

ANDHRA PRADESH POWER FINANCE CORPORATION LIMITED

FAIR PRACTICES CODE

Revised in accordance with the applicable RBI regulatory framework for NBFCs

Policy Name	Fair Practices Code
Applicability	APPFCL – NBFC Middle Layer (NBFC-ML), to the extent applicable to its business and borrower profile
Approving Authority	Board of Directors
Review Frequency	At least annually and whenever required by regulatory / legal changes
Policy Owner	Compliance / concerned business function

This revised Code supersedes the earlier 2021 version of the Fair Practices Code.

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1. Background and Regulatory Basis

Andhra Pradesh Power Finance Corporation Limited (APPFCL) is a government company established by the Government of Andhra Pradesh for financing the power sector and related infrastructure. APPFCL is registered with the Reserve Bank of India as a non-deposit taking NBFC and, for purposes of this Code, is treated as an NBFC in the Middle Layer, subject to the regulatory classification applicable from time to time.

This Fair Practices Code (FPC) is framed to ensure transparency, fairness, responsible lending and proper conduct in all lending and related activities of APPFCL. The Code shall be read with the applicable provisions of the Reserve Bank of India Act, applicable RBI Master Directions / Directions on Scale Based Regulation, Fair Practices Code / Responsible Business Conduct requirements, interest-rate framework, penal charges, responsible lending conduct, grievance redressal and other applicable circulars or directions, as amended from time to time.

Where any provision of this Code is inconsistent with a mandatory statutory provision or RBI direction, the statutory / RBI requirement shall prevail and the Code shall be amended accordingly.

2. Objectives of the Fair Practices Code

- To ensure fair, transparent and non-discriminatory dealings with borrowers and other stakeholders.
- To provide borrowers with adequate information regarding the loan, pricing, charges, material terms and conditions and applicable grievance redressal mechanism.
- To ensure proper and objective appraisal of credit proposals based on creditworthiness, project viability, repayment capacity, security and other relevant factors.
- To ensure that interest rates, charges, penal charges and changes thereto are communicated transparently and implemented prospectively as applicable.
- To ensure responsible conduct in sanction, documentation, disbursement, monitoring, recall and recovery of loans.
- To protect confidentiality of borrower information, subject to statutory and regulatory disclosure requirements.
- To establish an effective grievance redressal mechanism and accountability for compliance with the Code.
- To ensure that outsourced service providers, agents and other persons acting on behalf of APPFCL follow standards consistent with this Code.

3. Scope and Applicability

This Code shall apply to all lending activities of APPFCL, including project finance, term loans, working capital finance, infrastructure finance, loans to eligible Government entities / Government companies / statutory bodies / public sector entities and other eligible borrowers, and onward lending or other permitted financing activities, to the extent undertaken by APPFCL.

The provisions specifically designed for retail borrowers, individual borrowers, micro and small enterprise borrowers, digital lending, microfinance or other specialised products shall apply only where APPFCL actually undertakes such activity and the relevant RBI direction makes the provision applicable.

The Code shall apply to APPFCL's employees, officers and, to the extent relevant, outsourced agencies / service providers engaged in customer-facing or recovery activities.

4. Revised Main Objects / Business Objects of APPFCL

For purposes of this Fair Practices Code and to accurately describe APPFCL's present and proposed financing role, the Main Objects / business description may be stated as follows, subject always to the Company's Memorandum and Articles of Association, approvals of the competent authorities and applicable law:

"To carry on the business of financing, lending, investment and financial intermediation, as permitted under applicable law and the Certificate of Registration issued by the Reserve Bank of India, with particular focus on the power, energy and infrastructure sectors; to mobilise financial resources through bonds, debentures, loans, borrowings and other permissible instruments and sources; and to provide medium and long-term finance, project finance, working capital finance, infrastructure finance and other permissible financial assistance to power generation, transmission, distribution and allied entities, Government companies, public sector entities, statutory bodies and other eligible entities."

"To finance or refinance projects and programmes relating to generation, transmission, distribution, renewable energy, energy efficiency, power infrastructure, electrical and allied infrastructure and other infrastructure sectors; to provide loans, advances, guarantees or other financial assistance as may be permitted; and to undertake onward lending / refinance to eligible entities for their infrastructure, capital expenditure and working-capital requirements, subject to applicable RBI directions, Government approvals and the Company's Board-approved policies."

"To undertake such other financing, investment, treasury and related activities as are lawfully permitted to an NBFC and are incidental or conducive to the attainment of the foregoing objects, subject to the Company's constitutional documents, regulatory permissions and Board-approved policies."

The above wording is intended as a revised business description for the FPC and corporate policy documents. Any alteration to the statutory Main Objects in the Memorandum of Association shall be made only through the legally prescribed corporate process and approvals.

5. General Principles of Fair Dealing

- APPFCL shall act fairly and reasonably in all dealings with borrowers.
- Borrowers shall be informed of all material terms and conditions relevant to the credit facility.
- APPFCL shall not discriminate in lending decisions on grounds prohibited by applicable law.
- All communications shall be clear and, where required by applicable RBI directions, in the vernacular language or a language understood by the borrower.
- Pricing and charges shall be based on approved policies and relevant risk factors and shall be applied consistently within comparable borrower / product categories.
- APPFCL shall maintain adequate records to demonstrate compliance with the FPC.

6. Loan Applications and Processing

6.1 Application forms shall contain material information required for appraisal of the proposal and shall clearly indicate the documents and information to be submitted by the applicant.

6.2 The application / proposal shall, as applicable, contain or be accompanied by information relating to the nature and purpose of finance, proposed amount, tenure, repayment structure, security / collateral, financial information, project information, existing borrowings, statutory / regulatory approvals and other information necessary for appraisal.

6.3 APPFCL shall provide an acknowledgement of receipt of the loan application / proposal. Where practicable, the acknowledgement shall indicate the expected time frame for disposal of the proposal.

6.4 If additional information or documents are required during appraisal, APPFCL may call for them and shall maintain an appropriate record of the same.

6.5 Applications shall be processed within a reasonable period having regard to the size, complexity and nature of the proposal, availability of complete information and applicable internal timelines.

6.6 Where a loan application is rejected, APPFCL shall communicate the reason(s) for rejection in writing, subject to applicable law and the nature of the proposal. For institutional / project finance proposals, the reasons may include non-viability, inadequate repayment capacity, adverse due diligence findings, insufficient security, regulatory / statutory issues, concentration or risk limits, or other material credit considerations.

7. Credit Appraisal and Due Diligence

- APPFCL shall undertake proper credit appraisal and due diligence and shall not treat margin, collateral or security as a substitute for assessment of creditworthiness and project / repayment viability.

- Assessment shall be proportionate to the size, complexity and risk of the exposure and may cover financial strength, cash flows, debt service capacity, project viability, sponsor / promoter strength, statutory approvals, security, guarantees, Government support where relevant, sector risks and other material factors.
- Where consortium / multiple lending arrangements are involved, APPFCL shall follow appropriate coordination and information-sharing procedures and shall endeavour to complete appraisal and communicate its decision within a reasonable time.
- Credit decisions shall be taken in accordance with the approved delegation of powers, credit policy and risk management framework.
- APPFCL shall maintain an auditable record of material appraisal and sanction considerations.

8. Sanction, Terms and Conditions and Loan Agreement

8.1 The sanction / Letter of Intent / Letter of Sanction shall communicate the sanctioned amount, applicable interest rate, interest-rate type, method of application / reset where relevant, material fees and charges, penal charges or reference to the applicable penal charges policy, repayment schedule / structure, security requirements, conditions precedent, covenants and other material terms.

8.2 The approach for gradation of risk and the rationale for charging different rates of interest, as applicable, shall be disclosed to the borrower in the application / sanction communication in accordance with the applicable RBI requirements and APPFCL's Interest Rate Policy.

8.3 The sanction letter shall be communicated in a language understood by the borrower where required / appropriate.

8.4 The borrower shall provide acceptance of the material terms, and such acceptance shall be retained in APPFCL's records.

8.5 A copy of the loan agreement together with copies of all enclosures referred to in the agreement shall be furnished to the borrower.

8.6 The loan agreement shall clearly specify conditions under which APPFCL may withhold further disbursement, recall / accelerate repayment, require additional security or take other contractual action.

8.7 Where the loan is under consortium / multiple-lender arrangements, the documentation shall reflect the agreed inter-creditor / consortium arrangements and the respective rights and obligations.

9. Interest Rate and Charges

9.1 APPFCL shall maintain a Board-approved interest-rate model / policy covering relevant factors such as cost of funds, operating costs, risk premium, tenor, security, borrower / project risk and other relevant considerations.

9.2 Interest rates and the approach for risk gradation shall be made available on the APPFCL website / otherwise disclosed as required by RBI.

9.3 The rate applicable to each facility shall be communicated clearly to the borrower. Where a floating rate is used, the benchmark, spread / margin, reset frequency and mechanism shall be specified in the sanction / loan documentation, as applicable.

9.4 All fees, processing charges, documentation charges, legal / technical charges and other borrower-borne costs shall be disclosed transparently. Third-party charges collected through APPFCL shall be separately identified where applicable.

9.5 Any change in interest rate or other charges shall be communicated to the borrower in advance and shall operate prospectively, subject to the applicable contractual and regulatory framework.

9.6 APPFCL shall not levy charges that are not permitted under applicable law, regulatory directions or approved policy.

10. Penal Charges

10.1 APPFCL shall maintain a separate Board-approved policy on penal charges in loan accounts.

10.2 Penal charges shall be levied only for material non-compliance with the terms and conditions of the loan contract and shall be reasonable, proportionate and non-discriminatory within comparable loan / product categories.

10.3 Penal charges shall not be levied in the form of penal interest added to the rate of interest on the loan. There shall be no capitalisation of penal charges, i.e., no further interest shall be computed on such penal charges.

10.4 The quantum and reason for penal charges shall be clearly disclosed in the loan agreement and, where applicable, in the Key Facts Statement / most important terms and conditions and on the website as required.

10.5 Penal charges shall not be used as a revenue enhancement measure and shall not be designed to compensate for normal commercial pricing.

11. Disbursement and Changes in Terms

- APPFCL shall ensure timely disbursement of sanctioned loans, subject to fulfilment of conditions precedent and compliance with sanction terms.
- Changes in terms and conditions, including interest rate and charges, shall be communicated to the borrower and shall be prospective unless otherwise permitted by applicable law / contract.
- Where a change is to the disadvantage of the borrower, appropriate notice shall be given as required.
- APPFCL may withhold / suspend disbursement where conditions precedent are not fulfilled, material adverse developments arise, covenants are breached, security is not created or other contractual conditions are not satisfied.
- Decisions to recall, accelerate repayment or seek additional security shall be exercised in accordance with the loan agreement, approved policy and applicable law.

12. Monitoring, Recall and Recovery

12.1 APPFCL shall monitor the end-use of funds, financial performance, project implementation, repayment conduct, security coverage and compliance with material covenants in accordance with its credit and monitoring policies.

12.2 Recovery actions shall be lawful, proportionate and consistent with the loan agreement and applicable regulatory directions.

12.3 APPFCL and its agents shall not resort to intimidation, harassment, abusive language, physical force, coercive methods or persistent bothering of borrowers at inappropriate hours.

12.4 Recovery communications shall identify the authorised officer / agency and shall provide adequate details of the outstanding amount and the basis of the demand.

12.5 Where recovery agents are engaged, APPFCL shall remain responsible for their conduct and shall ensure appropriate due diligence, contractual controls, training, confidentiality and grievance handling.

12.6 APPFCL shall maintain a Board-approved / management-approved framework for recovery and engagement of recovery agents, as applicable.

13. Release of Securities / Documents

13.1 Upon repayment of all dues and closure / settlement of the loan account, APPFCL shall release securities and documents in accordance with the loan agreement and applicable law.

13.2 Where APPFCL has a legitimate right of lien or set-off for another claim, it may retain the security to the extent legally permissible. In such cases, the borrower shall be given notice with full particulars of the remaining claim and the conditions under which the security is being retained.

13.3 Where any statutory / RBI requirement prescribes a specific timeline for release of movable or immovable property documents, APPFCL shall comply with that timeline to the extent applicable to the relevant category of loan.

14. Non-Interference and Borrower Conduct

14.1 Except where permitted by the loan agreement or required by law, APPFCL shall refrain from undue interference in the affairs of the borrower.

14.2 APPFCL may seek information and undertake monitoring, inspection, verification or other actions expressly permitted under the financing documents or applicable law.

14.3 If material information not earlier disclosed by the borrower comes to APPFCL's notice, APPFCL may take appropriate action in accordance with the loan agreement and applicable law.

15. Transfer of Borrowal Account

15.1 Where a borrower requests transfer of the borrowal account / facility to another lender, APPFCL shall consider and respond to the request in accordance with the loan agreement, applicable law and RBI requirements.

15.2 Where RBI prescribes a specific timeline for communicating consent / objection to such transfer, APPFCL shall comply with the prescribed timeline.

15.3 Any contractual conditions, security release requirements, outstanding dues and costs associated with transfer shall be transparently communicated.

16. Confidentiality of Borrower Information

16.1 All borrower information acquired in the course of business shall be treated as confidential and shall be used only for legitimate business, regulatory, statutory and risk-management purposes.

16.2 APPFCL shall not disclose borrower information to third parties except with borrower consent or where disclosure is required / permitted by law, regulation, court / regulatory authority, credit information requirements, auditors, professional advisers, service providers under appropriate confidentiality obligations or for legitimate enforcement / recovery purposes.

16.3 APPFCL shall maintain appropriate information-security and access controls over borrower information.

17. Grievance Redressal Mechanism

17.1 APPFCL shall maintain a Board-approved Grievance Redressal Mechanism covering complaints relating to lending, charges, documentation, service, recovery, outsourced activities and other customer-facing matters.

17.2 The name, designation, contact details and escalation mechanism of the designated Grievance Redressal Officer shall be displayed on the website and communicated to borrowers as required.

17.3 Complaints shall be acknowledged, recorded and disposed of within applicable regulatory / internal timelines. The response shall contain reasons where the complaint is rejected or not accepted.

17.4 Where a complaint remains unresolved within the applicable period, the borrower shall be informed of the further escalation / RBI Ombudsman route where applicable.

17.5 APPFCL shall comply with the Reserve Bank – Integrated Ombudsman Scheme, 2026, where the Scheme is applicable to APPFCL. The Scheme presently covers certain NBFCs, including NBFCs with customer interface and asset size of ₹100 crore and above, subject to the Scheme's exclusions and conditions.

17.6 Complaints relating to outsourced service providers / recovery agents shall also be covered by APPFCL's grievance mechanism.

18. Responsible Conduct of Employees and Outsourced Agencies

- Employees shall deal with borrowers professionally, courteously and without harassment.
- Employees shall not misrepresent loan terms, charges, security requirements or approval status.
- Outsourced agencies shall be selected and monitored in accordance with APPFCL's outsourcing framework.
- APPFCL shall remain responsible for compliance with applicable regulatory requirements even where activities are outsourced.
- Recovery agents and customer-facing agencies shall be appropriately trained and shall maintain confidentiality.

19. Key Facts Statement (KFS) – Applicability

Where APPFCL extends retail loans or loans to Micro, Small and Medium Enterprises (MSMEs) to which the RBI KFS framework applies, APPFCL shall provide a Key Facts Statement in the prescribed format and language understood by the borrower before execution of the loan contract, including the applicable Annual Percentage Rate (APR), fees / charges and other prescribed information.

For APPFCL's institutional / Government / infrastructure project finance exposures to which the KFS requirement does not apply, the relevant material financial terms shall nevertheless be transparently disclosed through the sanction letter, loan agreement and other applicable documentation.

Any fees or charges not disclosed where the applicable KFS framework prohibits their later recovery shall not be charged without the required borrower consent / disclosure.

20. Website Disclosure and Communication

The approved Fair Practices Code shall be placed on the APPFCL website in a prominent and easily accessible location. The website shall also provide, as applicable, information on interest rates / risk gradation, grievance redressal, designated officer details and other disclosures required under RBI directions.

The website version shall be updated promptly after Board approval of any material amendment.

21. Board Oversight, Internal Audit and Compliance Monitoring

21.1 The Board of Directors shall approve this Code and oversee its implementation.

21.2 Compliance with the FPC shall be periodically reviewed by the concerned operating units and the Compliance / Internal Audit function, as appropriate.

21.3 Internal Audit shall review adherence to the FPC on a periodic basis and report material exceptions to the appropriate authority / Board Committee and the Board.

21.4 A consolidated compliance report shall be placed before the Board at least quarterly, consistent with APPFCL's existing practice, or at such other frequency as the Board / RBI may require.

21.5 Material deviations shall be assigned corrective action, responsibility and timelines and shall be tracked to closure.

22. Review and Amendment

This Code shall be reviewed at least annually and earlier whenever there is a change in RBI directions, law, business model, product profile or material supervisory observation. Any amendment shall be approved by the Board or the authority delegated by the Board, as applicable.

ANNEXURE I – MINIMUM INFORMATION TO BE INCLUDED IN LOAN APPLICATION / SANCTION COMMUNICATION

- Purpose / end-use of finance and nature of facility.
- Sanctioned amount / proposed amount and tenure.
- Interest rate, type of rate and applicable benchmark / reset mechanism, where relevant.
- Approach for risk gradation and material risk-related pricing factors, where required.
- Processing fee and other charges payable to APPFCL.
- Third-party charges, where collected through APPFCL.
- Penal charges / reference to applicable Penal Charges Policy.
- Repayment structure, instalment / principal and interest servicing requirements.
- Security / collateral / guarantee requirements.
- Conditions precedent and post-disbursement covenants.
- Conditions relating to further disbursement, recall / acceleration and additional security.
- Material borrower obligations and reporting requirements.
- Grievance redressal officer and escalation mechanism.
- Applicable KFS / APR information for loans to which the KFS framework applies.

ANNEXURE II – SUGGESTED GRIEVANCE ESCALATION STRUCTURE

Level	Authority / Officer	Indicative responsibility	Timeline
Level 1	Concerned Business / Operations Officer	Initial examination and resolution	As per internal / regulatory timeline
Level 2	Designated Grievance Redressal Officer	Review unresolved / escalated complaints	As prescribed
Level 3	Senior Management / designated committee	Review material / recurring complaints	As prescribed
External	RBI Ombudsman / applicable RBI mechanism	Where complaint is eligible and remains unresolved	As per applicable Scheme

ANNEXURE III – RBI COMPLIANCE CROSS-REFERENCE

Subject	Included in revised FPC	Implementation note
Loan application and processing	Yes	Application information, acknowledgement and processing timelines
Credit appraisal / due diligence	Yes	Proper appraisal and creditworthiness assessment
Reasons for rejection	Yes	Written reasons, subject to applicable law and borrower / product profile
Sanction terms and loan agreement	Yes	Material terms and copy of agreement / enclosures
Interest-rate model and risk gradation	Yes	Linked to Board-approved Interest Rate Policy
Change in interest / charges	Yes	Advance communication and prospective effect
Penal charges	Yes	Separate Board-approved policy; no penal interest / capitalisation
Recovery conduct	Yes	No harassment / coercive practices
Release of securities	Yes	Subject to dues, lien / set-off and applicable timelines
Non-interference	Yes	Except under contract / law / material undisclosed information
Transfer of borrowal account	Yes	Applicable RBI timeline to be followed
Grievance redressal	Yes	Officer, escalation and applicable RBI Ombudsman route
KFS	Conditional	Mandatory only where applicable to the relevant loan category
Website publication	Yes	Current Board-approved FPC to be published

Drafting Note

This document has been prepared by revising the uploaded APPFCL Fair Practices Code and incorporating current RBI conduct requirements identified from RBI regulatory materials, including requirements concerning transparent pricing, risk-based interest-rate disclosure, penal charges, responsible lending conduct, grievance redressal and applicable KFS requirements. The exact applicability of product-specific provisions should be confirmed against APPFCL's actual borrower / product profile before Board approval.

The revised Main Objects / business description in Section 4 is drafted for policy / disclosure purposes. Any amendment to APPFCL's Memorandum of Association requires separate legal and corporate action and is not effected merely by approval of this FPC.