

HB PORTFOLIO LIMITED

FAIR PRACTICES CODE (FPC)

Pursuant to the notification issued by the Reserve Bank of India by its Circular No. RBI/2006-07/138 DNBS (PD) CC No. 80/03.10.042/2005-06 dated 28th September 2006, the Company formulated the Fair Practices Code on 10th May, 2011.

The FPC was suitably modified by the Board of Directors in their Board Meeting held on 10th September, 2013 in terms of the Circular No: DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012 and Circular No. DNBS.CC.PD.NO.320/03.10.01/2012-13 dated February 18, 2013 and Circular No. DNBS.CC.PD.NO.340/03.10.042/2013-14 dated July 1, 2013 issued by RBI.

The FPC was further modified by the Board of Directors in their Board Meeting held on 10th February, 2016 with respect to particulars of grievances redressal officer of the Company.

This FPC has been suitably modified and approved by the Board of Directors in their meeting held on 12th November, 2016. A Copy of this FPC is also available in Hindi, the vernacular language of the office of the Company at Gurgaon, Haryana and is based on the guidelines out lined in this regard.

The Company shall observe the following Guidelines:

A. Application for Loans and their Processing

- All communication shall be issued by the Company to the borrower in the Vernacular Language or in the Language understood by the borrower.
- Loan application form shall include necessary information which affects the decision of the borrower and enable the borrower to compare the terms with the other Lenders. A List of documents sought by Lender enabling it to sanction the Loan. Necessary information shall be displayed in the Loan Form in order to have an informed decision to the parties.
- The application form received for sanction shall be acknowledged by the Lender with a time frame of disposal by sanction / decline or the terms of the facility.
- The parties signing the Loan Agreement may through mutual consultation change any/all the terms and conditions of the Loan Agreement and the same shall be binding on the parties.

B. Loan Appraisal and Terms and Conditions

- The Company shall communicate Sanction or decline or status of application if any to the borrower in writing in the vernacular Language. Sanction shall inter alia include amount of loan, other terms of sanction, rate of interest, annualised rate of interest, penal interest, any other cost or charges. Acceptance of these terms and conditions shall be kept on record by

the borrower. A Copy of the Loan Agreement with annexure duly signed by the parties shall be exchanged and binding on the parties.

C. Disbursement of Loans including Changes in the terms and conditions

- Any change in the terms and conditions of the Loan shall be communicated to the lender by a Letter in the vernacular language or in the Language understood by the borrower and any changes in the terms shall only be from a prospective date, a mention of these shall be made in the Loan agreement signed by the parties.
- Any decision of recalling of loan and / or accelerated payment or performance under the agreement shall be as per the Loan Agreement.
- The Company shall release all securities held on repayment of dues or on realisation of all outstanding amount. If the Company has exercised its right to set off, the borrower shall be given notice about the same with full particulars about remaining claims and the conditions under which the company is entitled to retain securities till the relevant claim is settled /paid.

D. General Covenant

- The Company shall refrain from interfering in to the affairs of the borrowers except for the purpose provided in the Loan Agreement (unless new information has come to the notice of the lender which was not earlier disclosed by the borrower)
- A borrower may request for transfer of his borrowal account to another lender subject to approval of NOC from Lenders within 21 days of receipt of request. Transfer shall be as per the transparent contractual terms in consonance with Law.
- The Company shall not resort to undue harassment in the recovery of Loan and shall not bother the borrower at odd hours, not use muscle power for recovery of Loan. The company shall use train staff only for recovery and shall ensure that no rude behavior from recovery staff shall be tolerated. Training will be imparted to ensure that staff is adequately trained to deal with Customers in an appropriate manner.
- The Company shall lay down an appropriate grievances redressal mechanism within the organisation to resolve disputes arising in this regard. Such a mechanism should ensure that all dispute of misconduct and misbehavior shall be heard and redressed at least at a next higher level. The Board of Directors shall periodically review the compliance of the Fair Practices code and the functioning of the grievances redressal mechanism at various levels of the management. A periodical review report of all such Complaints may be submitted to the Board at periodicals.
- FPC code should be reviewed from time to time and such short comings noticed on review shall be rectified and updated by the Company after obtaining sanction of its Board and disseminate the Code for the benefit of the stake holders on its website.

- Though the charging of interest rate is not regulated by the Reserve Bank however interest rate beyond a certain limit may be seen to be excessive and is not sustainable nor be confirming to normal financial practices. FPC shall be transparent in respect of terms and conditions of loan and rate to be charge to the Customer.
- The Company shall ensure that the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customers in the application form and be communicated in the Letter of sanction. The rate of interest and the approach for gradation of risks should be available on the website of the company or in the newspapers and shall be regularly updated whenever changes take place. Interest rate shall be quoted on annualised basis to facilitate comparison by the borrower.
- Loan Agreement signed by the Company shall have an inbuilt clause towards repossession of asset which should be legally enforceable. In order to be transparent and customer friendly, the loan agreement shall contain the following:-
 - (i) Notice period before taking repossession
 - (ii) Circumstances when Notice period can be waived.
 - (iii) Procedure for taking possession of the Security
 - (iv) A provision towards 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) Procedure for sale/auction of the property
- If the Company wishes to avail its right of set off of the amount due from the borrower, the Company shall give notice to the borrower about the same with full particulars.
- In the matter of recovery of outstanding dues of its Borrower, the company does not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans/dues, etc. Training will be imparted to ensure that staff is adequately trained to deal with customers in an appropriate manner
- A Copy of the Loan Agreement containing such terms and conditions should be made available to the all the borrowers while sanctioning / disbursement of the Loan which shall be a key document of such contract.

E. Lending against Collateral of Gold jewellery

While at present the Company is not engaged in this activity but as and when it does so, while lending to individuals against gold jewellery, the Company shall adopt the following in addition to the general guidelines as above.

- i. Put in place Board approved policy for lending against gold that should inter alia, cover the following:

- a. 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,
 - b. Proper assaying procedure for the jewellery received,
 - c. Internal systems to satisfy ownership of the gold jewellery,
 - d. The policy shall also cover 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,
 - e. The jewellery accepted as collateral should be appropriately insured,
 - f. 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 should also lay 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,
 - g. The auction should be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper.
 - h. As a policy the Company shall not participate in the auctions held,
 - i. Gold pledged will be auctioned only through auctioneers approved by the Board.
 - j. The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
- ii. The loan agreement shall also disclose details regarding auction procedure.

F. Regulation of Interest Charged

- The Company has laid down appropriate internal principles and procedures in determining interest rates and processing and other charges.
- The Company has adopted an interest model taking into account cost of funds, margin and risk premium for determining rate of interest to be charged for loans and advances.
- 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 on interest will be annualised so that the borrower is aware of the exact rates that would be charged to the account.
- The penal interest charged for late payment has been mentioned in bold letters in Loan Agreement.

G. Grievances Redressal Mechanism

- The Company has displayed prominently at all its places of business for the benefits of its Customers that **Mr. Dinesh Kapoor - Company Secretary** is the Grievances Redressal officer of the Company and he may be contacted at the following address for resolution of complaints against the Company.

HB Portfolio Limited
Plot No: 31, Echelon Institutional Area
Sector 32, Gurgaon-122001, Haryana
Phone No.: 0124-4675500, Ext. 457
Email: corporate@hbportfolio.com

- If the Complaints / dispute is not redressed within a period of One month, the Customer may appeal to the Officer-In Charge of the Regional office of the DNBS at the following address:

The General Manager,
Department of Non-Banking Supervision
Reserve Bank of India
6, Sansad Marg
New Delhi-110 001
Ph. 011-23714456, 23739318
Email: dnbsnewdelhi@rbi.org.in