

**SIDBI Fair Practices Code**

**1. Introduction**

Fair Practice Code is a voluntary code adopted by Bank, which aims (i) to achieve synchronisation of best practices while dealing with Customers in India and (ii) to provide valuable inputs to Customers and facilitates effective interaction of customers with the Bank.

**2. Applications for loans and their processing**

a) SIDBI has comprehensive loan application forms for the borrowers. At the time of making available application form, SIDBI will provide information about the interest rates applicable along with the annualized rates of interest, and the fees/charges, if any, payable for processing, pre-payment options and charges, if any, and any other matter such as availability of CGTMSE guarantee which affects borrower's interest, so that a meaningful comparison with those of other banks can be made and informed decision can be taken by the borrower. It has been the endeavour of SIDBI to make available in respect of direct finance products. Such application can also be submitted through 'Borrower's Corner' webpage hosted on SIDBI website and Udyamimitra Portal.

b) SIDBI provides acknowledgements for receipt of all loan applications. The Bank has put in place risk assessment tools for credit rating which have enabled to great extent to directly reach out to smaller customers in the MSME segment by cutting down the appraisal and processing time. Expected time frame for disposal of loan applications, from the date of satisfactory receipt of complete information/ data/ clarifications/ reports, etc., would also be indicated to applicants.

c) SIDBI would verify the loan applications within a reasonable period of time. If additional details/ documents are required, borrowers would be intimated at the earliest.

d) SIDBI undertakes valuation and title search of the collateral, whenever required, through its empanelled valuers and advocates. The cost and charges in respect of such assignments shall be borne by the borrower and taken in advance and would be non-refundable.

e) In case of all applications which are denied financial assistance, on account of not being found support worthy as per the policy framework and/or risk perception of the Bank, either with or without detailed appraisal, SIDBI, if so required by the customer, would convey in writing, the main reason/ reasons which in the opinion of the Bank after due consideration, have led to rejection of the loan applications. Such communication to the applicant would be dispatched / mailed as soon as possible.

### **3. Loan appraisal and terms / conditions**

a) With the operationalisation of the Risk Assessment Model, SMART Rating and Score card based rating models which are detailed exercise in risk analysis of the various facets of the projects, SIDBI ensures that there is proper and scientific assessment of credit application submitted by borrowers. The Bank would carry out detailed due diligence and appraisal exercise on credit worthiness of the borrower/ project.

b) SIDBI would convey to the borrower the loan/ credit limit along with the terms and conditions thereof and would keep the borrower's acceptance of these terms and conditions given with his full knowledge on record.

c) Terms and conditions and other caveats governing credit facilities given by SIDBI arrived at after negotiation between SIDBI and borrower would be reduced to writing and duly

certified by SIDBI's authorised official. A copy of loan agreement along with a copy each of all enclosures quoted in the loan agreement would be furnished to the borrower.

d) As far as possible, SIDBI would endeavour that the loan agreement clearly stipulates credit facilities that are solely at the discretion of SIDBI. These may include approval or disallowance of facilities, such as, drawings beyond the sanctioned limits, honouring cheques issued for the purpose other than specifically agreed to in the credit sanction, and disallowing drawing on a borrowal account on its classification as a non-performing asset or on account of non-compliance with the terms of sanction. It would also be specifically stated that SIDBI does not have any obligation to meet further requirements of the borrowers on account of growth in business etc., without proper review of credit limits or fresh appraisal.

e) In the case of lending under consortium arrangement, SIDBI, as a participating lender, would evolve procedures to complete appraisal of proposals in the time bound manner to the extent feasible, and communicate its decision on financing or otherwise within a reasonable time.

#### **4. Disbursement of loans including changes in terms and conditions**

SIDBI would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. SIDBI would give notice of any change in the terms and conditions including interest rates, service charges, etc. The Bank would also ensure that changes in interest rates and charges are levied on disbursements only with prospective effect.

**5. Post disbursement supervision**

- a) Post disbursement supervision by SIDBI would be constructive in a manner which not only ensures that routine work process of the borrower is not impeded, and borrower does not face inconvenience but also takes care of SIDBI's interest and compliance with guidelines.
- b) Before taking a decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, SIDBI would give notice to borrowers, as specified in the loan agreement or a reasonable period if no such condition exists in the loan agreement.
- c) (i) At the formal request of the party concerned, SIDBI would release the securities, at its office, within 15(fifteen) working days after it receives repayment or realization of loan, or other dues agreed to or contracted, subject to any lien or legitimate right or any other charges of any lender/ authority or claim that may exist against borrower / the securities and the party concerned furnishing latest address and identity proofs.  
  
(ii) If such right of set off or otherwise is to be exercised, SIDBI shall intimate about it to the party concerned with full particulars about remaining claims, lien or other rights and the provisions under which SIDBI is entitled to retain the securities or documents of title of the mortgaged property till the relevant claim is settled / paid or right satisfied/ waived.

**6. General**

- a) SIDBI would restrain from interference in the affairs of the borrowers except for what is provided in the terms and conditions of the loan sanction documents (unless new information, not earlier disclosed by the borrower has come to the notice of SIDBI).

b) SIDBI would not discriminate on grounds of sex, caste and religion & political ideologies in the matter of lending. However, this does not preclude SIDBI from participating in credit linked schemes framed for weaker sections of the society.

c) SIDBI will reserve its right to undertake visits, either by its staff or authorised representatives, to the borrowers' premises for verification of the stocks and/or assets financed. In the matter of recovery of loans, SIDBI would comply with the extant guidelines of RBI when outsourcing the recovery of loans.

d) In case of receipt of request for transfer of borrowal account, either from borrower or from a bank/ financial institution, which proposes to take over the account, the consent or otherwise i.e. objection of SIDBI, if any, would normally be conveyed within 21 working days from the date of receipt of request.

#### **7. Grievance Redressal:**

SIDBI has a Complaints and Grievance Redressal Policy in place to resolve the disputes arising, inter alia, out of Fair Practice Code. The mechanism ensures that all disputes arising out of the decisions of SIDBI's functionaries are examined and disposed of by the competent Grievance Redressal Authority. Besides, in case the complainant is not satisfied with the redressal steps, the provision of complainant making an appeal to the Appellate Authority is also available. The details of SIDBI's Customer Grievance Redressal Policy are given under Corporate Governance on [www.sidbi.in](http://www.sidbi.in) .

#### **8. Review of the Code**

**This Code will be reviewed periodically by SIDBI as and when felt necessary, in addition to changes necessitated on account of changes made by RBI.**

9. Custodian of the Code

**Direct Credit Vertical or such vertical as identified shall be the Custodian of the Policy.**

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