

## SARASWATI COMMERCIAL (INDIA) LIMITED

CIN: L51909MH1983PLC166605

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## Fair Practice Code

PURSUANT TO MASTER DIRECTION – RESERVE BANK OF INDIA (NON-BANKING FINANCIAL  
COMPANY – SCALE BASED REGULATION) DIRECTIONS, 2023

<b>Effective from</b>	<b>12.08.2015</b>
<b>1<sup>st</sup> Review</b>	<b>30.01.2019</b>
<b>2<sup>nd</sup> Review</b>	<b>11.11.2022</b>
<b>3<sup>rd</sup> Review</b>	<b>12.02.2024</b>
<b>4<sup>th</sup> Review</b>	<b>28.11.2024</b>

**➤ INTRODUCTION**

Saraswati Commercial (India) Limited (“the Company”) is an Investment and Credit Company (ICC). It provides Loan to its Related Parties & the parties other than Related Parties. Further, Related Parties include Group Companies. In compliance with Fair Practice Code (FPC) guidelines issued by the Reserve Bank vide its circular no. DNBS (PD) CC No.054/03.10.119/2015-2016 dated July 01, 2015 (updated from time to time) read with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 bearing reference no. RBI/DoR/2023- 24/105 Master Direction DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 (as amended and updated from time to time), it is advised that all the Non-Banking Financial Companies (NBFCs) to frame a Fair Practices Code ("the Code"). The Company has in place Fair Practice Code which was adopted by the Board of Directors (Board) of the Company in its meeting held on August 12, 2015 which is reviewed by the Board periodically as required from time to time.

The Code covers the general principles on adequate disclosures on the terms and conditions of the loan and the procedures to be followed when dealing with the borrowers.

Further, the Company is engaged in providing:

1. Inter Corporate Loans
2. Revolving Loan Facility
3. Loan against Securities/Property

This FPC is divided into two categories;

- a) Loan to the Related Parties –Inter Corporate Loans/ Loan against Shares
- b) Loan to the entities other than Related Parties – Corporate Lending

This FPC deals with promoting (a) good and fair business practices and (b) a fair and cordial relationship between borrowers / customers.

**➤ SCOPE AND IMPORTANCE:**

- The Reserve Bank of India considered it necessary in the public interest and to prevent the affairs of any Non-Banking Financial Company from being conducted in manner detrimental to the interest of investor and depositors or in any manner detrimental to the interest of NBFCs, RBI on October 19, 2023 has issued Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 [Earlier Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 were applicable to the NBFC which is now repealed].

- With a view to setting out fair practices in a transparent manner and in compliance with the Reserve Bank Circular referred above, Company has framed the following guidelines as its Fair Practices Code.
- This Code deals with promoting good and fair business practices and fair cordial relationship between Company and borrowers/ customers based on trust and ethical principles.
- This Code helps dealing with the grievances in relation to its services promptly and effectively.

➤ **FAIR PRACTICES CODE**

Fair Practices Code can be divided into following categories:

**1. Loan to Related Parties:**

- i. Applications for Loans and their processing
- ii. Loan appraisal and terms/conditions
- iii. Disbursement of Loans including changes in terms and Conditions
- iv. Regulation of Interest charged

**2. Loan to the Entities other than Related Parties:**

- i. Applications for Loans and their processing (For Related Parties and Entities other than Related Parties)
- ii. Loan appraisal and terms/conditions
- iii. Disbursement of Loans including changes in terms and Conditions
- iv. Regulation of Interest charged

**3. Penal Charges: Policy Terms**

**4. Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans**

**5. General Conditions**

**6. Responsibility of Board Of Directors**

**7. Confidentiality**

**8. Ombudsman for NBFC's**

**9. Loan facilities to the physically/visually challenged by NBFCs**

**10. Force Majeure**

**1. LOAN TO RELATED PARTIES:-**

**i. Applications for Loans and their processing**

The Company is in the business of investing and lending and offers various services to their Related Parties which are as under:

- Inter Corporate Loans
- Revolving Loan Facility
- Loan against Securities/Property

All communications to the Related Parties shall be in English and/or in the language as understood by Related Parties. As the Company will be entering into loan agreement with Related Parties, request letter and acceptance letter will be issued / accepted for each transaction other than acknowledgement receipt's and application forms.

**ii. Loan appraisal and terms / conditions**

The Loan to the Related Parties are interest bearing. Interest on Loan will be decided mutually by the parties at the time of disbursement of Loan as per terms of the Agreement. Agreements will be executed on periodical basis.

**iii. Disbursement of loans including changes in terms and conditions**

Basic Purpose Company's funding to Related Parties is to support its Related Parties to strengthen their business. Company gives loan on request of the Related Parties and after proper authorization based on availability of funds with the company.

**iv. Regulation of Interest charged**

Interest on Loan will be decided mutually by the parties at the time of disbursement of Loan as per terms of Agreement & considering the cost of funding of the Company.

**2. LOAN TO THE ENTITIES OTHER THAN RELATED PARTIES:-**

**i. Applications for Loans and their processing**

The Loan application forms shall include all necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other Non-Banking Financial Companies can be made and informed decision can be taken by the borrower.

The loan application may also indicate the documents to be submitted with the application form.

The Company shall provide acknowledgement for receipt of all loan applications which shall also include an indicative time frame within which loan application will be disposed off.

Further, Loan shall be given to the outside parties only after carrying out physical verification and should be based on referral.

The Company shall communicate to its borrower in English language however if the borrower is not able to understand the English language, the Company shall communicate either in Hindi or vernacular language whichever is the convenient to the borrower.

**ii. Loan appraisal and terms / conditions**

The Company shall convey in writing in English Language as it easily understood by all customers or any other language which shall be understood by the borrower as per the demand of the borrower by means of Sanction letter or Term sheet or any other form of written communication key terms and conditions of the proposed exposure including:

- The method of application and acceptance of terms and conditions by borrower.
- The amount of loan sanctioned along with the terms and conditions including annualized rate of interest. All the penalties charged for late repayment of Loan shall be mentioned in bold letter in the loan agreement.
- Details of the default interest / penal interest rates and the charges payable by the customers in relation to their loan account.
- Terms of enforcement of security.
- All other information which is relevant from the point of view of the loan to be provided and all the parties involved.
- Wherever possible, reasons for rejection of loan would be conveyed to the customers.

The Company shall furnish a copy of the loan agreement along with the all enclosures as quoted in the loan agreement in English or vernacular language as understood by the borrower at the time of sanction/disbursement of the loan and shall be duly approved by the customer and countersigned by the authorized officials of the Company.

**iii. Disbursement of loans including changes in terms and conditions**

The Company shall convey in English or in such language as understood by the borrower 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. The loan agreement shall contain a specific clause to this effect.

Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the terms and conditions of loan agreement.

The Company shall release all securities 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 that 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.

All communication like acceptances (including for amendments or addendum) with the Customer in relation to the sanction / facilities / loan / mandate / proposals shall be in writing and preserved for a minimum period as prescribed under any Act or Rules as amended from time to time (if any).

**iv. Regulation of Interest charged**

- The Board of Director of Company have adopted an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium 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 is also made available on the website of the company. The information published on the website shall be updated whenever there is a change in the rates of interest; and
- 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.

**3. PENAL CHARGES IN LOAN ACCOUNTS:-**

Reserve Bank vide Circular bearing ref no. RBI/2023-24/53 dated August 18, 2023 has brought out the concept of Fair Lending Practice - Penal Charges in Loan Accounts. Regulated Entities (REs) are required to ensure reasonableness and transparency in disclosure of penal interest. Under the extant guidelines, lending institutions have the operational autonomy to formulate Board approved policy for levy of penal rates of interest. It has been observed that many REs use penal rates of interest, over and above the applicable interest rates, in case of defaults / non-compliance by the borrower with the terms on which credit facilities were sanctioned.

In view of the above, the intent of levying penal interest/charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool over and above the contracted rate of interest. However, supervisory reviews have indicated divergent practices amongst the REs with regard to levy of penal interest/charges leading to customer grievances and disputes.

Accordingly, the Board of Directors of the Company has formulated a policy for the implementation of above mentioned Circular to be called as “**Policy on Penal Charges**”.

**4. RESPONSIBLE LENDING CONDUCT – RELEASE OF MOVABLE/IMMOVABLE PROPERTY DOCUMENTS ON REPAYMENT/ SETTLEMENT OF PERSONAL LOANS:-**

The Company shall ensure the following to address the issues faced by the borrowers and towards promoting responsible lending conduct:

- Release of movable/immovable property documents
  - i. NBFCs 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 Registered Office where the loan account was serviced or any other office of the Company 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, the Company 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 the website of the Company 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, NBFCs 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 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, the Company 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 (i) 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).
  - 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.

**5. GENERAL CONDITIONS:-**

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.)

The Company will not discriminate on the grounds of gender, caste or religion in its lending policy and activity.

In case of request received for transfer of borrower's account, the Company's consent or otherwise shall be conveyed within 21 days from the date of receipt of the request. Such transfer shall be as per transparent contractual terms in consonance with applicable laws.

In the matter of recovery of loans, the company 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 behavior from the staff of the companies, NBFCs shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

The Company 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).

In the matter of recovery of loans, the Company shall resort only to remedies which are legally and legitimately available to without undue harassment.

All Terms and conditions will be fair and will set the customer's rights and responsibilities clearly. The Company will use legal or technical language only wherever necessary.

**6. RESPONSIBILITY OF BOARD OF DIRECTORS TOWARDS AN EFFECTIVE GRIEVANCE REDRESSAL MECHANISM:-**

The Board of Directors of the Company will also lay down an appropriate Grievance Redressal Mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of its 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 Grievances Redressal Mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals.

Accordingly, the Company has adopted the below mentioned Grievance Redressal Mechanism:

- The implementation of the Fair Practice Code shall be the responsibility of the Company. The Company shall make every effort to ensure that its dealing with borrowers / customers is smooth and hassle free. Any complaint brought to the notice of the Company by a borrower / customer will be handled expeditiously.
- In case of any complaints/grievance, the customer should either make a written complaint addressed to Grievance Redressal Officer at the registered office of the Company during the office hours (10: 00 a.m. to 06:00 p.m.) or email the Company at [vaishali.dhuri@gcvl.in](mailto:vaishali.dhuri@gcvl.in) with –

Brief Summary of Complaint

Complete contact address/phone number of the complainant

The Grievance Redressal Officer will strive to provide an initial response to the customer's complaint within 7 days of the complaint being lodged.

- Following are the details of Grievance Redressal Officer who is responsible to resolve the complaints of customers against the Company:
  - i. Name: Vaishali Dhuri
  - ii. Telephone no/ Mobile No: 022 40198623
  - iii. E-mail address: [vaishali.dhuri@gcvl.in](mailto:vaishali.dhuri@gcvl.in)
- If the complaint / dispute is not redressed within a period of 15 days, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (with complete contact details), under whose jurisdiction the registered office of the applicable NBFC falls.
- The Board of Directors shall periodically review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism. A report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

Further Company is also registered on the Online Dispute Resolution Portal (ODR). Link of same has been available at the website of the company i.e. <https://saraswaticommercial.com/investor-information.asp>.

**7. CONFIDENTIALITY:-**

All the borrower's personal information shall be treated as private and confidential.

The Company will not reveal transaction details to any other entity including within the Group other than the following exceptional cases

- The Company has to provide the information by statutory or regulatory laws to Law enforcement agencies, Credit Information Bureau, RBI, other banks and financial institutions and any other state, central or other regulatory body
- If there is duty to the public to reveal this information

If Company have taken the customers permission (for instances at the time of Loan sanctioning) to provide such information to its Group /Associate /entities or Companies for providing other product or services.

#### **8. OMBUDSMAN FOR NBFC'S:-**

As per RBI's notification Ref.CEPD.PRS.No.3590/13.01.004/2017-18 dated February 23, 2018 and Notification No. RBI/2017-18/133 DNBR. PD. CC. No 091/03.10.001/2017-18 dated February 23, 2018 and as per latest RBI notifications CEPD. PRD. No.S873/13.01.001/2021-22 dated November 12, 2021 and CO.CEPD.PRS.No.S874/13-01-008/2021-2022 dated November 15, 2021, the Company fall under the category of NBFC to adopt integrated Ombudsman Scheme, 2021 and the Company has disclosed the same on the website of the Company i.e. [https://www.saraswaticommercial.com/policies/Integrated\\_Ombudsman\\_Scheme\\_Saraswati.pdf](https://www.saraswaticommercial.com/policies/Integrated_Ombudsman_Scheme_Saraswati.pdf)

Further, the Company is not required to appoint Internal Ombudsman as the threshold limit provided under the RBI Circular has not been reached.

#### **9. LOAN FACILITIES TO THE PHYSICALLY/VISUALLY CHALLENGED BY NBFC'S:-**

The Company shall not discriminate in extending loan facilities to physically/visually challenged applicants on grounds of disability. All branches of NBFCs shall render all possible assistance to such persons for availing of the various business facilities. The Company shall include a suitable module containing the rights of such persons guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the Company shall ensure redressal of grievances of such persons under the Grievance Redressal Mechanism already set up by them.

#### **10. FORCE MAJEURE:-**

The various commitments outlined and made by the Company are applicable under the normal operating environment. In the event of Force Majeure, the Company will not be able to fulfill the commitments under FPC to the entire satisfaction.

**11. PERIODIC REVIEW:-**

The Company shall review and refine this FPC as may be required from time to time based on its own experience and fresh guidelines, if any, issued by the Bank in this regard.