

Fair Practices Code

This Fair Practice Code is approved and adopted by the Board of Directors of Aparoksha Financial Services Private Limited (the 'Company') as required in the RBI Master Directions **RBI/DNBR/2016-17/44 Master Direction DNBR.PD.007/03.10.119/2016-17** dated September 1, 2016 updated as on February 17 2020 and is based on requirements under **RBI/2011-12/470 DNBS.CC.PD.No.266 /03.10.01/2011-12**.

Since RBI could issue circulars and instructions on an on-going basis, any subsequent amendment to the above circulars would mend and update this Fair Practice Code accordingly.

I. Objective of the Code

The Code has the following objectives:

1. Promote fair practices by setting minimum standards in dealing with customers.
2. Increase transparency thereby customers can have a better understanding of what types of services level can be expected from the Company.
3. Foster customer confidence in the Company.

II. Application of the Code

The Code applies to all products offered by the Company.

The Company will continue to evaluate multiple products to meet the financing requirements of its customers. The Code will continue to apply to any product that is developed and provided by the Company to its customers.

III. Applications for loans and their processing

1. All communications to the borrower shall be in line with market practice and where necessary in vernacular language or a language as understood by the borrower.
2. Loan application forms would 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 would indicate the documents required to be submitted with the application form.
3. We would devise a system of giving acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of would also be indicated in the acknowledgement.

IV. Loan appraisal and terms/conditions

1. We would convey in writing to the borrower in the a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and

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conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on our record.

2. We shall mention the penal interest charged for late repayment in bold in the loan agreement.
3. We would furnish a copy of the loan agreement as understood by the borrower 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.

V. Disbursement of loans including changes in terms and conditions

1. We would give notice to the borrower in 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. We would also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard would be incorporated in the loan agreement.
2. Decision to recall / accelerate payment or performance under the agreement would be in consonance with the loan agreement.
3. We would 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 we 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 we are entitled to retain the securities till the relevant claim is settled/paid.

VI. General

1. We would 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 been noticed).
2. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. our objection, if any, would 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.
3. In the matter of recovery of loans, we would not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. We would also ensure that our staff are adequately trained to deal with the customers in an appropriate manner.
4. We shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

VII. Responsibility of Board of Directors

Our Board of Directors would also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism would ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors would also provide for periodical review of the compliance of the Fair Practices

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Email – reachus@loan2wheels.com

Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews would be submitted to the Board at regular intervals, as may be prescribed by it.

VIII. Grievance Redressal Officer

At the operational level, we will display the following information prominently, for the benefit of our customers, at our branches / places where business is transacted:

(a) 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 us.

(b) If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the our registered office falls.

The public notice would serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.

IX. Language and mode of communicating Fair Practice Code

Fair Practices Code, which would also be in the vernacular language and would also be put up on our website, if any, for the information of various stakeholders.

X. Rate of interest

(a) We shall adopt 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.

(b) 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.

(c) The rate of interest should be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

(d) We shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

XI. Repossession of assets financed by us or assets offered as security for our loans

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We will have a built in re-possession clause in the contract/loan agreement with the borrower which will be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement would also contain provisions regarding: (a) notice period before taking possession; (b) circumstances under which the notice period can be waived; (c) the procedure for taking possession of the security; (d) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property; (e) the procedure for giving repossession to the borrower; and (f) the procedure for sale / auction of the property. A copy of such terms and conditions will be made available to the borrower.

XI. Lending against collateral

While lending to borrowers against collateral, we shall adopt the following in addition to the above. We shall have a board approved policy for lending against collateral covering 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/valuation procedure for the asset received/used as collateral,
- (c) Internal systems to satisfy ownership of the collateral,
- (d) Adequate systems for storing the asset/documentation of ownership 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. Such loans would not be extended by branches that do not have appropriate facility for storage of the collateral and /or documentation,
- (e) The asset/documentation of asset accepted as collateral should be appropriately insured,
- (f) Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. 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 two newspapers, one in vernacular language and another in national daily newspaper,
- (h) As a policy, we ourselves should not participate in the auctions held,
- (i) Collateral 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.
- (k) The loan agreement shall also disclose details regarding auction procedure.

XII. Review

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A review of compliance of the Fair Practices Code and the functioning of the grievance re-dressal mechanism would be done by the Management regularly and a consolidated report of such reviews will be submitted to the Board of Directors on a regular basis. An updated copy of this code shall be put up on the Company's website.

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