

# **KUMBHAT FINANCIAL SERVICES LIMITED**

(CIN: L65991TN1993PLC024433)

## **FAIR PRACTICES CODE**

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Regd. Off: 5th Floor, Kumbhat Complex, No. 29, Rattan Bazaar, Chennai – 600 003.

Tel: 044 – 25332173. Email : [cs@kumbhatfinancialserviceslimited.com](mailto:cs@kumbhatfinancialserviceslimited.com)

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## TABLE OF CONTENTS

1.	PREAMBLE .....	3
2.	PRINCIPLES UNDERLYING FAIR PRACTICES CODE .....	3
3.	OBJECTIVE.....	4
4.	APPLICABILITY.....	4
5.	LOAN APPLICATIONS AND THEIR PROCESSING .....	5
6.	LOAN APPRAISAL AND TERMS/CONDITIONS .....	5
7.	DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS.....	7
8.	GENERAL.....	7
9.	GRIEVANCE REDRESSAL MECHANISM .....	8
10.	REGULATION OF EXCESSIVE INTEREST RATE CHARGED .....	9
11.	LOAN SOURCING THROUGH DIGITAL LENDING PLATFORMS.....	9
12.	PERIODICAL REVIEW .....	10

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## 1. PREAMBLE

- 1.1. This Fair Practices Code (“**Code**”) has been framed to provide borrowers of Kumbhat Financial Services Limited (“**Company**”/ “**KFSL**”) an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company.
- 1.2. This Code has been prepared in compliance with the “Guidelines on Fair Practices Code for NBFCs” issued by the Reserve Bank of India (“**RBI**”). 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.
- 1.3. The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any, necessary to this Code to conform to the standard so prescribed.

## 2. PRINCIPLES UNDERLYING FAIR PRACTICES CODE

- 2.1. The Company believes that the bedrock of any successful business is a relationship of trust with its customers. Relationships of trust last longer and are ultimately of greater value than transactional relationships - for both parties. In order to build relationships of trust with our customers, KFSL will conduct business in the manner stated below:
  - a. **Respect for laws and regulations:** KFSL’s products and services will always meet legal and regulatory requirements appropriate for the product in question.
  - b. **Building equitable relationships:** While KFSL’s products will meet legal and regulatory requirements associated with the product / service in question, KFSL will also attempt to facilitate outcomes that are equitable to our clients. This does not in any fashion preclude KFSL from taking all such steps as may be required to ensure protection to itself and its other constituents from a risk management perspective.
  - c. **Clear, comprehensive and transparent communication:** It is KFSL’s intent to provide comprehensive, clear and easily understandable communication concerning our products and services. These must, at a minimum, lay out all significant terms and conditions, highlight all costs and charges. KFSL will communicate the impact of negative outcomes on customers’ in as transparent a manner as custom permits. Finally, KFSL will, to the extent

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permissible under extant laws, attempt to make its contracts as easily accessible as permitted by custom / laws. It may, however, be noted that nothing in this paragraph precludes KFSL from taking such steps as may be required to ensure the protection of its interests and that of its other constituents.

- d. ***Treating customers with respect and dignity:*** KFSL will treat its customers with respect and dignity. It will aim to resolve issues that arise - for example, default on a loan - by discussion with an aim to promote a culture of partnership. It may, however, be noted that the above does not preclude KFSL from taking any lawful steps to protect its interests.
- e. ***Ensuring swift resolution to grievances:*** KFSL aims to provide industry-leading service quality to its customers. KFSL will aim to meet and exceed industry benchmarks in this regard, on average. Outliers - for example, customers whose complaints are complicated or atypical - will be escalated and reported as appropriate.

## 3. OBJECTIVE

3.1. This Code has been developed to:

- a. Promote good, fair and trustworthy practices by setting minimum standards in dealing with the customers;
- b. Increase transparency to enable the customers to have a better understanding of what they can reasonably expect from the services;
- c. Encourage market forces, through competition, to achieve higher operating standards;
- d. Foster a fair and cordial relationship between the borrowers and the Company;
- e. Ensure compliance with regulatory requirements with regard to customer interface;
- f. Strengthen mechanisms for redressal of customer grievances.

## 4. APPLICABILITY

- 4.1. The Code is applicable to all persons offering the products and services of the Company or interacting with the customers as an employee or otherwise in any manner and/or by any mode.
- 4.2. The Code is based on ethical principles of integrity and transparency, and all actions and dealings shall follow the spirit of the Code.
- 4.3. The Code shall be disclosed on the Company's website.

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## **5. LOAN APPLICATIONS AND THEIR PROCESSING**

- 5.1. Loan application forms issued by the Company shall include necessary information that affects the interest of the borrower to enable the borrower to take an informed decision. The loan application form shall indicate the documents required to be submitted along with the loan application form.
- 5.2. The Company shall issue an acknowledgement receipt for all loan applications. The normal time frame within which loan applications complete in all respects will be disposed of would be indicated in the acknowledgement of loan applications.
- 5.3. If any additional details / documents are required, the same shall be intimated to the borrowers immediately.
- 5.4. All communications to the applicant or borrower shall be in the vernacular language or language as understood by the applicant or borrower.

## **6. LOAN APPRAISAL AND TERMS/CONDITIONS**

- 6.1. The Company shall conduct due diligence on the creditworthiness of the borrower, which will be an important parameter for taking a decision on the application. The assessment would be in line with the Company's credit policies, norms and procedures in respect thereof.
- 6.2. The borrower would be informed by means of a written sanction letter in the vernacular language or a language as understood by the borrower, the amount of the loan sanctioned or otherwise. The said letter shall contain the terms and conditions including the annualised rate of interest, annual percentage rate ("APR"), and the method of application thereof. The Company shall keep the acceptance of these terms and conditions by the borrower on its record.
- 6.3. The Company shall provide a Key Fact Statement ("KFS") to the borrower, as per the standardised format prescribed by the RBI. The KFS shall be written in a language understood by the borrowers. Contents of KFS shall be explained to the borrower, and an acknowledgement shall be obtained that he/she has understood the same.

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- 6.4. Further, the KFS shall be provided with a unique proposal number and shall have a validity period of at least 3 working days for loans having a tenure of 7 days or more and a validity period of 1 working day for loans having a tenure of less than 7 days.
- 6.5. The KFS shall also include a computation sheet of APR, and the amortisation schedule of the loan over the loan tenor.
- 6.6. The Company shall not charge to the borrower any fees, charges, etc. that are not mentioned during the term of the loan, without explicit consent of the borrower.
- 6.7. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.
- 6.8. The Company shall furnish a copy of the loan agreement as understood by the borrower along with a copy of each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.
- 6.9. The loan agreement shall specify instances wherein the Company shall have the right to recall/accelerate payment or performance under the loan agreement.
- 6.10. The Company shall charge any penal charges in accordance with its Interest Rate and Charges Policy. The Company shall mention the penal charges charged for late repayment in bold in the loan agreement.
- 6.11. Additionally, the quantum and reason for penal charges shall be clearly disclosed to the customers in (a) the loan agreement and KFS and (b) on the website of the Company under interest rates and service charges.
- 6.12. The Company shall ensure that adequate reminders are sent to the customers for repayment of loans. Whenever such reminders are sent to borrowers, the penal charges shall be specifically communicated. Further, in case penal charges have been levied on a customer owing to default in repayment by them, the same shall also be communicated as a part of the communication/ reminder, along with the reason therefore.
- 6.13. The Company shall provide the customer with a detailed repayment schedule specifying the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of special mention account (SMA)/ non performing account (NPA) classification dates, etc. The repayment schedule shall form part of the loan agreement, and the borrower shall

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be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms/ loan agreement till full repayment of the loan.

- 6.14. In case of digital loans, the Company shall ensure that digitally signed documents such as KFS, summary of loan product, sanction letter, terms and conditions, privacy policies of the Company and the relevant lending service provider shall automatically flow to the borrower on the registered and verified email/ SMS upon execution of the loan agreement or terms and conditions.

## **7. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

- 7.1. The Company shall give a notice to the borrower in the vernacular language, or a language as understood by the borrower in case of any change in the terms and conditions including disbursement schedule, interest rates, service charges, pre-payment charges etc.
- 7.2. The Company shall ensure that changes in interest rates and charges are effective from a prospective date. The loan agreement shall also carry an express stipulation in this regard.
- 7.3. Any decision to recall / accelerate payment or performance shall be in consonance with the loan agreement.

## **8. GENERAL**

- 8.1. The Company shall not interfere in the affairs of the borrower except for the purposes provided in the loan agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- 8.2. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the Company, if any, shall 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.
- 8.3. In the matter of recovery of loans, the Company shall not resort to undue harassment like persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.
- 8.4. When a recovery agent is assigned to a customer or if there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for

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recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery.

- 8.5. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- 8.6. The Company shall not charge foreclosure charges/ pre-payment penalties on all loans sanctioned to individual borrowers for purposes other than business.
- 8.7. With respect to digital loans, in case a borrower exits the loan during the cooling-off period provided by the Company, in terms of its Credit Policy, the Company shall not charge any prepayment penalty. However, the borrower shall be liable to repay the principal and proportionate APR, along with the one-time processing fee specified in the KFS.
- 8.8. The Company shall not discriminate in extending any loans to physically/visually challenged applicants on grounds of disability. The Company shall render all possible assistance to such persons for availing loans from the Company.
- 8.9. The training modules designed for training of employees having an interface with the customers shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions. Further, the Company shall ensure that grievances of persons with disabilities are redressed adequately under the Grievance Redressal Policy.

## **9. GRIEVANCE REDRESSAL MECHANISM**

- 9.1. The board of directors of the Company has laid down a grievance redressal mechanism within the organisation as per the Grievance Redressal Policy of the Company which ensures that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.
- 9.2. The board of directors of the Company has nominated Mr. Sanjay Kumbhat as the Grievance Redressal Officer of the Company and he shall be entrusted with the job of redressing the grievances raised by the customers.
- 9.3. The Company shall display the following information prominently, for the benefit of their customers, at its branches/ website or any other places where business is transacted:

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- a. the name and contact details (telephone / mobile number(s) as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
  - b. the name and contact details of the Regional Office of Department of Supervision, RBI, Chennai where the customer can approach if the complaint is not redressed within a month
  - c. for digital lending-related complaints, the Company shall also provide the details of the Centralised Receipt and Processing Centre, 4<sup>th</sup> Floor, Reserve Bank of India, Sector-17, Central Vista, Chandigarh - 160017.
- 9.4. On achieving an asset size of INR 100 crores, the Company shall appoint Principal Nodal Officer in accordance with directions provided under the Reserve Bank – Integrated Ombudsman Scheme, 2021.

## **10. REGULATION OF EXCESSIVE INTEREST RATE**

- 10.1. The Company has laid out appropriate internal principles and procedures to determine the interest rates and processing and other charges in its Interest Rate and Charges Policy.
- 10.2. The Company has adopted an interest rate model taking into account relevant factors to determine the rate of interest to be charged for loans and advances.
- 10.3. The rate of interest will be communicated explicitly in the sanction letter and KFS. The Interest Rate and Charges Policy, including the approach for gradations, shall also be made available on the website of the Company. The approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall also be explicitly disclosed to the borrower in the application form and the sanction letter. The information shall be updated whenever there is a change in the rates of interest.

## **11. LOAN SOURCING THROUGH DIGITAL LENDING PLATFORMS**

- 11.1. The Company shall irrespective of whether it lends through its own digital lending platform or through an outsourced lending platform, adhere to the Fair Practices Code guidelines in letter and spirit.

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- 11.2. The Company shall also meticulously follow regulatory instructions on outsourcing of financial services and information technology (IT) services.
- 11.3. Wherever the Company engages digital lending platforms as their agents to source borrowers and/ or to recover dues, it shall follow the following instructions:
- a. Names of digital lending platforms engaged as agents shall be disclosed on the website of the Company.
  - b. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the Company on whose behalf they are interacting with him.
  - c. Immediately after sanction but before execution of the loan agreement, the KFS and the sanction letter shall be issued to the borrower on the letterhead of the Company.
  - d. A copy of the loan agreement along with a copy of each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
  - e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.
  - f. Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

## **12. PERIODICAL REVIEW**

- 12.1. A periodical review of compliance of the Code and the functioning of the grievance redressal mechanism at various levels of management would be undertaken by the Company and a consolidated report of such reviews shall be submitted to the board of directors of the Company at regular intervals.

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