



AQUILA FINANCE LTD

SINCE 1995

FAIR PRACTICE CODE

**A COMMITMENT
TO FAIRNESS,
TRANSPARENCY,
AND INTEGRITY
IN LENDING**

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AFL/FPC/10/25-R006-05

History of the Document	Adopted by	Date of Adoption/Review
Originally Adopted	Board of Directors	31-03-2016
Review	Board of Directors	30-03-2021
Review & Amendment	Board of Directors	10-06-2023
Review	Board of Directors	27-04-2024
Review	Board of Directors	01-04-2025
Review & Amendment	Board of Directors	25-10-2025

1. PREAMBLE: OUR FOUNDATIONAL PRINCIPLES

1.1. Introduction and Purpose

This Fair Practice Code (FPC) is a cornerstone of Aquila Finance Ltd.'s ethical framework. It has been meticulously framed in response to, and in full compliance with, the guidelines on Fair Practices Code for Non-Banking Financial Companies (NBFCs) issued by the Reserve Bank of India (RBI). The primary purpose of this document is to establish a robust set of standards that govern all our interactions with customers, ensuring that our operations are conducted with unwavering integrity, transparency, and fairness. This Code is not merely a regulatory requirement but a reflection of our core values and our commitment to building lasting, trust-based relationships with our customers.

1.2. Regulatory Framework and Compliance

This Code is established under the authority of and incorporates the directives from the following key RBI circulars and master directions:

RBI Circular DNBS.CC.PD.No.266 /03.10.01/2011-12 dated February 17, 2012, which provided the initial detailed guidelines on FPC for NBFCs.

RBI Master Direction DNBR.CC.PD.No.054/03.10.01/2015-16 dated July 01, 2015, and its subsequent updates, which form the consolidated regulatory framework for NBFCs.

Any other circular, notification, or direction issued by the RBI that amends or supplements the above.

1.3. Objectives of the Fair Practice Code

The specific objectives of this Code are multi-faceted and designed to serve both the customer and the company:

i) To Adopt Best Practices: To institutionalize the highest standards of professionalism and ethics in all our dealings with customers, from the first point of contact to the final closure of the account.

ii) To Ensure Customer Satisfaction: To set challenging internal benchmarks for service quality and to continuously strive to achieve and exceed them, thereby ensuring a high degree of customer satisfaction and loyalty.

iii) To Promote Transparency: To follow practices that are transparent, fair, and legally sound, ensuring that customers are never at an informational disadvantage.

iv) To Empower through Information: To provide all necessary, accurate, and timely information to customers and prospective customers, enabling them to make informed financial decisions.

v) To Ensure Inclusive and Ethical Lending: To facilitate growth by serving a wide and satisfied customer base, while scrupulously avoiding any association with customers of doubtful credentials or criminal background, thereby upholding the integrity of the financial system.

1.4. Scope and Applicability

This Fair Practice Code is applicable to all offices, divisions, and verticals of Aquila Finance Ltd., including its Corporate Head Office, all Regional Offices, and every Branch location across India. The principles and procedures outlined herein are binding on every employee, officer, and director of the company, irrespective of their function or seniority. This policy also extends to any third-party agencies, such as recovery agents, who are engaged by the company, and their actions must conform to the standards set forth in this Code.

2. KEY COMMITMENTS TO CUSTOMERS: OUR PLEDGE OF SERVICE

2.1. Commitment to Regulatory Adherence

Aquila Finance Ltd. solemnly undertakes to abide by all applicable laws, rules, regulations, and guidelines passed or issued by its regulators, primarily the Reserve Bank of India (RBI), and other competent authorities such as the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), and Central/State Governments.

2.2. Commitment to Customer-Centric Service

We are committed to achieving complete customer satisfaction through the delivery of efficient, professional, and courteous services across all our offices and customer touchpoints. We view every customer interaction as an opportunity to strengthen our relationship.

2.3. Commitment to Non-Discrimination and Equal Treatment

Explanation: In line with RBI's directive (Circular No. DNBS.CC.PD.No.191/03.10.01/2010-11 dated July 27, 2010) and our own ethical standards, we affirm that we will not discriminate against any loan applicant on the grounds of religion, caste, gender, marital status, or language. Furthermore, we have specific processes in place to ensure that physically and visually challenged applicants are treated fairly and provided with necessary assistance. Our credit assessment is based solely on objective criteria such as creditworthiness, repayment capacity, and the viability of the proposal.

2.4. Commitment to Transparency in Communications and Advertising

Explanation: We pledge to provide clear, unambiguous, and full information about our loan products and services. Our marketing and promotional materials, including advertisements, brochures, and sales pitches, will be truthful and will not mislead or misrepresent the terms. We will explicitly avoid promoting products that are unsuitable for a customer's disclosed needs or financial situation.

2.5. Commitment against Hidden Charges

Explanation: We undertake to maintain complete transparency in our pricing. All fees, charges, and the methodology for calculating interest will be explicitly disclosed to the customer in the sanction letter and the loan agreement. There will be no "hidden charges" that are revealed only after the transaction is completed.

2.6. Commitment to the Security of Pledged Assets

Explanation: We recognize that the assets pledged by our customers, especially gold jewellery, often hold significant personal and sentimental value. We undertake to take all reasonable and necessary measures to ensure the safe custody of all securities deposited with us. This includes robust security systems, adequate insurance coverage, and stringent internal controls. In the rare event of an accidental, inadvertent, or fraudulent loss of the security while in our custody, the company has a policy to provide fair compensation to the customer, subject to the terms and conditions of the agreement.

2.7. Commitment to Ethical Error Handling

We undertake not to take undue advantage of any unintentional or clerical error made by the customer during the course of a transaction. We will promptly bring such errors to the customer's attention and work with them to rectify the matter in a fair and cooperative manner.

3. LOAN APPLICATION AND PROCESSING

3.1. Accessibility and Clarity of Application Forms

Explanation: To ensure that our services are accessible to all sections of society, we provide loan application forms free of cost. These forms are available in the local vernacular language or in a language easily understood by the prospective customer in that region. The application form is designed to be clear and will include a comprehensive list of supporting documents required to process the application, preventing any back-and-forth and delays for the customer.

3.2. Mandatory Acknowledgement of Application

Explanation: As mandated by RBI, we provide an acknowledgement for the receipt of every duly completed loan application. This acknowledgement serves as a proof for the customer that their application has been formally received by the company and the processing timeline has commenced. Ref:RBICircularDNBS.CC.PD.No.266/2011-12

3.3. Timely Disposal and Communication of Decisions

Explanation: We value the customer's time and strive to provide quick decisions.

For Gold Loans and other Simplified Products: Where the primary security is liquid and easily valued, we endeavour to sanction or reject the application immediately or on the same day.

For Other Loan Products: For products requiring detailed customer profiling, verification, and assessment of creditworthiness (e.g., business loans, loan against property), the company will communicate its decision (sanction or rejection) to the customer within 30 days from the date of receipt of a complete application along with all necessary supporting documents. This timeline ensures we conduct a thorough assessment without unnecessary delay.

3.4. Comprehensive Disclosure of Terms

Explanation: Before the customer accepts the sanction, we ensure they are fully informed. We disclose all material information, including:

The final loan amount sanctioned.

The annualized rate of interest.

The method of interest calculation (e.g., monthly reducing, yearly reducing).

All applicable charges (processing fee, documentation charges, etc.).

The penal interest/charges applicable for late payments.

Any available rebates.

The customer will also be provided, upon request, with the detailed terms and conditions of the loan agreement before executing it.

4. LOAN SANCTION, DISBURSEMENT & AGREEMENT: FORMALIZING THE RELATIONSHIP

4.1. The Sanction Letter: A Document of Clarity

Explanation: The sanction letter is a critical document that encapsulates the entire offer. In compliance with RBI guidelines, we issue a detailed sanction letter in the vernacular language or a language understood by the borrower. This letter contains all the key terms and conditions, such as the loan amount, annualized interest rate, tenure, schedule of repayment (EMIs), nature of security, and details of penal charges. The borrower's acceptance of these terms is a mandatory step and is kept on our records. Ref:RBICircularDNBS.CC.PD.No.266/2011-12.

4.2. Specifics for Gold Loan Sanction (Pawn Ticket)

Explanation: For gold loans, the pawn ticket is the primary document that serves as the sanction letter, the contract, and the receipt for the pledged jewellery. It will contain all the terms of the loan and will specifically record:

The gross weight of the jewellery.

The assessed purity 22ct and the standardized weight.

The unique loan account number

Key Fact Statement

The pawn ticket will be signed by an authorized official of the company. We reserve the right to re-assess the purity upon further expert examination and will reach out to the customer if a significant discrepancy is found.

4.3. Policy on Changes to Terms and Conditions

Explanation: We recognize that stability and predictability of terms are crucial for our customers. Therefore, the Company shall not, in the normal course, make any changes to the terms and conditions of the loan, including the rate of interest, that could have a negative financial impact on the customer. However, in abnormal circumstances (e.g., a fundamental change in the regulatory environment, a significant deterioration in the customer's credit profile, or a drastic change in market rates), such changes may be inevitable. In such cases, the Company will provide adequate and proper notice (typically 30 days) to the customer, clearly explaining the reason for the change. Importantly, any such change in interest rates or charges will be implemented only prospectively, as required by RBI. A specific clause to this effect is included in all our loan agreements.

5. INTEREST RATES AND CHARGES: THE PRICING FRAMEWORK

5.1. Determinants of Interest Rates

Explanation: Our interest rates are not arbitrary. They are determined based on a structured model that considers several objective factors to ensure they are fair, competitive, and sustainable. These factors include:

Cost of Funds: The weighted average interest rate we pay on our own borrowings and deposits.

Operating Costs: The overhead costs involved in running our business, including administrative expenses, employee costs, and branch network costs.

Risk Premium: An additional margin that varies based on the perceived risk of the loan, which can be influenced by the loan tenure, the nature of the security, and the credit profile of the borrower.

A Reasonable Profit Margin: To ensure the long-term viability and growth of the company. However, we will always ensure that the interest rate is not usurious and always as per the current market and industry standards.

5.2. Display and Communication of Rates and Charges

Explanation: To maintain transparency, we display updated information regarding our various loan products, interest rates (as a percentage per annum), and all applicable charges at all our branch premises. This information is also made available on our official website and through other media channels like brochures and customer notices. The Company shall issue a signed and, normally, a system generated receipt for all cash payments made by the customer immediately. The Company shall also accept payments via cheques, demand drafts, electronic transfers etc. subject to the condition that return of the security (gold) or title documents will be made only after confirmation of realization. vi) Even though the loan sanction letters and loan agreements (including pawn ticket in the case of gold loan) contain all applicable terms and conditions of the loan, the Company shall, nevertheless, endeavour,

on a best effort basis, to send advices, reminders etc. regarding due date for payment of interest, principal etc. by letter, courier service, telephone , SMS etc. vii) The Company shall, on demand, provide the customer or his duly authorized representative with a statement of the loan account at any time during the currency of the loan or immediately upon closure. However, the Company may, at its discretion, require payment of reasonable processing charges by the customer for providing statement of account if such demand is made 30 calendar days after closure of the account.

5.3. Policy on Penal Charges

Explanation: The loan agreement will explicitly mention the penal charges levied for late repayment of EMI or any other default. These charges are not intended to be a source of revenue but are a deterrent against default and a compensation for the additional administrative costs incurred. We ensure that these charges are reasonable and not usurious.

Ref:RBICircularDNBS.CC.PD.No.266/2011-12*.

6. RECOVERY OF DUES & REPOSSESSION: A BALANCE OF RIGHTS AND REMEDIES

6.1. Principles of Ethical Recovery

Explanation: Our recovery philosophy is grounded in respect and fairness. We are committed to making all possible soft and persuasive efforts to encourage the customer to regularize their account. We have a strict zero-tolerance policy towards the use of coercive or hard recovery measures. Our staff and any third-party recovery agents are thoroughly trained to interact with customers in a professional, lawful, and non-intimidating manner. We do not harass customers by calling them at odd hours or using abusive language. Ref:RBICircularDNBS.CC.PD.No.266/2011-12.

6.2. Recall of Loan before Tenure

Explanation: A loan is a contract for a fixed tenure, and we respect that. We will not recall a loan before its agreed-upon tenure under normal circumstances. However, in unanticipated situations where the company's interests are severely jeopardized—such as a substantial fall in the value of pledged gold, discovery of fraud, material misrepresentation by the customer, or a regulatory directive—we reserve the right to recall the loan. In all such cases, a proper and reasonable notice will be served to the customer, clearly stating the reasons for the recall.

6.3. Release of Security and Title Deeds

Explanation: Upon the full and final settlement of all dues (principal, interest, and other lawful charges), the company is obligated to release the pledged security immediately. For gold loans, the jewellery is returned at the branch where it was pledged. In case of any damage caused to the security (gold) due to mishandling by its employees, the Company shall at its cost get the damage repaired or alternately pay reasonable compensation to the customer on a case to case basis. If the security (gold) has signs of damage thereon, before being taken custody of by the Company at the time of sanction of loan, the fact will be briefly incorporated in the sanction letter (pawn ticket). For loans against property or other assets, the original title documents are returned, and in the case of registered mortgages, the company issues a No-Objection Certificate (NOC) and other necessary documents to facilitate

the reversal of the mortgage. The Company prefers and encourages customers to take back delivery of the security immediately upon full settlement of all dues. However, should there be exceptional instance of the Customer being unable to take delivery of the security (gold), not attributable to the inability of the Company, after closure of the loan account reasonable safe custody charges may be payable which will be duly advised to the customer or displayed in the branch premises and the Company's website. . xi) The Company will not interfere in the affairs of the customers except for the purposes mentioned in the terms & conditions of the loan or when constrained to do so due to inadequate or false disclosures made by the borrower at the time of putting through the transactions, committing fraud on the company, remaining defiant to the request of the company for clearing overdue instalments, surrender of assets financed by the company or securities offered for the loan availed.

6.4. Right of Lien

Explanation: The company has a legitimate right of lien. This means that if a customer has multiple loan accounts with us and has a surplus in one account (e.g., from closing a gold loan) but has outstanding dues in another account (or as a guarantor for another loan), we have the right to adjust the surplus against the outstanding dues. However, this right will be exercised only after providing clear and proper intimation to the customer.

6.5. The Auction Process for Gold Loans

Explanation: The auction of pledged gold is always a last resort, undertaken only after all recovery efforts have failed. The process is designed to be transparent and fair, in strict adherence to our Board-approved policy and RBI guidelines.

Adequate Notice: Before auction, we serve multiple notices to the customer, giving them a final opportunity to redeem their jewellery.

Public Auction: The auction is conducted publicly to ensure a fair market price is realized.

No Company Bidding: As per RBI mandate, the company itself or its employees cannot bid in the auction. Ref:RBIMasterDirections.

Settlement of Surplus: If the auction realization exceeds the outstanding dues, the surplus amount is returned to the borrower by way of Online bank transfer/NEFT/RTGS/cheque.

6.6. Repossession of Secured Assets

i) Right to Enforce: In the event of a payment default or the occurrence of any other Event of Default as defined in the loan agreement, the Company reserves the right to enforce its security interest to recover the outstanding dues, in accordance with the terms and conditions stipulated therein.

ii) Professional Conduct in Recovery: The Company shall ensure that all recovery activities are conducted professionally and lawfully. The Company, its employees, or authorized agents shall refrain from any form of undue harassment, including but not limited to contacting borrowers at unreasonable hours or employing any form of intimidation or coercive methods.

iii) Non-Interference in Borrower Affairs: The Company shall not intervene in the affairs of the borrower, except for the purposes explicitly permitted under the loan agreement. This stance may be revisited only if material information, not previously disclosed by the borrower, comes to the Company's notice.

iv) Objective of Security Realization: The principal objective of security repossession and realization is the recovery of dues. The process is not intended to deprive the borrower of the asset but to facilitate the settlement of the outstanding obligation. The process will be conducted in a fair, transparent, and commercially reasonable manner, encompassing:

Repossession: Effected only after the issuance of all requisite statutory and contractual notices.

Valuation: Conducted by an independent and qualified valuer to determine the fair market value of the security.

Realization: The secured asset will be sold through appropriate means, such as public auction or private treaty, in adherence to due process of law.

v) Custody of Security: Subsequent to taking possession, the Company shall exercise due diligence and take all reasonable measures to ensure the safety, security, and preservation of the collateral until its final realization.

vi) Grievance Redressal: An appropriate grievance redressal mechanism shall be maintained to address and resolve disputes arising from the decisions of the Company's functionaries in a timely and impartial manner.

7. CUSTOMER GRIEVANCE REDRESSAL MECHANISM: OUR PLEDGE TO LISTEN AND RESOLVE

7.1. Our Proactive Approach to Grievance Prevention

Aquila Finance Ltd. believes that the best way to handle grievances is to prevent them from arising in the first place. We achieve this through continuous staff training, clear communication of terms, robust internal processes, and a customer-friendly service approach.

7.2. Definition: Requests vs. Grievances

Requests: These are routine queries or service requirements from customers (e.g., request for a statement, change of address, query about balance). These are handled at the branch or regional level based on delegated powers, with a target resolution time.

Grievances/Complaints: These are expressions of dissatisfaction about any aspect of our service or product, where the customer believes they have been treated unfairly or have suffered a financial or non-financial loss.

7.3. Structured Grievance Redressal Procedure

We have a multi-tiered, time-bound mechanism to ensure complaints are resolved efficiently.

Tier 1: Resolution at the Branch Manager

Procedure: All grievances must be logged in a dedicated Grievance Register at the branch where the complaint is received. The register will record a unique ticket number, date, customer details, and nature of the complaint.

Timeline: If the grievance pertains to a matter within the branch's delegated authority, the Branch Manager must endeavour to resolve it within 7 working days of receipt.

Tier 2: Escalation to the Area Manager/Regional Manager/Zonal Manager (ZM)

Procedure: If the grievance is beyond the branch's power or remains unresolved, it must be escalated to the Area Manager(AM)/Regional Manager (RM)/Zonal Manager (ZM) in writing/email. The branch must inform the customer of this escalation.

Timeline: The Area Manager(AM)/Regional Manager (RM)/Zonal Manager (ZM) is required to address and dispose of the grievance within 7 working days of receiving it, ensuring the matter is fully resolved within a maximum of 10 business days from its initial receipt at the branch.

Tier 3: Escalation to the Nodal Officer at Head Office

Procedure: For grievances that are complex, involve larger amounts, or are not resolved at the regional level, the customer can escalate them to the designated Nodal Grievance Redressal Officer at the Head Office.

Contact Details: The name, contact number, and email address of the Nodal Officer are prominently displayed at all our branches and on our website.

Timeline: The Nodal Officer and the concerned business heads at the Corporate Office will investigate and strive to provide a final resolution or response within 30 days from the date the complaint was first registered with the company.

7.4. Escalation to the Banking Ombudsman

Explanation: If a complainant does not receive a reply within 30 days from the date of lodging the complaint with us, or if they are dissatisfied with the resolution provided, they have the right to escalate the matter to the Reserve Bank of India.

Appeal to: The complainant can approach the Office of the Integrated Ombudsman of the Reserve Bank of India.

How to Appeal: The appeal can be filed online through the CRPC (Complaint Redressal Portal of RBI) at <https://cms.rbi.org.in> or via email at crpc@rbi.org.in

Display of RBI Details: The name and contact details of the Regional Office of the RBI's Department of Supervision (DNBS) are displayed at all our branches.

7.5. Training and Customer Sensitivity

We invest in regular and intensive training programs for our employees to ensure they are not only skilled in their duties but are also empathetic and customer-friendly. We cultivate a culture where rude, inappropriate, or unethical behaviour is strictly prohibited. We maintain a particularly sympathetic and helpful approach towards vulnerable customers, including the poor and underprivileged sections of society.

8. GENERAL CLAUSES AND ADMINISTRATIVE PROVISIONS

8.1. Business Hours and Holiday Notices

The normal business hours of each branch are displayed at the branch premises. Any changes to these hours, along with the annual list of holidays, are notified to customers in advance through notices displayed at the branch and/or via press notifications.

8.2. Confidentiality of Customer Information

We treat all personal information provided by our customers as confidential. We do not share this information with any unauthorized third parties. However, we may be legally compelled

to share information with regulators, law enforcement agencies, or credit bureaus, and we will comply with such lawful directions, even if it does not require prior notice to the customer.

8.3. Policy on Transfer of Loan Accounts

In the event we receive a request for the transfer of a borrower's account, either from the borrower or from another financial institution that proposes to take over the account, the Company's consent or objection will be conveyed in writing within 21 days from the date of receipt of the complete request. RBICircularDNBS.CC.PD.No.266/2011-12.

8.4. Availability of the Fair Practice Code

A copy of this Fair Practice Code is available on our official website [Insert Website URL Here]. A physical copy will also be provided to any customer upon request, free of cost.

9. POLICY GOVERNANCE: REVIEW, IMPLEMENTATION, AND AUDIT

9.1. Effectiveness

This comprehensive Fair Practice Code shall be effective from the date of its approval by the Board of Directors of Aquila Finance Ltd., or from such other date as may be specified in the resolution.

9.2. Periodic Review

The Board of Directors of the Company is responsible for the periodic review of this policy. It shall be formally reviewed at least once every two years, or more frequently if necessitated by changes in regulatory guidelines or business environment, to ensure its continued relevance and effectiveness.

9.3. Implementation

The Senior Management of the Company is authorized and responsible for issuing the necessary internal guidelines, circulars, and standard operating procedures (SOPs) to ensure the effective implementation of this policy across the entire organization.

9.4. Auditing and Compliance

Compliance with this Fair Practice Code is fundamental to the Company's operations. The Internal Auditors and the Statutory Auditors of the Company will periodically test and review the adherence to this policy as part of their audit cycles. The audit findings concerning FPC compliance will be presented to the Board's Audit Committee for review and necessary action.

This document supersedes all previous versions of the Fair Practice Code of Aquila Finance Ltd.

BY THE ORDER OF THE BOARD OF DIRECTORS

For AQUILAN FINANCE LTD.