



(Approved by the Board as on 29th April, 2021)

FAIR PRACTICE POLICY

“VARA FINANCE PRIVATE LIMITED”

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BACKGROUND

Reserve Bank of India has drafted the guidelines on Fair Practices Code for Non-Banking Finance Companies which sets the fair practices standards when dealing with individual customers and to serve as a part of best corporate practice.

The Reserve Bank of India, (RBI), vide its notification number DNBS (PD) CC No.80/03.10.042/2005- 06 dated September 28, 2006 and subsequently through various other notifications has prescribed the broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (NBFCs). All of this has been consolidated in last Master Circular – Fair Practices Code notification number DNBR (PD).CC.No.054/03.10.119/2015-16 dated July 1, 2015.

VARA FINANCE PRIVATE LIMITED (“VFPL”) commits itself to the highest standards of risk management, transparency, compliance and fair practices while meeting the business loan needs in a timely and effective manner. The Company intends that the NBFC’s business be conducted in accordance with the prevailing statutory and regulatory requirements with due focus on efficiency, customer-orientation and corporate governance principles.

We propose to adopt all the best practices as laid down by the RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed. It is, and shall be, the policy of the NBFC to make available to all eligible qualified applicants, without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap all financial products, either directly or through subsidiaries and / or associates.

INTRODUCTION

VARA FINANCE PRIVATE LIMITED (“VFPL”) is a company incorporated under the Companies Act, 2013 having Corporate Identification Number (CIN: U65999TG2018PTC127620). It is a non-deposit taking non-systemically important non- banking financial company registered and regulated by the Reserve Bank of India (RBI) as a Non-Banking Finance Company (NBFC), bearing Registration no. N-09.00472 The registered office of the Company is at 1-3-53, General Bazar Secunderabad Hyderabad Telangana 500003

GUIDING PRINCIPLES AND DECLARATIONS

Our Company’s policy is to treat all the clients consistently and fairly. The employees of the Company will offer assistance, encouragement and service in a fair, equitable and consistent manner. The Company will also communicate its Fair Practices Code (FPC) to its customers by uploading the FPC on its website.

We as a Company will ensure that the implementation of the FPC is the responsibility of the entire organisation. The Company’s fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counseling, and monitoring, auditing programs and internal controls, and optimal use of technology.

We shall ensure that charges / fees are appropriately informed to the borrower. Terms and conditions pertaining to the facility will be conveyed to the prospective borrowers. We commit that disputes arising out of the lending decisions will be appropriately resolved by a grievance redressal mechanism set up by us.

KEY COMMITMENTS

The key commitments of putting in place the FPC are as follows.

- i. To act fairly and reasonably in all the dealings with borrowers by ensuring that:
 - a. the Company’s products, services, procedures and practices will meet the broad requirements and standards in the FPC;
 - b. the Company’s products and services will be in accordance with relevant laws and regulations as applicable for the time being in force;
 - c. the Company’s dealings with its borrowers will rest on ethical principles of honesty, integrity and transparency.

- ii. The Company will assist its customers in understanding as to what the broad features of its financial products and services are and what are the benefits and risks involved in availing the same by:
 - a. providing information about the products and services in simple manner;
 - b. explaining the financial implications of using the products and services.
- iii. The Company will make every attempt to ensure that its customers would have trouble-free experience in dealing with it. However, in case of error of commission and/or omissions, it shall:
 - a. deal with the errors promptly and effectively;
 - b. deal with the Grievances redressal in a quick and efficient manner and to the satisfaction of the customers;
 - c. promptly handle complaints;
 - d. have escalation process, in the event of dissatisfaction of the borrower in handling his complaint(s);

APPLICABILITY OF FAIR PRACTICE CODE

The FPC will be applicable to the following broad areas:

- a. Loan applications and processing thereof
- b. Loan appraisal and terms/conditions
- c. Disbursement of loans including changes, if any, in terms and conditions
- d. Post disbursement supervision/monitoring
- e. Other general provisions

A. Loan applications and processing thereof

- i. Loan Application Forms will be made available to the prospective borrowers on request.
- ii. Loan documentation set will, inter alia, include the broad features and the terms and conditions governing the loan. This would enable the borrowers to take an informed decision by comparing and analyzing the terms offered by the Company with other lenders in the market. The said Form shall also specify the documents required to be submitted by the borrowers.
- iii. Loan Application Form may also list out the additional information required from the borrowers and their family members in order to enable the Company to create the database.
- iv. Loan Application Form shall provide for giving an acknowledgement to the borrowers acknowledging receipt of the same.
- v. All the loan applications shall be disposed of within a period of 90 days from the date of receipt of duly completed Loan Application Forms together with the requisite documents and subject to receipt of all documents complying with prevailing rules and regulations by the borrower.
- vi. All communication with the borrowers shall in the language understood and confirmed by borrowers.

B. Loan appraisal and terms/conditions

- i. The borrower shall be given a loan sanction letter and copy of the loan document together with annexures/enclosures quoted therein in vernacular language or a language as understood by the borrower which shall include the details of the loan such as amount sanctioned, annualized interest rate, method of application thereof and any other terms and conditions.
- ii. The penal interest that will be charged for late payment shall be mentioned in bold letters in the sanction letter/loan document.
- iii. An acknowledged copy of the sanction letter shall be kept as part of the document and a copy of the loan documents

including loan agreement and annexures thereof shall be made available to the borrower.

- iv. The Company shall consider all the loan applications keeping in mind the risk based assessment procedures adopted by it.
- v. Subject to receipt of all the requisite information and completion of documentation and creation of Chargeover the security, loan applications shall be disposed of in the normal course on the same day of receipt of the application form complete in all respects. However, if there is any delay in sanctioning the loan beyond the period of 1 day due to reasons like field verification etc, customer shall be given an acknowledgement for receipt of the application also indicating the time frame within which the loan application will be disposed of. The customer shall be kept informed of the status of his application.
- vi. The Company, before sanctioning the loan, would assess the ability of the borrowers to repay the loan.
- vii. The default interest rate will be mentioned in bold in the loan agreement.
- viii. In case of lending under consortium arrangement, the participating NBFC/banks would decide the timeframe to complete appraisal of the proposal and communication of the decision. The Company will abide by the decision of the consortium.

C. Disbursement of loans including changes in terms and conditions

- i. Disbursement of amount of loans sanctioned may be made available to the borrowers on demand subject to completion of all formalities including execution of loan documents.
- ii. Any change in the terms and conditions, disbursement schedule, interest rate, service charges, prepayment charges, etc. shall be notified to the borrowers in writing.
- iii. Change in the interest rates and service charges shall be made applicable prospectively. The loan agreement shall contain a specific clause in this regard.
- iv. 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 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.

D. Rate of Interest

- i. The Company shall frame appropriate internal policies and procedures for determining the interest rates and processing and other charges, if any and also ensure that they are in line with the market conditions. The Company shall, at the time of disbursement, ensure that the interest rate and other charges, if any, on loan and advances are in strict adherence to above referred internal policies and procedures.
- ii. The rate of interest will be annualized rates so that the borrower is aware of the exact rates that would be charged on the loan
- iii. The information published in the website shall be updated whenever there is change in the rates.
- iv. The rate of interest and the approach for gradation of risk and rationale for charging different rates of interest to different schemes shall be disclosed in the application form and also communicated explicitly in the sanction letter issued to the borrower.
- v. The rates of interest and the approach for gradation of risk shall also be made available on the website.
- vi. Interest rate slab changes meant to encourage timely interest payment, levying of additional interest for discouraging loans from crossing the sanctioned period etc, shall be mentioned clearly in the loan agreement.
- vii. No Pre-payment penalties/foreclosure charges will be levied on gold loans in the normal course. In case such charges are applicable for any scheme, it will be disclosed in the sanction letter.

E. Policy on KYC, Appraisal, Insurance, Storage of Securities and Auction Etc.

- i. The Company shall put in place a policy duly approved by the Board covering the following aspects:
- ii. 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.
- iii. Proper appraisal procedure for assessing the value and purity of the jewellery accepted as collateral security.
- iv. Declaration shall be obtained from the borrower confirming ownership of gold jewellery.
- v. All branches shall have proper storage facility of either Strong Rooms or Safes conforming to ISI Standards of approved make to store the jewellery in safe custody. The sets of keys to the strong room/safe shall be held separately by two officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage

VARA FINANCE PRIVATE LIMITED

(Formerly known as Annam Capital Financial Services Private Limited)

CIN: U65999TG2018PTC127620

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- vi. The jewellery accepted as collateral security shall be adequately and appropriately insured. The auction procedure in case of non – repayment shall be transparent. Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The auction process shall ensure that an arm’s length relationship in all transactions during the auction is maintained including with group companies and related entities. The details regarding procedure for auction shall be disclosed in the loan document for availing the loan. The auction will be only through auctioneers approved by the Board and the Company shall not participate in the auction. The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.
- vii. Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Any review of the decision of the disciplinary authority shall be carried out by the Managing Director

F. Outsourcing of Financial and IT services

- i. The Board and senior management are ultimately responsible for ‘outsourcing operations’ and for managing risks inherent in such outsourcing relationships. The Board of Directors of NBFCs is responsible for effective due diligence, oversight and management of outsourcing and accountability for all outsourcing decisions. The Board and IT Strategy committee have the responsibility to institute an effective governance mechanism and risk management process for all IT outsourced operations.
- ii. The outsourcing of any activity by NBFC does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. NBFCs would therefore be responsible for the actions of their service provider including Direct Sales Agents/ Direct Marketing Agents and recovery agents and the confidentiality of information pertaining to the customers that is available with the service provider. NBFCs shall retain ultimate control of the outsourced activity.

G. Other General Provisions:

- i. The Company shall refrain from interfering in the affairs of the borrowers except as provided in the terms and conditions governing the loan as contained in the loan documents (unless new information, not earlier disclosed by the borrower, has come to its notice).
- ii. The Company will not entertain any request for transfer of borrowal accounts as this is not practicable

in the case of loans granted against collateral of gold jewellery

- iii. In the matter of recovery of loans, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The staff of the Company shall be adequately trained to deal with the customers in an appropriate manner so as to ensure proper behavior.
- iv. The Company will call delinquent customers between 0900 hrs to 1800 hrs unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.
- v. The Company shall generally convey its consent within a reasonable period of time to all requests from the borrower to transfer the loan account of a particular borrower to other NBFC, bank or financial institution. Such transfer shall be in accordance with the contractual terms entered into with the borrower and in accordance with the statutes, rules, regulations and guidelines as may be applicable from time to time.
- vi. The Company shall not discriminate on the grounds of gender, caste or religion in its lending policy and activities.
- vii. In the case of recovery of loans, the Company shall resort to the usual measures, which are legally and legitimately available to it and as per laid down guidelines and extent provisions and shall operate within the legal framework.
- viii. The Company shall provide the terms and conditions in respect of its lending activities or services whenever the borrower requests for the same.
- ix. On request from borrower for closure of his loan account, the request will be executed within 21 days from receipt thereof request subject to clearance of pending dues and completion of all the formalities as prescribed by the Company. In case the request cannot be executed in the time frame stated above due to any reason, the same may be communicated to the borrower.

REGULATION OF EXCESSIVE INTEREST CHARGED

The Company shall frame appropriate internal principles and procedures for determining the interest rates and processing and other charges, if any, and also to ensure that they are in line with the market conditions. The Company shall, at the time of disbursement, ensure that the interest rate and other charges, if any, on loan and advances are in strict adherence to above referred internal principles and procedures. The rate of interest shall be annualized rates to make the borrower aware of the exact rates that would be charged to the account.

CONFIDENTIALITY

Unless authorized by the borrower, the Company will treat all his/her personal information as private and confidential.

The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances:

- i. If the Company is required to provide the information to any statutory or regulatory body or bodies;
- ii. If arising out of a duty to the public to reveal the information;

- iii. If it is in the interest of the borrowers to provide such information (e.g. fraud prevention);
- iv. If the borrower has authorised the Company to provide such information to its group / associate / entities or companies or any such person/ entity as specifically agreed upon;

COMPLAINTS

In case of any complaint/grievances of the borrowers, the same shall be intimated by them in writing to the Grievance Redressal Officer. The Grievance Redressal Officer shall immediately make all efforts to redress the grievances. The concerned employees shall guide the borrowers who wish to lodge a complaint.

GRIEVANCE REDRESSAL MECHANISM

The Company has provided for three tier Grievance Redressal Mechanism to resolve any of its customers query / grievance.

Level 1:

The customer may register his/her query/complaint to the Company which shall be addressed to the Grievance Redressal in connection with any matter pertaining to business practices, lending decisions, credit management, recovery and complaints relating to updation/alteration of credit information. The details of the Grievance Redressal Officer are given as follows:

Name of the Grievance Redressal Officer	Vikas annam
Address	1-3-53, General Bazar, Secunderabad , Telangana – 500003
Telephone	9985468628
E-mail id	vikas@varafinance.com

The redressal officer may formally delegate the task of redressal of a specific complaint to a team member as suitable, with due information to the customer

Level 2:

If the complaint is not resolved within 15 days, the customer shall complaint to the Chairman of the Company at his following email id: vikas@varafinance.com

Level 3:

If the complaint / dispute is not redressed within a period of one month(30 days) from date of its receipt, the customer may appeal to:

*General Manager,
Department of Non-Banking Supervision (DNBS)
Reserve Bank of India (RBI)
6-1-56, Saifabad, Secretariat Road, Hyderabad, Telangana 500004*

Telephone No: Ph. 040- 2326 7031

Email: dnbshyderabad@rbi.org.in

Points to complied along with the redressal process thereof:

Towards ensuring redressal of disputes arising out of decisions of the functionaries of the Company, the following mechanism is put in place:

- a) The decisions of any official below the Branch Manager shall be heard and disposed of by the Branch Manager.
 - b) Decisions of Branch Managers shall be heard and disposed of by the Regional Manager.
 - c) If not satisfied with the decision of the Regional Manager, the customer has the option to escalate the matter to Grievances Redressal Cell at the Company's Head Office at Hyderabad
- The above information shall also be displayed at the notice board of the branches / places where the business of the Company is transacted for the benefit of the customers.
 - Proper training shall be imparted to staff on an ongoing basis with a view to improving staff behavior and customer service.
 - In case of complaints received, the concerned Relationship Manager would report the matter with full details within 2 days from date of receipt, to Compliance department.
 - The Compliance department comprises of Company Secretary / Compliance Officer of the Company shall take all necessary steps to redress and resolve the grievance and will send a response as soon as possible and in any case not later than a maximum period of 15 days. If the complaint received from the customer is in respect of updation/alteration of credit information, the same shall be responded with 7 working days.
 - Any unresolved / not replied grievance shall be escalated to the Company Secretary / Compliance Officer of the Company and in case of complaint relating to updation//alteration of credit information, to the Consumer Protection Committee comprising of Nodal Officer, Compliance Officer and Grievance Redressal Officer , who shall take all necessary steps to redress and resolve the grievance, and will send a response as soon as possible and in any case not later than a maximum period of 15 days of its receipt from the Compliance department.
 - If the unresolved / not replied grievance is not resolved by the Company Secretary / Compliance Officer/ Consumer Protection Committee within 15 days of its receipt, the same shall be escalated to the Chairman of the Company.
 - The Status Report on all complaints shall be placed before the Board of Directors for their review on a quarterly basis by the Company Secretary / Compliance Officer.

FORCE MAJEURE

The various commitments outlined and made by the Company shall be applicable under the normal operating environment. In the event of any Force Majeure circumstances, the Company may not be able to fulfill the objectives under the FPC to the entire satisfaction of the borrowers, the stakeholders and the public in general.

In order to enhance the value and relevance to the borrowers, this code shall be under review from time to time.