



**Sagarmala Development Company Limited
(A Government of India Enterprise)**

Fair Practices Code

Version 1.0

Document review and approval

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Introduction

The Sagarmala Development Company Limited (SDCL) was established by the Ministry of Shipping under the Companies Act, 2013, in August 2016, to assist in the implementation of the Sagarmala Programme. This programme aims to promote port-led development in India by developing projects emanating from the National Perspective Plan (NPP). The company's objectives also include promoting seamless and efficient interface for trade, establishing port-based Special Economic Zones/Free Trade Warehousing zones, and creating economic activity hubs along the coast with the participation of coastal communities.

Sagarmala Development Company Limited (SDCL) aims to achieve its objective of optimum development of the port sector in India by conceptualizing, promoting, financing, procuring financing for, implementing, and expediting projects that promote port-led industrialization, urbanization, and development. The Company aims to raise funds in the form of debt/equity as per project requirements by leveraging resources provided by the Government of India and funding agencies. Sagarmala Development Company Limited (SDCL) aims to increase the scope of private sector participation for project development and effectively harness India's coastline and waterways for the country's overall economic development.

Sagarmala Development Company Limited has been referred to as 'SDCL' in this policy.

Overview of the Code

Fair Practices Code ("FPC") has been devised by SDCL with an aim to achieve synchronization of best practices when SDCL is dealing with its customers. It is SDCL's endeavor towards customers which includes a commitment to the communities in which their businesses operate and includes a responsibility for ensuring that those businesses operate according to the highest legal and ethical standards.

This Fair Practices Code applies to all categories of products and services offered/to be offered by SDCL. The FPC inter alia, covers general principles on adequate disclosures on the terms and conditions of a loan and adopting a non-coercive recovery method.

Regulatory Reference

Master Direction - Reserve Bank of India - Non-Banking Financial Company – Scale Based Regulation Directions, 2023 (RBI/DoR/2023-24/106 DoR.FIN.REC. No.45/03.10.119/2023-24) – Chapter VII - Fair Practices Code

The essence of FPC lies in the following and SDCL shall strive to follow them:

- ❖ Ensuring the fair practice and transparency in dealing with customers and to comply with RBI/statutory guidelines on fair practice on time-to-time basis.
- ❖ To provide assistance to customers in understanding of the product, applying for loans, taking informed decision, making them aware of the terms and conditions.
- ❖ To not discriminate the customers on grounds of religion, caste, or language.

- ❖ To attempt in good faith to resolve any disputes or differences with customers.
- ❖ Greater transparency in dealing with the borrowers.
- ❖ To comply with all the regulatory requirements in good faith.
- ❖ Enhancing customer confidence and supporting them.

Applications for Loans and their Processing

- ❖ All communications to the borrower shall be provided in English language and will be provided in the vernacular language, if so required.
- ❖ Loan application forms would 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 would indicate the documents required to be submitted with the application form.
- ❖ After receipt of the complete information and documentation as per prescribed in application form along with applicable fees, written acknowledgement shall be issued for each application, mentioning therein the time frame within which the loan application would be disposed of.
- ❖ The applicant would be intimated about additional details/documents required, if any, within a reasonable period of time as specified by management.
- ❖ In case of rejection of the loan application, the reason (s) that led to rejection of respective application would be conveyed to the applicant(s), in writing.
- ❖ The SDCL has a system of giving acknowledgement for receipt of all loan applications.

Loan Appraisals, Terms/Conditions and Key Facts Statement for Loan and advances

- ❖ SDCL would ensure proper assessment of loan application(s) submitted by the borrower(s). SDCL would carry out detailed due diligence and appraisal exercise on the credit worthiness of the borrower. SDCL will comply with the applicable KYC guidelines of RBI, as amended from time to time.
- ❖ SDCL would convey in writing to the respective borrower, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof vide a standardized sanction letter duly approved by the SDCL and keep the borrower's acceptance in its record. SDCL will mention the penal interest to be charged for late repayment in bold in the sanction letter and loan agreement.
- ❖ Terms and conditions and other caveats governing the credit facilities given by SDCL, as arrived at after negotiation between SDCL and the borrower and duly signed by SDCL authorized officials. SDCL shall furnish a copy of the loan agreement in English and in vernacular language, if so required, to the respective borrower at the time of Sanction of loans. SDCL shall comply with the instructions contained in the circular on 'Key Facts Statement (KFS) for Loans & Advances' as amended from time to time.

Penal charges in loan accounts

- ❖ Penalty for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. The SDCL shall not capitalize penal charges.

- ❖ The SDCL will keep the quantum of penal charges commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category. SDCL shall not introduce any additional component to the rate of interest and ensure compliance in both letter and spirit.
- ❖ The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- ❖ The quantum and reason for penal charges shall be clearly disclosed by the SDCL in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, and on its website under Interest rates and Service Charges.
- ❖ Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

SDCL in the transparent manner, shall levy penal charges applicable to respective borrowers. This section shall be governed by separate policy named "Interest rate and Penal Charges".

Disbursement of loans including changes in terms and conditions

- ❖ The SDCL shall give notice to the borrower in English. SDCL shall furnish a copy of the loan agreement in English and in vernacular language, if so required, to the respective borrower of any change in the terms and conditions.
- ❖ Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- ❖ The SDCL will 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 the SDCL may have against borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which the SDCL is entitled to retain the securities till the relevant claim is settled / paid.

Release of movable/immovable property documents

- ❖ The SDCL will release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of respective loan account.
- ❖ The borrower will be collecting the original movable/ immovable property documents from the SDCL's registered office.
- ❖ The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date (within 30 days of closure of loan intimation sent to respective borrower).
- ❖ To address the contingent event of demise of the sole borrower or joint borrowers, the SDCL shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the SDCL along with other similar policies and procedures for customer information.

Compensation for delay in release of movable/immovable property documents

- ❖ In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, reasons for such delay shall be communicated to the borrower. In case where the delay is attributable to the SDCL, compensation at the rate of Rs. 5,000 for each day of delay shall be provided to respective borrower.
- ❖ In case of loss/damage to original movable/immovable property documents, either in part or in full, the SDCL shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause above. In such cases, an additional 30 days' timeline will be available to the SDCL to complete the procedure and delayed period penalty will be calculated after 60 days (30 days + Additional 30 Days).
- ❖ The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

Loan facilities to the physically/visually challenged by SDCL

- ❖ SDCL shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. SDCL shall render all possible assistance to such person for availing of the various business facilities.
- ❖ SDCL shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, SDCL shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

General

- ❖ The SDCL will not interfere 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 SDCL.) In case of receipt of request from the borrower for transfer of account, the consent or otherwise 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.
- ❖ In the matter of recovery of loans, consistent with its policy over the years, the SDCL will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. To avoid rude behavior from the staff of the SDCL, the SDCL will ensure that the staff is adequately trained to deal with customers in an appropriate manner.

Responsibility of Board of Directors

- ❖ The Board of Directors of SDCL has laid down the appropriate grievance redressal mechanism to ensure that all disputes are heard and disposed of at least at the next higher level.
- ❖ There shall be a periodical review of the compliance of the Fair Practice Code and the functioning of the grievance's redressal mechanism. A consolidated report of such reviews will be submitted to the Board at regular intervals.

Reserve Bank – Integrated Ombudsman Scheme.

- ❖ The SDCL covered under the Reserve Bank – Integrated Ombudsman Scheme, 2021 shall comply with the directions provided under the said Scheme.

Refer Customer Grievance Policy for detailed coverage.

Language and mode of communicating Fair Practice Code

- ❖ Fair Practices Code shall be in the English language, and shall be shared in vernacular language, if so required. The English version of Fair Practice Code shall be put up on the SDCL's website for the information of various stakeholders.

Regulation of excessive interest charged.

- ❖ The interest rate model, as defined in its Interest rate and Penal charges Policy, for determining the rate of interest to be charged on loans and advances, processing and other charges considering relevant factors such as, cost of funds, margin, and risk premium, etc. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- ❖ The rates of interest and the approach for gradation of risks shall also be made available on the website of the SDCL'S. The information published on the website or otherwise published should be updated whenever there is a change in the rates of interest.
- ❖ The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.
- ❖ The SDCL should include a built-in re-possession clause in the loan agreement with the borrower which must be legally enforceable.

SDCL in the transparent manner, shall not charge excessive interest from the respective borrowers. This section shall be governed by separate policy named “Interest rate and Penal Charges”.

Periodic Review

- ❖ The policy must be reviewed at least once every year to ensure its relevance and effectiveness. Additionally, the policy shall be reviewed and updated promptly in the event of any regulatory updates, significant changes to processes or systems, or when deemed necessary by the management. If the existing policy is found to be inadequate in meeting current objectives and goals, the management reserves the right to initiate a review and update to align the policy with the SDCL's evolving needs and priorities.