



Date: 05.12.2018

To
The General Manager,
Reserve Bank of India
Department of Non-banking Supervision
Regional Office, Chennai.

Dear Sir/madam

Sub: Application for Re-classification to NBFC-MFI from NBFC-ND
Ref: Our Letter Dated 24.11.2018 & Your Letter
No.DNBS(Che)/558/13.23.549/18-19

We acknowledge the receipt of your Letter No. DNBS/(Che) /558/13.23.549/2018-19 dated 20.11.2018 submitting Two sets of application on 03.12.2018.

Further, we are enclosing herewith a copy of **Fair Code Practice** applicable to NBFC -MFI which have been formulated, approved and adopted by the Board of Directors in the board meeting dated-26.11.2018-for your kind perusal. Please refer **enclosure-**

Kindly accept our application and categorize our NBFC-ND as NBFC-MFI and we are obliged to provide any further details if any, in this regard.

Thank you

Yours Faithfully,

For M/s. IDHAYAM- G FINANCE AND INVESTMENT SERVICES LIMITED,




(B. GOPINATH)
DIRECTOR

IDHAYAM-G FINANCE AND INVESTMENT SERVICES LIMITED

Old No. 42, New No.84, Elangovan Street, Virudhunagar - 626 001. Tamil Nadu, INDIA

RBI Regn.No.: N-07.00821, CIN : U65990TN2013PLC091854

Phone No : 04562 - 248760, Mobile No.: 98421 61118, 88833 45344

Email : hoadmin@idhayam-g.in, www.idhayam-g.in



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FAIR PRACTICES CODE

Pursuant to the Notification issued by the Reserve Bank of India by its Mater Circular DNBR (PD) CC.No.054/03.10.119/2015-16 Dt.1st July 2015, (referred to as the “RBI”) M/s. Idhayam-G Finance and Investment Services Limited (referred to as the “Company” or “IGFSL”) has formulated this Fair Practices Code to lay down the following procedures/ practices in dealing with the business transactions and also amended/revised the same from time to time to comply the revised notification and guidelines of RBI issued from time to time. This Code shall come into effect on 26th day of November 2018 and this Fair Practice Code (referred to as “FPC”) was adopted and approved by its Board Meeting held on 26th November 2018.

It is, and shall be, the policy of company to make all its financial products available to all eligible, qualified applicants, without discrimination on the basis of race, caste, color, religion, sex, marital status, age, sexual orientation or handicap. Our Company’s policy is to treat all the customers fairly. Company will also communicate its Fair Practices Code (FPC) to its customers by making the FPC available to everybody on its website and displaying the FPC at all its branches. A copy of the said FPC would be made available on request and would be provided in respective regional language prevalent in such area. The FPC reflect its strong commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products and that all employees are aware of this commitment.

OBJECTIVE OF THE CODE

The code has been developed with an objective of:

1. Ensuring fair practices while dealing with customers.
2. Greater transparency enabling customers in having a better understanding of the product and taking informed decisions.
3. Building customer confidence in the company.
4. Ensuring company’s products, services, procedures and practices will meet the commitments and standards in this FPC



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A. Fair Practices Code for all lending activities

1. Application for loans and their processing

- (a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (b) Loan Application Forms 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 indicates the documents required to be submitted with the application form.
- (c) The Company would give acknowledgement for receipt of all loan applications. The time frame within which loan applications shall be disposed of is also indicated in the acknowledgement.

2. Loan appraisal and terms/conditions

- (a) The Company shall convey in writing to the borrower by means of sanction letter, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof.
- (b) The Company shall keep the acceptance of these terms and conditions by the borrower on its record.
- (c) The Company shall communicate to the borrower if the loan is rejected.
- (d) The Company should mention the penal interest charged for late repayment in **bold** in the loan agreement.
- (e) The Company should furnish a copy of the loan agreement preferably in the vernacular language or a language 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.

3. Disbursement of loan including change in terms and conditions

- a) The Company shall give notice to the Borrower of any change in the terms and conditions including disbursement conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard be incorporated in the loan agreement.



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- b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- c) Company will 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 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.

4. General

- (a) The Company shall refrain from interference 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 the notice of the Company).
- (b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. the Company's objection, 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.
- (c) In the matter of recovery of outstanding dues of its Borrower, Company does not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans/dues, etc. Training will be imparted to ensure that staff is adequately trained to deal with customers in an appropriate manner.
- (d) As a measure of customer protection and also in order to bring in uniformity with regard to the repayment of various loans by the borrowers of the company, company will not charge foreclosure charges or prepayment penalties on all floating rate term loans sanctioned to Individual borrowers, with immediate effect.



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5. Responsibility of Board of Directors

The Board of Directors has laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. The Grievance Redressal Mechanism has been set up to ensure 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. The Board of Directors will 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 will be submitted to the Board at regular intervals, as may be prescribed by it.

6. Grievance Redressal Mechanism

In the present competitive scenario, excellent customer service is an important tool for sustained business growth. Customer complaints are part of the business life in any corporate entity.

At our company, customer service and satisfaction are our prime focus. We believe that providing prompt and efficient service is essential not only to attract new customers but also to retain existing ones. Our Company has come up with a lot of initiatives that are oriented towards providing a better customer experience and an efficient complaints redressal mechanism with a view to providing enhanced experience to our customers.

In order to make Company's redressal mechanism more meaningful and effective, a structured system has been built. This system would ensure that the redressal sought is just and fair and is within the given frame-work of rules and regulation.

a) Machinery to handle customer complaints/ grievances

Customers who wish to provide feedback or send in their complaint may use the following channels **between 9:30 am and 6:00 pm, from Monday to Saturday (except on national holidays).**

- Call our Customer Service Helpline on **+91 08883345344, 04562-248760**
- Email us at : hoadmin@idhayam-g.in

Write to us at the below mentioned address:

Idhyam-G Finance and Investment services Limited

Customer service cell

Old No 42, New No 84 Elangovan Street,

Virudhunagar, Tamil Nadu-626001, India



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In case the complaint is not resolved within the given time or if the customer is not satisfied with the solution provided by the company, the customer can approach the Complaints Redressal Officer. The name and contact of the Complaint Redressal Officer is as follows:

Mr. A. Jothi Basu
Tel. No: 91-9842161118
Email id: hoadmin@idhayam-g.in

If the complaint/dispute is not redressed within a period of one month, the customer may appeal to Officer-in-Charge of the Regional Office of Department of Non Banking Supervision of RBI under whose jurisdiction the Registered Office of the company falls. The details of DNBS is as given below:

Dy Manager,
Department of Non-Banking Supervision,
Reserve Bank of India,
Fort Glacis,
No. 16, Rajaji Salai, Chennai – 600 001.
Tel: 91-044 – 2536 1631
Fax: 91- 044-25365220

(a) Mandatory display requirements

Our company has the following in all our branches:

- 1) Appropriate arrangements for receiving complaints and suggestions.
- 2) Display of the name, address and contact number of the Complaint Redressal Officer.
- 3) The process of the complaints redressal unit will ensure closure of all complaints to the customers' satisfaction.

(b) Time Frame

To register complaints, the customers may use any of the channels mentioned above (refer point (a) on Internal Machinery to handle the customer complaints). If the complaint has been received in writing, Company will endeavor to send an acknowledgement / response within a week. Once the matter is examined, company endeavours to either send a final response to the customer or an intimation seeking more time within one month upon receipt of complaint.



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Complaints that are received at our end will be seen in the right perspective and would be analyzed from all possible angles.

The communication of company's stand on any issue will be provided to the customers. Complaints that require some time for examination of issues involved will be acknowledged promptly.

The aforesaid policy will be reviewed periodically / revised as and when there are any new changes incorporated by company in handling complaints / grievances of the customer which includes introduction of new grievance channels, if any.

7. Regulation of excessive interest charged

The Board of Directors will adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc 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 will be disclosed to the borrower or customer in the application form

The rates of interest and the approach for gradation of risks will be made available on the website of the company. The information published in the website will be updated whenever there is a change in the rates of interest

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

8. Repossession of vehicles financed by company

Company has a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall 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



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A copy of such terms and conditions shall be made available to the borrower in terms of circular wherein it was stated that Company may invariably 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, which may form a key component of such contracts/loan agreements.

9. Lending against collateral of gold jewellery:

While lending loan against gold jewellery, Our Company has a Board approved policy for lending against gold that should inter alia, cover the following:

- a) Company has adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with.
- b) Company has conduct adequate due diligence on the customer before extending any loan
- c) Company ensures proper assaying procedure for the jewellery received and the same is mentioned in the Operations policy
- d) Company has internal systems to satisfy ownership of the gold jewellery
- e) Company has adequate systems for storing the jewellery in safe custody, reviewing the systems on an ongoing basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. As a policy, loans against the collateral of gold is not extended by branches that do not have appropriate facility for storage of the jewellery,
- f) Company will ensure that the jewellery accepted as collateral is appropriately insured,
- g) Company has a Board approved policy with regard to auction of jewellery in case of non repayment. The policy will be transparent and adequate prior notice to the borrower will be given before the auction date. The auction policy will also lay down the auction procedure that would be followed. There will be no conflict of interest and the auction process will ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities.
- h) The auction will be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper.
- i) As a policy, Company will not participate in the auctions held and Gold pledged



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- j) The policy of the company covers 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 discloses the details regarding the auction process.

B) Fair Practices Code specifically for microfinance activity

In addition to the general principles as above, the Company follows fair practices that are specific to its MFI lending business and regulatory framework.

i. General

- a) The FPC in vernacular language will be displayed by the company in its office and branch premises
- b) Company is committed to transparency and fair practices lending to its borrowers. Company will make a statement to this effect in the vernacular language and display the same in all its branches and also print it in all borrower loan cards
- c) Company's field staffs are trained to make necessary enquiries with regard to existing debt of the borrowers.
- d) All training offered by Company to its borrowers will be free of cost. All field staff are trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products.
- e) Company displays the effective interest rate it charges in all its offices and in the literature issued by it in vernacular language. The Grievance Redressal System of the Company will also be prominently displayed in all its offices
- f) Company will be accountable for preventing inappropriate staff behavior and timely Grievance Redressal of the borrower. The above declaration is also made in the loan agreement given to the borrower
- g) Company ensures that the KYC guidelines of RBI and complied with. Due diligence of each and every borrower will be carried out to ensure the repayment capacity of borrowers
- h) As specified in the NBFCMFIs (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans will be done only at a central location and more than one individual will be involved in this function. In addition, there will be close supervision of the disbursement function
- i) Company will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per predetermined time structure



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ii. Disclosures in loan agreement / loan card

- a. Company has a board approved standard form of loan agreement. The loan agreement will be in the vernacular language
- b. In the loan agreement the following are disclosed:
 1. All the terms and conditions of the loan.
 2. That the pricing of the loan involves only three components viz, the interest charges, the processing charges and the insurance premium. (which includes the administrative charges in respect thereof)
 3. That there will be no penalty charged on delayed payment.
 4. That No Security Deposit/ Margin is being collected from the borrower.
 5. That the borrower cannot be a member of more than one SHG/JLG
 6. The moratorium between the grant of the loan and the due date of the repayment of the first instalment (as guided by the NBFC- MFIs (Reserve Bank) Directions, 2011.)
 7. An assurance that the privacy of borrower data will be respected except as agreed with the borrower.

C) Loan card of the company reflects the following details as specified in the Non-Banking Financial Company-Micro Finance Institution (Reserve Bank) Directions 2011

- a) the effective rate of interest charged
- b) all other terms and conditions attached to the loan
- c) information which adequately identifies the borrower and
- d) Acknowledgements by the company of all repayments including installments received and the final discharge
- e) The loan card will prominently mention the Grievance Redressal System set up by the Company and also the name and contact number of the nodal officer
- f) Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself
- g) All entries in the Loan Card shall be in the vernacular language except numerical mentioned on the card



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iii. Avoiding Over-indebtedness:

- a) company Shall conduct proper due diligence to assess the need and repayment capacity of client before making a loan and must only make loans commensurate with the client's ability to repay.
- b) company Shall not give loan to a borrower who is a member of more than one SHG/JLG.
- c) Company Shall not breach the total debt limit for any client, as prescribed by the RBI or Central/State Governments.
- d) All loans will be approved through the Centralised Loan Approval Process (CLAP) ie all applications would be sent to the credit bureau(s) to understand client over indebtedness.

Non - Coercive Methods of Recovery

- a) Collections shall be done in the common place where the clients can feel free for paying their installments.
- b) Do not contact or meet clients at odd hours, as per the RBI guidelines for loan recovery. Loan recoveries should not be made in the field before 06.00 am in morning and after 07.00 pm in the evening.
- c) Staff shall follow client protection guidelines adopted by the Company and should not force the clients for recoveries.
- d) Staff shall be allowed to make recovery at the place of residence or work of the borrower only if the borrower fails to appear at the central designated place on 2 or more successive occasions.
- e) Staff should not use any other persons for collection of recoveries from the clients.
- f) Staff should enter the details in the passbook after the collecting the repayments or the staff should issue the receipt to the client as evidence for repayment.
- g) The Company shall ensure that a Board approved policy is in place with regard to the Code of Conduct by field staff and systems for their recruitment, training and supervision.



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The Code should necessarily contain the following provisions:

- Lay down minimum qualifications necessary for the field staff
- Shall have necessary training tools identified for them to deal with the customers
- Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
- Compensation methods for staff shall have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.

iv. Internal Control System

The Company shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.

For Idhayam-G Finance and Investment Services Ltd

Director



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