMEIntellect shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches shall render all possible assistance to such persons for availing of the various business facilities. SMEIntellect shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels.

15. Customer Protection



SMEIntellect shall treat all its customer's personal information as private and confidential and will not reveal details of customers dealings with us to a third party, except as provided herein and in the following exceptional cases:

- a. If we have to give the information by law or to credit rating agencies/CICs/CERSAI etc.
- b. If there is a duty towards the public to reveal the information.
- c. In case of continued default - as the company may think fit to regularise the account.
- d. In case of outsourcing some of the functions with a view to provide better services to customers which may necessitate information sharing with such third parties, the company will inform and require them to handle customer's personal information (if any made available to such third parties) with the same degree of confidentiality and security as it would.

SMEIntellect shall abide by this Fair Practices Code following the spirit of the Code and in the manner, it may be applicable to its business.