

**Aditya Birla ARC Limited**

(A subsidiary of Aditya Birla Capital Ltd.)



**ADITYA BIRLA  
CAPITAL**

PROTECTING INVESTING FINANCING ADVISING

# **ADITYA BIRLA ARC LIMITED**

## **FAIR PRACTICE CODE**

**EFFECTIVE FROM 1<sup>ST</sup> NOVEMBER 2020**

## 1. Background

- 1.1. Aditya Birla ARC Limited ('**ABARC**' or '**Company**') is registered with the Reserve Bank of India (RBI) under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) vide a Certificate of Registration dated March 13, 2018.
- 1.2. The RBI, on July 16, 2020, issued guidelines on Fair Practice Code ('**FPC**') for Asset Reconstruction Companies ('**ARCs**') and advised ARCs to adopt and put in place FPC, duly approved by their Board of Directors, so as to ensure transparency and fairness in their operations. In line with the aforementioned guidelines, this Fair Practice Code is being put in place.

## 2. Conduct of Business

ABARC and its employees shall observe high degree of integrity and fairness in all their dealings during the course of the business, including with banks, financial institutions, investors, intermediaries and borrowers.

### 2.1. Acquisition of Financial Assets

- (a) ABARC has board approved Acquisition Policy and Resolution Policy, both of which are in compliance with the applicable laws, including the FPC.
- (b) Acquisition of a Financial Asset is done in conformity with the aforesaid policy, Risk Policy and all the applicable laws as may be applicable from time to time.
- (c) ABARC shall:
  - (i) follow transparent and non-discriminatory practices in acquisition of Financial Assets;
  - (ii) The transactions shall be carried out on an arm's length basis.
- (d) The management fees, expenses and incentives, if any, shall be claimed by ABARC from the trusts under its management in a transparent manner. In this regard, in each of the trusts under its management:
  - (i) ABARC shall agree the fees, expenses and incentives that it can charge with the security receipt holders under the relevant trust deed. The fees, expenses and incentives to be agreed with the security receipt holders of a trust should be proposed by ABARC in proportion to the financial transaction
  - (ii) For any deviation from the agreed levels, the trust deed itself should provide the process for making such deviations or, in absence of such process, any deviation should be agreed with the security receipt holders separately.

## 2.2. Resolution of Financial Assets / Debt Recovery:

- (a) ABARC has adopted board approved Resolution, which is in conformity with the applicable laws, including the FPC.

**(b) Sale of secured assets**

In order to enhance transparency in the process of sale of secured assets, ABARC shall

- (i) Decide terms and conditions of the sale in wider consultation with investors in the security receipts;
- (ii) In case of an auction, publicly solicit participation in auction; and
- (iii) Follow any other stipulation as prescribed by the FPC or under applicable law from time to time. Currently, the FPC provides that the spirit of Section 29A of the Insolvency and Bankruptcy Code, 2016 should be followed while dealing with prospective buyers.

**(c) Release of Security**

Upon repayment of all outstanding dues and costs or agreed settlement amounts, or upon complete realisation of the outstanding amount of loan and costs, by sale of underlying secured interests, ABARC shall release all securities, subject to any legitimate right or lien for any other claim ABARC may have against the 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 ABARC is entitled to retain the securities till the relevant claim is settled/ paid

**(d) Other Fair Practices w.r.t. Recovery of Loans**

ABARC is committed to not to resort to harassment of borrowers in the matter of recovery of loans and shall ensure that its staff/ employees are adequately trained to deal with customers in an appropriate manner.

Further, the Company has prepared a model code of conduct for Recovery Agents ('RAs'), as specified in Annexure I, which shall be abide by the RAs, if and when appointed by the Company for recovery of debts from the Borrowers.

### 3. Outsourcing

ABARC has adopted a Board approved Outsourcing Policy which, *inter alia*, lays down the activities which can be outsourced, principals governing outsourcing activities including selection criteria of service providers, systems to monitor and review the operations of outsourced activities / service providers. ABARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to its customers / Security Receipt holders and the RBI nor impede effective supervision by RBI.

### 4. Privacy and Confidentiality

ABARC is committed to treat all the information that it acquires in the course of its business as private and confidential including information pertaining to borrowers. ABARC shall not disclose such information to anyone including to other companies in the group except when:

- a. The same is required under any applicable law.
- b. There is duty towards public to reveal such information.
- c. The sharing is done with the borrower's / relevant person's permission.
- d. The sharing of such information is for 'legitimate purpose'. For the purpose of this clause, the term 'legitimate purpose' shall mean sharing of information in the ordinary course of business by ABARC with its partners, collaborators, lenders, investors, consultants, legal advisors, auditors, insolvency professionals or other advisors or consultants, provided that such sharing is not detrimental to the interests of the concerned borrower / person.

### 5. Grievance Redressal Mechanism

ABARC shall follow the following principles while dealing with the genuine grievances of its borrowers:

- a. Borrowers shall be treated fairly at all times
- b. Complaints raised by borrowers shall be dealt with in a timely manner
- c. Borrowers shall be informed of avenues to raise their queries and complaints within the Organization.

ABARC shall follow the following Grievance Redressal mechanism while dealing with queries and complaints of its borrower:

- i. The Compliance Officer of the Company shall be the Grievance Redressal Officer of the Company. The name and contact details of the Grievance Redressal Officer shall be mentioned in the communications to the borrowers.
- ii. Any grievance or dispute arising out of any action, inaction or decision by a functionary or agent of ABARC may be brought to the notice of the Compliance Officer by the concerned borrower.

- iii. On receipt of such complaint / notice, the Compliance Officer shall examine the matter, seek further information / explanation from the complainant and / or from the concerned department or functionary. Post scrutiny and verification of available material, the Compliance Officer shall take such action as may be required and furnish an appropriate response to the complainant.

## **6. Applicable Laws and Amendment to the Code**

This Code shall be subject to the applicable laws and in the event of any repugnancy or inconsistency between this Code and the applicable law, unless otherwise prescribed, the applicable laws shall prevail.

The Board of Directors of the Company shall review and modify this Code at periodic interval or as and when required. It may further be clarified that if and when any act, rules, regulations, directions or guidelines concerning the subject matter of this Code (including definitions, forms and formats) are promulgated, amended, enacted, re-enacted or modified, this Code shall, unless otherwise prescribed, be deemed to be amended to take into account / give effect to such promulgated / amended / enacted / re-enacted / modified act, rules, regulations, directions or guidelines.

## Annexure I

### MODEL CODE OF CONDUCT FOR RECOVERY AGENTS

#### 1. Applicability:

The Model Code of Conduct for Recovery Agents (RAs) will be applicable to all RAs appointed by the Company. The Code of Conduct shall form part of the agreement, if any, between the Company and the RAs. RAs must agree to abide by this code prior to undertaking any recovery operation on behalf of the Company. Any RA found violating this code may be blacklisted and such action taken may be sent IBA

#### 2. When & where RAs may contact a person on telephone:

Telephonic contact may normally be limited to between 08.00 hrs and 20.00 hrs unless the special circumstances of the borrower's business or occupation demands otherwise.

Calls earlier or later than the prescribed hours may be placed under the following conditions:

- (i) When the borrower has authorized to do so in writing or orally or has not objected to calling at such hours.
- (ii) Due notice of recall of the loan has been served by the Company on the borrower, and appointment of RA has been intimated to him, and the borrower is intentionally avoiding calls of the RA.

The borrower would be contacted ordinarily at the place of his choice and in the absence of any specified place he will be contacted at his/her residence in the place of employment/ business as the case may be.

In appropriate occasions such as bereavement in the family or such other calamitous occasions would be avoided for making calls/ visits to collect dues.

#### 3. Code adopted during the call

- The RAs will identify himself/herself to the borrower and will apprise him/her of the authority to represent.
- State reason for call. Provide the borrower with all the information regarding dues and necessary notice be given for enabling discharge of dues.
- Offer to call back, if the borrower is busy.
- Talk in language which is most comfortable to the borrower.
- Keep conversation limited to business.
- Reconfirm next call or next visit.
- Provide contact numbers (for RAs as well as the Company).
- Reasonable notice will be given before repossession of security as well as before its realization.

- All assistance will be given to resolve disputes or differences in a mutually acceptable and in an ordinary manner, if any as regards dues.
- Demeanor that will suggest criminal intimidation or threat of violence would be scrupulously avoided.

#### 4. Customer Confidentiality

RAs shall maintain strict confidentiality about the information of borrowers shared with them. However, the matter may be discussed with the family members of borrowers if borrower's response to notice of recall and repeated calls made by RAs on the borrowers do not evoke any response. Family for this purpose will only be close and adult family members and will include spouse, son (including legally adopted son), unmarried daughter (including legally adopted daughter), unmarried sister, father, mother, daughter-in-law, grandson and grand-daughter.

#### 5. Gifts or bribes

RAs will not accept any kind of gift or bribe

#### 6. Others

- RAs will not accept cash and recoveries will be deposited with the Company directly.
- RAs must be appropriately dressed, decorum and decency will be maintained.
- RAs would resort only the legally permissible activities during the course of recovery.



## Policy Review & Approval History:

(All revisions made to this Policy are listed in chronological order)

Version No.	Prepared / Modified by	Reviewed by	Summary of Changes	Date of Approval by Board	Effective From
1.00	Legal & Secretarial	Business Team & CEO	New Code	15.10.2020	01.11.2020