

FAIR PRACTICES CODE

Power Finance Corporation Ltd. (PFC) is a leading power sector public financial institution and a non-banking financial company, providing fund and non-fund based support for the development of the Indian power sector. It plays a major role in channelising investment into the power sector and acts as a vehicle for development of this sector. Our clients include state power utilities, central power sector utilities, power departments, private power sector utilities (including independent power producers), joint sector power utilities etc. PFC has developed the Fair Practices Code (FPC) for its lending operations based on the RBI guidelines, which intends to provide assurance to all the borrowers of the Company's commitment to fair dealing and transparency in its businesses transactions. Commitments outlined in this Code are applicable under normal operating environment; however under situations beyond the control of the corporation, it may not be possible for us to fulfill the commitments under this code. This code is not a legal document creating any rights and obligations on PFC. FPC was implemented and made available on PFC's website w.e.f. 06-03-2007. Any subsequent modifications in FPC will be updated on PFC's website. The Fair Practices code developed by PFC applies to the following areas:

- **Application and processing of Loans**
- **Loan appraisal and terms & conditions**
- **Disbursement of Loans**

1. Application and processing of loans

- a) Loan application forms for all standardized products of PFC are given on its website with list of documents required to be submitted with application form. Application forms can also be obtained from PFC office. PFC's interest rates for the loans are as prevailing on the date of each disbursement. The interest rates and key financial terms & conditions are also given on the web site of PFC. The detailed standard terms & conditions would be provided if asked for by the applicants. Besides, conditions are also stipulated based on the appraisal of the proposal.
- b) PFC shall issue written acknowledgement for each application after receipt of the complete information as per standard application format. Additional information and support documents may occasionally be found necessary in course of processing a client application.
- c) Applications complete in all respects would be processed within a reasonable time frame. In case the proposal is not approved by PFC, the borrower would be intimated accordingly.

2. Loan Appraisal and Terms & Conditions

- a) PFC ensures proper assessment of the loan proposal based on PFC's internal guidelines & procedures.
- b) The amount of assistance to be sanctioned, terms of sanction, etc. are finalized after appraisal, discussions with borrower's representatives and due diligence. PFC's interest rates for the loans are as prevailing on the date of each disbursement. The interest rates and key financial terms & conditions are given on the PFC's web site.
 - Key financial Terms & conditions
 - Interest rates (as notified from time to time)

- c) The sanction of loan would be conveyed to the borrower along with the detailed terms and conditions through Letter of intent (LOI)/sanction letter. The terms and conditions are normally discussed with the applicant prior to sanction of assistance. Borrowers are required to send their acceptance within 30 days from the date of issue of the Sanction letter.
- d) A copy of the Standard Loan Agreement, as amended from time to time, together with general/special conditions would be furnished along with the LOI/sanction letter (except in case of Consortium financing where the terms and conditions may be finalized amongst the participating banks/FIs), thereafter loan agreement and security documents would be executed with the borrowers.
- e) However issuance of the LOI/sanction letter does not bind PFC or give any right to the borrower for release of funds for the project or sanction of further assistance for that project/ scheme/ purpose, unless all the covenants are fulfilled and required securities are created to the satisfaction of PFC/consortium.

3. Disbursement of loans including changes in interest rates

- a) The borrower shall enter into a Loan Agreement containing all standard and specific terms and conditions with PFC, execute the requisite documents, create security for the assistance as mentioned in the LOI/sanction letter, before seeking disbursement.
- b) In PFC's Loan agreements, the penalty clause shall be shown in Bold.
- c) PFC would ensure timely disbursement of loan sanctioned in conformity with terms and conditions governing such sanction.
- d) Changes in interest rate and other financial charges in the normal course would be effected prospectively.
- e) Decision to recall/accelerate payment or performance under the agreement or seeking additional securities would be as per the loan agreement.
- f) PFC would release all securities on full repayment/realization of the loan to the satisfaction of PFC subject to any legitimate right or lien and set off for any other claim that the corporation may have against the borrowers. If such right needs to be exercised, borrowers would be given due and proper notice with requisite details.
- g) In case of joint mortgage, release of documents shall be done after obtaining 'NOC' from the other lenders/charge holders.

4. Grievance Redressal Mechanism

- a) PFC has put in place a Grievance Redressal Mechanism. Details of the same are given on the web site of PFC.
- b) PFC shall display the following information prominently, for the benefit of their customers, at their regional offices/ places where business is transacted:

- The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.

At present, Borrowers' may report their grievance to the Secretary, Borrowers' Grievance Redressal Committee whose details are as under:-

Mr. Milind M Dafade
SGM (Loan Recovery) & Secretary (Borrowers' Grievance Redressal Committee)
Power Finance Corporation Ltd
'Urjanidhi', 1, Barakhamba Lane
Connaught Place, New Delhi – 110 001
Tel.No.011-23456157
Email ID: mm_dafade@pfcindia.com

- If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the NBFC falls.

The details of Officer-in-charge of Regional Office of DNBS of RBI are as under:-

General Manager
Department of Non-Banking Supervision
Reserve Bank of India
6, Sansad Marg,
New Delhi-110 001

5. General Provisions

- a) PFC would refrain from interference in the affairs of the borrower except for what is provided in the terms and conditions of loan documents (unless new information, not earlier disclosed by the borrower, has come to the notice of the Corporation). However PFC shall reserve the right to appoint its nominee on the board of the borrower as per the loan agreement.
- b) Recovery is pursued through normal course of business following due process of law.

6. Report on Compliance of FPC to the Board of Directors

Compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism shall be periodically ensured by the respective concerned operating units. The Internal Audit unit shall obtain the periodical compliance reports from the concerned units and review the same. Internal Audit unit shall submit a consolidated report of such review to the Board of Directors on annual basis.

In order to enhance value and relevance to the borrowers this code would be reviewed from time to time. PFC would, therefore, greatly value any suggestions for improvement.
