

**FAIR PRACTICE CODE
OF
ZHO FINANCE PRIVATE LIMITED**

VERSION HISTORY

<u>Version control</u>	<u>Document Name</u>	<u>Date of Approval</u>
1.0	Fair Practice Code	14/12/2023
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Preamble

Zoho Finance Private Limited is a Company registered under the Companies Act, 2013 (**hereinafter referred to as “Zoho Finance” or the “Company”**) and Base Layer Non-Deposit taking Non-Banking Financial Company (NBFC), in accordance with the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 dated 28th November 2025, as amended from time to time and is governed by such other applicable rules, regulations, directions, circulars, notifications, and orders issued by the Reserve Bank of India in this regard (**collectively referred to as the “RBI Directions”**).

The Company is required to have a Board-approved policy on Fair Practices Code (“FPC”) as per the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (also referred to as “Direction” or “Master Direction”, unless the context otherwise requires), as may be amended from time to time and any other applicable provisions.

Objective of the Code

This Code has been developed to:

1. Promote good, fair, and trustworthy practices by setting minimum standards in dealing with the customers.
2. Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services.
3. Encourage market forces, through competition, to achieve higher operating standards.
4. Promote a fair and cordial relationship between the customers and the Company.

Our Key Commitments and Declarations

We shall act efficiently, fairly, and diligently in our dealings with all our customers by:

1. Meeting the commitments and standards in this FPC for the financial products and services we offer, and the procedures and practices that our staff follow.
2. Ensuring that all the financial services meet relevant laws and regulations.
3. Providing professional, courteous, and speedy services.
4. Providing accurate and timely disclosure of terms and conditions, costs, rights, and liabilities as regards financial transactions.

We shall help the customer understand how our financial products and services work by:

- Giving verbal information about the financial schemes in English and/or local vernacular language as understood by the borrower.
- Ensuring that our advertising & promotional literature is clear and is not misleading;
- Explaining financial implications of the transactions.

- Helping the customer to choose the financial scheme.

We shall deal quickly and proactively with things that go wrong by:

- Correcting mistakes quickly.
- Attending to customer complaints quickly.
- Telling our customers how to take their complaint forward if the customers are still not satisfied with our assistance.
- Reversing any charges that we apply due to our mistake.

Definitions

In this policy, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below, as may be applicable:

- (1) **Annual Percentage Rate (APR)** means the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility.
- (2) **Equated Periodic Instalments (EPI)** mean an equated or fixed amount of repayment, consisting of both the principal and interest components, to be paid by a borrower towards repayment of a loan at periodic intervals for a fixed number of such intervals; and which result in complete amortisation of the loan. EPIs at monthly intervals are called EMIs.
- (3) **Key Facts** of a loan agreement between Company / a group of REs and a borrower are legally significant and deterministic facts that satisfy basic information required to assist the borrower in taking an informed financial decision.
- (4) **Key Facts Statement (KFS)** is a statement of key facts of a loan agreement, in simple and easy-to-understand language, provided to the borrower in a standardised format.
- (5) **Microfinance loan** shall have the same meaning as defined in Reserve Bank of India (Non-Banking Financial Companies – Microfinance Institution) Directions, 2025

All other expressions, unless defined herein, shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, or the Reserve Bank of India Act, 1934, or as used in commercial parlance, as the case may be.

Company has adopted the guidelines enumerated below:

Applications for loans and their processing

1. All communications to the borrower shall be in vernacular language or a language as understood by the borrower.
2. Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by another lender can be made, and an informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form. A list of documents required to be submitted along with the application form shall be mentioned in the loan application form and/or hosted on the website of the Company, i.e., www.mudhalpadi.com.
3. The Company shall give acknowledgement for receipt of all loan applications. The timeframe within which loan applications will be disposed of shall also be indicated in the acknowledgement.
4. Subject to receipt of all the requisite documentation and information, loan applications shall be disposed of within 30 days, from the date of receipt of the application form complete in all respects. In any case the customer will be kept informed by the sales person with regards to the status of his / her application from time-to-time. The customer may also contact the Company's customer service team at the prescribed toll-free number or email id to obtain an update on the status of application.
5. All charges/fees which are levied on the borrower shall be non-discriminatory.

Loan appraisal and terms / conditions

1. The Company shall conduct a due diligence on the creditworthiness of the borrower, which shall be an important parameter for taking decision on the application. The assessment shall be in line with the Company's credit policies, norms and procedures in respect thereof. The Company shall communicate the decision on the application to the prospective borrower.
2. If the Company decides to sanction the loan, it shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof.

3. The Company shall keep the acceptance of these terms and conditions by the borrower in its record. For all the documentation done through digital platform, the above documents shall be preserved in digital form.
4. The Company shall also communicate to the borrower, either in paper or digital form, if the loan is rejected.
5. The Company shall mention the penal charges/additional charges that will be levied by the Company for late/delayed repayments in bold in the loan agreement.
6. The Company shall invariably be bound to furnish a copy of the loan agreement in the vernacular language / in another 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. The Company shall ensure that the Loan Documents and all enclosures furnished to all borrowers contain the terms and conditions and the rate of interest.

Disbursement of loans including changes in terms and conditions

1. The Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
2. Any changes in interest rates and charges shall be effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
3. Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
4. The Company shall 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 they 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 Company is entitled to retain the securities till the relevant claim is settled/paid.

General

1. 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).

2. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of Company, 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.
3. In the matter of recovery of loans, Company shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. The Company's staff are adequately trained (including not to behave rudely with the customers) to deal with the customers in an appropriate manner.

Regulation of excessive interest charged by Company

1. The Board of Company shall adopt an interest rate model, taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradation 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.
2. The rates of interest and the approach for gradation of risks shall also be made available on the website. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
3. The rate of interest shall be an annualised rate so that the borrower is aware of the exact rate that would be charged to the account.

Policy for Determining Interest Rates, Processing and Other Charges

To ensure that the Customers are not charged excessive interest rate and charges on loans and advances by the Company, the Board of the Company has adopted a Policy for Determining Interest Rates, Processing and Other Charges ("Interest Rate Policy") and the same has been put up on the Company's website www.mudhalpadi.com . Further the Board of the Company also undertakes periodical review of the Interest Rate Policy.

Complaints about excessive interest charged by the Company

Company has laid out an Interest Rate Policy mentioning internal principles and procedures in determining interest rates, processing charges and other charges. Customers may reach out to the

Company for any complaints about the excessive interest rate and shall be addressed as per the Complaint Redressal Mechanism as per the Grievance Redressal Policy of the Company.

The details of the Grievance Redressal Mechanism shall be found on the Company's website <https://www.mudhalpadi.com/>

Repossession of vehicles financed by Company (in case Company were to undertake such an activity)

1. The Company shall have a built-in repossession 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:
 - (1) Notice period before taking possession;
 - (2) Circumstances under which the notice period can be waived;
 - (3) The procedure for taking possession of the security;
 - (4) A provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
 - (5) The procedure for giving repossession to the borrower; and
 - (6) The procedure for sale/auction of the property.
2. A copy of such terms and conditions must be made available to the borrower. Company shall 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 forms a key component of such contracts/ loan agreements.

Loan facilities to the physically / visually challenged

Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. The Company shall render all possible assistance to such persons for availing of the various financial services. The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law, in all the training programmes conducted for their employees at all levels.

In this regard, the Company may outline and implement appropriate modes, mechanisms, and measures to enhance accessibility, including but not limited to:

- Providing barrier-free physical access at offices of the Company and customer interaction points, wherever feasible;
- Extending reasonable assistance to customers with disabilities or special needs to facilitate seamless availing of financial services etc.,

Key Facts Statement for Loans & Advances

The following instructions shall be applicable in cases of all retail and MSME term loan products extended by the Company.

a. Company shall provide a KFS to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format given in the **Annex I** of the Master Direction. The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that they have understood the same.

b. The KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.

Explanation: Validity period refers to the period available to the borrower, after being provided the KFS by Company, to agree to the terms of the loan. Company shall be bound by the terms of the loan indicated in the KFS, if agreed to by the borrower during the validity period.

c. The KFS shall also include a computation sheet of annual percentage rate (APR), and the amortisation schedule of the loan over the loan tenor. APR will include all charges which are levied by Company. Company may also be guided by the Illustrative examples of calculation of APR and disclosure of repayment schedule for a hypothetical loan as provided in the Master Direction issued by RBI in this regard.

d. Charges recovered from the borrowers by Company on behalf of third-party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever Company is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.

e. Any fees, charges, etc. which are not mentioned in the KFS, cannot be charged by Company to

the borrower at any stage during the term of the loan, without explicit consent of the borrower.

f. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

Penal Charges in Loan Accounts

Penalty, if charged, 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. There shall be no capitalisation of penal charges, i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account. Therefore, Company may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.

Notes:

- i. The material terms and conditions shall be defined, if not already done, as per the credit policy of Company and they may vary from one category of loan to another, and also, from lender to lender based on their own assessment.
- ii. Default in repayment by the borrower is also a type of non-compliance of material terms and conditions of loan repayment contract by the borrower and penalty, if charged, for such default shall only be levied in the form of penal charges and not penal interest. Such penal charges shall be reasonable and levied by the lenders only on the amount under default in a non-discriminatory manner as per their Board approved policy. Further, it shall be ensured that there is no capitalization of the penal charges i.e., no further interest computed on such charges.
- iii. Additional / fresh penal charges cannot be levied on the earlier outstanding amount of penal charges.
- iv. Company shall follow the instructions and clarifications, if any, issued by Central Board of Indirect Taxes & Customs (CBIC) with regard to applicability of GST on penal charges.
- v. Company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- vi. Company shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called. Accordingly, Company has dealt with it in its Interest Rate Policy

- vii. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.

Notes:

- i. The penal charges can be different within the same product category depending upon the amount of loan and Company may adopt a suitable structure of penal charges subject to adherence to the above stipulations. The structure of penal charges within a particular loan / product category shall have to be uniform irrespective of the constitution of the borrower.
- ii. Although no upper limit / cap for penal charges has been prescribed, Company, while formulating its Board approved policy on penal charges, should keep in mind that the intent of levying penal charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool.

- w. 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.
- x. The quantum and reason for penal charges shall be clearly disclosed by Company to the customers upfront in the loan agreement and Most Important Terms & Conditions/ Key Fact Statement as applicable, in addition to being displayed on Company's website under Interest rates and Service Charges. Further, providing a reference to the schedule of penal charges displayed on the website of Company in the sanction letter and loan agreement shall not suffice.
- y. 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 thereof shall also be communicated.
- z. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date.

Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (if applicable)

Company shall adopt the following framework meeting the requirements for implementation and compliance:

- a. At the time of sanction, Company shall clearly communicate to the borrowers about

the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

- b. At the time of reset of interest rates, Company may, at its option, provide a choice to the borrowers to switch over to a fixed rate as per its Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- c. The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions.

Note: Whenever there is a reset of interest rates for an entire class of borrowers in a particular loan category, say home loan, due to increase in the reference benchmark; Company shall provide the following options to the borrowers:

- i. Either enhancement in EMI or elongation of number of EMIs, keeping the EMI unchanged or a combination of both options;
- ii. Switch to fixed interest rate for the remaining portion of the loan, where such an option is provided by the bank; and
- iii. To prepay, either in part or in full, at any point during the residual tenor of the loan.
 - a. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by Company from time to time. The applicable charges shall be as approved by the Board and shall be displayed on Company's website.
 - b. Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
 - c. Company shall share/make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualised rate of interest/APR for the entire tenor of the loan. Company shall ensure that the statements are simple and easily understood by the borrower.

2. Apart from the equated monthly instalment loans, these instructions would also apply, *mutatis mutandis*, to all equated instalment-based loans of different periodicities, irrespective of whether they are linked to an external benchmark or an internal benchmark. The instructions given here are not applicable to other types of loans. In case of loans linked to an external benchmark, Company shall put in place adequate information systems to monitor transmission of changes in the benchmark rate to the lending rate.

Pre-payment charges on loans

- a. In accordance with the Reserve Bank of India (Pre-payment Charges on Loans) Directions, 2025, effective from 1st January 2026, the Company shall not levy pre-payment charges on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s), irrespective of the loan amount or source of prepayment. The Company shall not levy any charges where pre-payment is effected at the instance of the Company.
- b. The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement. No pre-payment charges which have not been disclosed as specified herein shall be charged by Company.
- c. Company shall not levy any charges / fees retrospectively at the time of pre- payment of loans, which were waived off earlier by Company.

Responsible Lending Conduct- Release of Movable / Immovable Property Documents on Repayment / Settlement of Personal Loans**Release of Movable / Immovable Property Documents**

1. Company shall 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 the loan account.
2. The borrower shall be given the option of collecting the original movable/immovable property documents either from the branch/office where the loan account was serviced or any other office of Company where the documents are available, as per her/his preference.
3. The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after 1st December 2023.

4. In order to address the contingent event of demise of the sole borrower or joint borrowers, Company 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 Company along with other similar policies and procedures for customer information.

Pursuant to the above, the following procedure has been prescribed.

- a) Death certificate of the borrower (deceased) shall be provided
- b) Legal Heir Certificate/Succession Certificate/Will/Probate/Court Order/Letters of Administration/Proof of Identity (any/some/all) may be called for by Company
- c) In case of any doubts, Company may call for further details/documents/undertaking/bond/letter of indemnity/NOC from the applicant/any other persons
- d) It shall also be open for Company to ask the applicant to secure the orders of civil court/any other appropriate forum/revenue authorities to release the documents,

Compensation for delay in release of Movable / Immovable Property Documents

1. Company shall communicate to the borrower reasons for 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. In case where the delay is attributable to Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
2. In case of loss/damage to original movable / immovable property documents, either in part or in full, Company 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 paragraph 39 above. However, in such cases, an additional time of 30 days will be available to Company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

Standardisation of Documents and Communication

1. Documentation shall be standardised across all branches of Company.
2. All applicable charges payable by the borrower, including those related to assaying, auction, etc., shall be clearly included in the loan agreement and KFS.
3. All communication with the borrower, especially, the terms and conditions of the loan, or other important communication which affects the interest of the borrower or Company, shall

be in the language of the region or in a language as chosen by the borrower. For an illiterate borrower, important terms and conditions shall be explained in the presence of a witness, who shall not be an employee of Company.

Guidelines on conduct towards Microfinance borrowers

General

1. The FPC shall be displayed by Company in all its offices and on its website. The FPC should be issued in a language understood by the borrower.
2. There shall be a standard form of loan agreement for microfinance loans in a language understood by the borrower.
3. Company shall provide a loan card to the borrower which shall incorporate the following:
 - (1) Information which adequately identifies the borrower;
 - (2) Simplified factsheet on pricing;
 - (3) All other terms and conditions attached to the loan;
 - (4) Acknowledgements by Company of all repayments including instalments received and the final discharge; and
 - (5) Details of the grievance redressal system, including the name and contact number of the nodal officer of Company.
4. All entries in the loan card shall be in a language understood by the borrower.
5. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

Conduct aspects in Pricing of Loans

1. There shall be no pre-payment charge levied on microfinance loans. Charges, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
2. Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. This information shall also be included in the supervisory returns and subjected to supervisory scrutiny.
3. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

Training of Staff

1. The Company's staff shall have minimum qualifications as required to effectively assist customers.

2. The employees of Company shall be provided with necessary training to deal with the customers. Training to employees shall include programmes to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.
3. Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household.
4. Training, if any, offered to the borrowers shall be free of cost.
5. All field staff shall be trained to offer such training to make the customers fully aware of the procedure and systems related to loan / other products.

Periodical review

Compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism shall be periodically reviewed by the senior management of the Company, and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company on a quarterly basis.

Review of Code

The Fair Practices Code shall be reviewed every year by the Board of Directors of Company or whenever there is a significant change in law governing the subject matter thereof.

The Company shall abide by this Fair Practices Code following the spirit of the Code and in the manner, it may be applicable to its business.

Any exception to this policy shall be approved by the Executive Director and any one Non-Executive of the Company and shall be submitted to the Board for ratification in the subsequent Board Meeting.