

## Fair Practice Code

Fair Practice Code sets minimum Fair Practice standards for the company to follow when it is dealing with the customer. It provides information to customers and explains how the company is expected to deal with the customers on day to day basis.

### (I) Objective of the Code

The code has been developed with an object to :

- Promote fair practices by setting minimum standards in dealing with customer
- Increase transparency so that customer can have a better understanding of what type of service level can be expected from the company

### (II) Products offered by the company

The code applies to all products, offered by the company. Currently the following mentioned products are being offered by our Company :

- (a) Loan against shares & other marketable securities
- (b) Margin Funding
- (c) Initial Public Offer (IPO) Financing
- (d) Mutual Fund Funding
- (e) Promoter Funding

### (III) Procedure

- a) Application for loans
  - i) The borrower will submit a loan application in the prescribed format.
  - ii) Standard process guidelines and checklist of documents will be given to the client alongwith the prescribed loan application form which would contain necessary information generally required by the borrower as well as documents required to be submitted with application form as well as after sanction of the loan.
  - iii) We shall give acknowledgement to the client on receipt of application.
  - iv) The applications will be disposed off (either approved or rejected or additional information called for) within 2 working days from date of receipt of application.
  - v) All communications to the borrower shall be in the language as understood by the borrower. If any borrower is unable to understand English language he is requested to indicate the same to us and we shall try to explain him in the language understood by him.
  - vi) The borrower shall also be given list of approved shares and securities and applicable margin haircuts thereon against which we would be generally agreeable to provide loan. The said approved list gets updated and revised every monthly or bi-monthly and said revised list will be given to the client for his information

#### b) Loan appraisal and terms/conditions related

Loan application shall be properly processed and all details shall be assessed by us before issuing the sanction letter.

Sanction letter sent by us to the borrower contains all the broad terms and conditions of sanction viz. rate of interest payable monthly, annualized rate of interest, penal interest, method of application thereof, mode & time at which the interest will be debited (whether monthly or quarterly) and other terms and conditions applicable to loan, margin requirement on various category of stocks, etc.

Alongwith the sanction letter, we also send Loan Agreement and other documents to be signed as well as detailed procedure and checklist to familiarize the borrower in documentation & post-documentation formalities.

The borrower shall sign the sanction letter, loan Agreement & other documents and gives his acceptance to the sanctioned terms and conditions before the loan is activated and disbursed.

Thereafter, borrower shall be guided from time to time in completion of all necessary documentation and security creation formalities.

c) Interest related

We generally follow an interest rate structure taking into account relevant factors such as cost of funds, margin and risk premium, etc and determine the rate of interest to be charged.

Interest rate model is based on following gradation of risks and rationale for charging different rate of interest to different categories of borrowers.

| Sr. No. | Categories of customers                                         | Gradation of risk                                                                                         | Rationale for charging differential interest rates                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Indicative Interest Rate                                                                                                                                                 |
|---------|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1       | Clients availing Margin Funding for trading in secondary market | Risk depends on number of and category of scrips being offered as security                                | Funding is provided against security of basket of pre-approved scrips with defined margins. Scrips are approved based on their VAR Margin, Impact Cost, Volume and other parameters, which also determine the margin haircuts applicable on scrips. Hence, in this case the risk is spread over basket of scrips.                                                                                                                                                                                                                                                                                                                                                   | Interest would vary between 12% p.a. to 20% p.a. payable monthly depending upon the risk perceived.                                                                      |
| 2       | Promoter's Funding.                                             | Risk depends on fundamentals of the scrip being financed and track record of the company and the promoter | The promoters avail funds for varying needs such as financing their contribution in the business, creeping acquisition, take over financing etc. They hold major stake in the shareholding pattern of the company. Here, risk is relatively high since single scrip is offered as security. To mitigate this risk, adequate higher margin cut is stipulated for such scrip and we would be taking upfront post dated cheques for                                                                                                                                                                                                                                    | Interest would vary between 16% p.a. to 21% p.a. payable monthly depending upon the scrip being financed                                                                 |
| 3       | Promoter's Funding.                                             | Risk depends on fundamentals of the scrip being financed and track record of the company and the promoter | The promoters avail funds for varying needs such as financing their contribution in the business, creeping acquisition, take over financing etc. They hold major stake in the shareholding pattern of the company. Here, risk is relatively high since single scrip is offered as security. To mitigate this risk, adequate higher margin cut is stipulated for such scrip and we would be taking upfront post dated cheques for payment of interest and principal amount as additional collateral. We also get reasonable amount of data for carrying out due-diligence of past financials and future business plans of the company, which is offered as security. | Interest would vary between 16% p.a. to 21% p.a. payable monthly depending upon the scrip being financed                                                                 |
| 4       | Loan against shares to borrowers other than the promoter.       | Risk depends on fundamentals of the scrip being financed and track record of the borrower                 | Loans amount sought by many borrowers in this category are small and are against security of multiple scrips. Risk is considered low in such cases. Risk is considered high if borrower wants funding against one scrip. The single scrip being financed is assessed in detail with regard to Mcap, profitability, financial & valuation ratios, volume traded, etc. as well as ascertain the past track record of the borrower. To mitigate the risk, adequate higher margin cut is stipulated on scrips and we take upfront post dated cheques for payment of interest and principal amount as additional collateral.                                             | Interest rate 15% p.a. to 21% p.a. payable monthly depending upon whether we are funding against security of multiple scrips or single scrip and risk perceived thereon. |

The rate of interest and approach of gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed in the application form and in the sanction letter and also be on the web-site of our company ([www.plfinserv.com](http://www.plfinserv.com)) and shall be updated whenever there is a change in the rates of interest.

Rate of Interest charged is generally payable on monthly basis which is mentioned in the sanction letter. Annualized rate is also indicated in the sanction letter.

(d) Disbursement of sanctioned loans

After documentation formalities are completed, the sanctioned loan shall be disbursed against pledge / lien of approved shares and securities and after applying applicable margin haircuts on the pledged securities. Eligible disbursement amount shall be made to borrower's bank account as per his request.

To avail Margin Funding, borrower has to open account with NBFC, provide a set of documents and enter into an agreement. Client also has to open a Bank a/c with one of the designated banks – currently it is only ICICI bank - and give POA to us to operate this account. Client also needs to open depository a/c with PL DP division jointly with us and give POA to NBFC. Thereafter client has to deposit margin money in his designated bank account or transfer approved / permitted securities in his designated DP a/c based on which we provide limits to the borrower to purchase approved securities from the secondary market thru our designated broker. We make disbursements to the borrower's ICICI POA bank A/c. and thereafter using the POA given by the borrower we transfer the disbursed amount to the designated broker thru whom the borrower purchased the securities. Similarly on sell of any securities, the broker will credit the borrower's ICICI POA A/c. and we shall by using the POA given by the borrower, debit the borrower's ICICI POA A/c. and credit his loan account as repayment of our the outstanding loan from time to time. The shares and securities purchased by the borrower through our Margin Funding Facility shall get deposited in the DP POA Account mentioned above. Further, we shall, by using the POA and on behalf of the borrower, shall execute and give delivery instructions to give delivery of the shares sold by the borrower to the broker

(e) Post – disbursement related

- i) We shall send letters or notice or e-mails to the borrower in the language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, penal charges, security margins, etc.
- ii) Any change in interest rates and charges shall be effected only prospectively. This aspect is also being mentioned in the sanction letter being issued to the client, which is treated as part of loan agreement.

(f) Recovery related

- i) Decision to recall / accelerate payment or performance shall be in consonance with the clauses in loan agreement.
- ii) Margin Calls - Client is always expected to maintain certain minimum percentage called maintenance level. When loan advanced exceeds certain percentage of the gross holding value, Margin Call is generated and communication is sent to the borrower thru e-mail as to how much cash or stock margin he/she needs to give or how much stocks or how much value of stocks he/she needs to sell to restore his margin position in his loan account. Margin Call levels will be defined in the sanction letter issued to the borrower
- iii) Sale of Securities - When loan advanced exceeds sell trigger value then we send a SELL MODE e-mail to the client and provide him further time upto 2 p.m. on next day to provide necessary cash/stock margin or to sell the stocks and if the borrower does not take any action then we have the discretion and right to sell the stocks and recover the amount of loan advanced. Also if any borrower is in margin call for a reasonably long time and does not take any action then we shall inform him that we shall take necessary sell action after such and such date and time if he does not take any action i.e for providing cash or stock margin or he does not sell stocks.
- iv) We 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 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. The securities would be withheld after informing borrower full particulars about the pending claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled.

- v) We shall not be interfering in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement unless new information, not earlier disclosed by the borrower, has come to our notice.
- vi) Company's collection policy shall be built on courtesy, fair treatment and persuasion. Efforts will be made in building customer confidence and long term relationship.
- vii) The staff deputed to make recovery calls shall identify themselves and shall provide details with regard to outstanding claims to the customer
- viii) We shall be resorting to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, and not to behave rudely with borrowers, etc. Under no circumstances, Company shall resort to any illegal means for recovery of the dues.

#### **(IV) Complaints, Grievances and Feedback**

- (a) Complaint register is being maintained.
- (b) If complaint is received in writing or over phone, complaint number would be given which would be referred to in future.
- (c) Company will endeavor to sort out the matter within fifteen days of receipt of a complaint
- (c) In case the complaint requires more time, the same would be informed to the customer. Customer would be updated at regular intervals regarding the status of the same.
- (d) The grievance redressal mechanism within the organization will be explained to the customer to resolve any dispute, such a mechanism would ensure that all disputes arising out of decisions of our functionaries are heard and disposed off at least at the next higher level.
- (e) A complaint of misconduct against an official of the Company shall be redressed by next level of authority.

#### **(V) General**

The Company shall treat customer information as private and confidential. The information shall be parted by the Company only in the following circumstances:

Information required to be given under law or as demanded or required by Statutory Authorities

Information is given with customer's specific written permission

#### **(VI) Review**

The Board of Directors will periodically review the compliance of Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.