

**Magma Consumer Finance
Private Limited**

To provide to all the stake holders, especially customers effective overview of practices followed by the company in respect of the financial facilities and services offered by the company to its customers.

Fair Practice Code

Effective Date: 20.06.2016

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Version No.: 3.0

Approved By: Board of Directors

Policy Owner: Fair Practice Code Committee



This document is confidential in nature and supersedes any Fair Practice Code existing in the Company, and should be read in conjunction with the most recent policies and procedures documented.

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**FAIR PRACTICE CODE – MAGMA CONSUMER
FINANCE PRIVATE LIMITED**

Base Document	:	Guidelines on Fair Practices Code for NBFCs – Grievance Redressal Mechanism, read with Master Circular RBI/2014-15/34 DNBS (PD) CC No.388/03.10.042/2014-15 dated 1 st July, 2014 and any modified thereafter on Fair Practices Code for NBFCs.
Initial Document Prepared by	:	Mr. Anand Roy
Functional aspects checked by	:	-
Governing Guideline/Policy	:	Guidelines on Fair Practices Code for NBFCs – Grievance Redressal Mechanism.
Legal aspects checked by	:	Vinod Kothari & Co.



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1. Introduction:

This Fair Practice Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the company in respect of the financial facilities and services offered by the company to its customers. This code seeks to amend and supersede the Code of Fair Practices framed by the Company in accordance with Reserve Bank of India guidelines issued by the Department of Non-Banking Financial Companies vide Circular number RBI/2006-07/138 DNBS (PD) CC number 80/03.10.042/2005-06 dated 28th Sept 2006, and revised to take into account amendment in the Guidelines on Fair Practice Code issued by the RBI vide Master Circular RBI/2014-15/34 DNBS (PD) CC No.388/03.10.042/2014-15 dated 1st July, 2014 and any modification thereafter on Fair Practices Code for NBFCs.

2. Objective:

This code has been developed:

- To promote good, fair and trust-worthy practices by setting standards in dealing with customers;
- To ensure transparency in the Company's dealings with its customers;
- To ensure compliance with legal norms in matters relating to recovery of advances;
- To enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;
- To reckon with market forces, through competition and strive to achieve higher operating standards;
- To strengthen mechanisms for redressal of customer grievances;

3. Application for Loans and their processing:

1. Wherever applicable, all Loan Application Forms shall contain detailed information relating to the terms and conditions governing the Loan and other relevant information affecting the interest of our valuable customers. These forms shall also contain the particulars of standard documents to be submitted with the Application Form. However, the Company may, depending on the credit underwriting requirements require other documents from the customers, as it may deem fit.
2. The Company explains to the customers the contents of various loan documents in the vernacular language and further ensures that the customer understands the terms and conditions governing the Loan.



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3. 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 may indicate the documents required to be submitted with the application form.
4. Wherever applicable, the Company shall follow the system of issuing acknowledgements for receipt of all loan applications. The Company will consider all the documents submitted and the information provided, verify the credit worthiness of the customer and evaluate the proposal at its sole discretion. The Company shall further endeavour to intimate the status of all loan applications regarding its acceptance or rejection within 7 working days of receiving the application along with all necessary documents.
5. The completed loan application form shall indicate the loan amount to be disbursed, information which affects the interest of the borrower, the annualised rate of interest applicable, processing fee (if any), dates of interest payments due, loan tenure etc. Company shall provide the acknowledgement receipt of the loan application form with the time frame within which loan applications will be disposed of.
6. Magma Consumer shall convey in writing to the borrower 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 shall keep the acceptance of these terms and conditions by the borrower on its record.

4. Loan Appraisal and Terms and Conditions:

1. The company shall convey in writing to the borrower in the vernacular language as understood by the borrower, by means of sanction letter or otherwise, the following particulars:
 - a. Assets details;
 - b. Sanctioned Loan Amount;
 - c. Annualised rate of Interest to be charged;
 - d. Overdue interest;
 - e. Cheque bouncing penalty;
 - f. Tenor of loan;
 - g. Instalment amount and structure;
 - h. Commencement Date;
 - i. Prepayment penalty;



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2. The Company 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.
3. Company shall mention the penal interest charged for late repayment in bold in the loan agreement.
4. Acceptance of the Sanction Letter by the customer shall be kept on record.

5. Disbursement of Loans and changes in Terms and Conditions:

At Magma Consumer we shall value openness and transparency in the system. Company shall keep the customers informed in the vernacular language or a language as understood by the borrower, in the event of any modification in terms and conditions, repayment schedule, interest rates, security, and other changes material to customer's relation with Magma Consumer. Any changes in interest rates and charges shall be effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.

6. Recall of Loan:

Any decision pertaining to recall of loan or acceleration of repayment or seeking of any additional securities shall be taken strictly in accordance with the relevant provisions in the respective agreement with the customer and amendments made thereto.

7. Release of Securities:

1. Company 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 claims; Company may have against the borrowers. 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 Company is entitled to retain the securities till the relevant claim is settled/ paid.
2. Company shall ensure that the charge over any security provided by the customer is relinquished upon the happening of any of the following events, subject to any legitimate right or lien for any other claim against the customer:
 - a. payment of all dues by the customer;
 - b. transfer of account and consequent settlement of all dues;
 - c. closure of the loan file in due course following settlement as per agreement.



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In the event any other right or lien exists, the customer shall be notified about the same with full particulars thereof.

8. General Clauses:

A. Non-Interference:

- i. Company or any of the employees of the Company shall not interfere in the affairs of the borrower except as provided under the circumstances mentioned in the agreement.
- ii. If any new information or findings not previously disclosed by the borrower comes to the notice of Magma Consumer, the above restriction shall not apply.

B. Transfer of Account

Whenever a request for transfer of loan account is received from a customer, Company shall respond to the same within 21 days of receipt of request. Acceptance or refusal thereof shall be in accordance with terms of the agreement. Such transfer shall be as per transparent contractual terms in consonance with law.

C. Recovery Process

If any recovery proceedings need to be initiated, these shall be conducted in accordance with the rights provided under the Agreement and in accordance with legally accepted norms. At Magma Consumer, we train our staff adequately to deal with the customers in an appropriate manner. The Company does not resort to coercive measures (like persistently bothering at odd hours, use of muscle power, rude behaviour or harassment from any of the staff of the Company) for recovery of loan.

D. Foreclosure charges/ Pre-payment penalties on floating rate term loans

As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of the Company, Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.



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9. Repossession of Security

- i. The Company has the right to take possession of the Asset by giving 30 days' notice to the Borrower to clear the dues or to hand over possession of the Asset. Such notice need not be given in the following circumstances:
 - a. when the Borrower agrees for waiver of such notice;
 - b. when the Borrower has expressed his willingness to surrender the possession of the Asset voluntarily;
 - c. when there is reasonable apprehension to the Lender or its officers/agents that such notice may defeat the taking of possession of the Asset due to any foul play or forcible resistance from the part of the Borrower/Guarantor(d) when the Asset remains abandoned by the Borrower for any reason;
 - d. when the Borrower ceases to exist;
 - e. when the Borrower has absconded with a view to prevent the recovery of the dues from him; and
 - f. for any other similar reasons so as to facilitate peaceful taking possession of the Asset by the Lender;
 - g. on such other conditions as mentioned in the loan agreement executed between the Company and the borrower;
- ii. The procedure for taking possession of the Asset includes:
 - a. when the Borrower fails to follow the demand made in the above referred notice, the Lender may approach appropriate forum for an order enabling it to take possession of the Asset by suitable ways either by way of a commissioner or receiver;
 - b. by asking the customer personally to surrender the vehicle at a place convenient to the Lender;
 - c. by compelling the Borrower to hand over possession through the authorities so as to prevent the use of the Asset by the Borrower.;
- iii. The above two clauses (i and ii) are not applicable to the cases wherein the Borrower surrenders the Asset voluntarily.
- iv. Provision regarding final chance to be given to the borrower for repayment of the loan before the sale / auction of the property
 - a. The Lender is entitled to transfer in any form like sale, rental and conversion for own use etc. the Asset, the possession of which is obtained in any of the ways stated above or otherwise, in connection with the default, in the way convenient to the Company and appropriate the proceeds thereof towards repayment/dues from the Borrower, when the Borrower and Guarantor fails to follow the notice for repayment of the dues within 7 days in any of the modes of service of such notice at the convenience of the Lender, as a final chance to avoid the transfer under this clause. This right to transfer does not take away the sole discretion of the Company to return the possession of the Asset in appropriate cases



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- v. If such sale proceeds are insufficient to discharge the entire dues, Lender shall move further against the Borrower and/or the Guarantor and if the sale proceeds exceed the due, the balance shall be paid to the Borrower when he claims it. However the above entitlement is no bar for the Lender to proceed against the Borrower and/or Guarantor directly, sparing the proceedings against the security.
- vi. The Lender is entitled to recover from the Borrower all types of expenses on full indemnity basis, incurred by or on behalf of the Lender in ascertaining the where about of the Asset, taking possession, garaging, insuring, transporting and selling the Asset and also for other legal steps in connection with this Agreement.

10. Responsibility of Board of Directors:

The Board of Directors or the Committee thereof of Company shall lay down appropriate grievance redressal mechanism within the organization. Such a mechanism should ensure that all disputes arising out of the decisions of Company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors either through itself or by through any Committee thereof 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 may be submitted to the Board at regular intervals, as may be appropriate.

11. Grievance Redressal and Customer Relationship Management:

It shall be the endeavour of the Company to improve the quality of service and redress complaints and grievances, if any, of the customers as part of Customer Relationship Management.

Customer complaints, shall in the first instance, be logged in at the places where business of the Company is transacted or at the registered office of the Company.

The designated Grievance Redressal Officer shall be the first point of contact. Grievance Redressal Officer shall endeavour to maintain minimum turnaround time (TAT) in respect of redressal of any customer grievances.

The Company shall disclose 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 the Company.

If the complaint / dispute are not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of Department of Non Banking Supervision of Reserve Bank of India, Kolkata.



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12. Interest Rates and Gradation of Risk:

Company has adopted following practice to comply with the RBI Circular DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 and vide its Guidelines on Fair Practice Code for NBFCs DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012 and subsequently DNBS (PD) CC No.388/03.10.042/2014-15 dated July 01, 2014. Aim of adopting these practices is to communicate the annualized rate of interest to the borrower along with the approach for gradation of risk and rationale for charging different rates of interest to different categories of borrowers to have a transparent trade with customers and also to comply with the regulatory guidelines.

A. Interest Rate

Appropriate internal principles and procedures in determining interest rates and processing and other charges shall be followed in line with the approved company policies from time to time.

The rate of interest arrived shall be based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

B. Gradation of Risk

The decision to give a loan and the interest rate applicable to each loan account shall be assessed on a case to case basis, based on multiple parameters such as the type of asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case to case basis.

The rate of interest informed are annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

The Company shall disclose the interest rates and gradation of risks on its website.

13. Board of Director Meetings and Review



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Fair Practice Code Committee shall oversee the implementation of the Code, review and report its functioning periodically to the Board of Directors.

14. Change Control Sheet

Version No.	Change request by	Memorandum of Change	Approval date
3	-	In pursuance of revised Guidelines on Fair Practices Code	20.06.2016



