

## **COMPENDIUM TO AFC POLICIES (VER 1.0)**

### **(1)LENDING POLICY OF ASSAM FINANCIAL CORPORATION** **(2008-2009)**

Assam Financial Corporation(AFC) was established in the year 1954 under the SFC's Act,1951 with the main objective of extending credit for setting up industrial units in Tiny, Small and Medium Scale Sectors and Service Sector.AFC is jointly promoted by IDBI and the Government of Assam including other financial institutions/banks and public.

Assam Financial Corporation offers liberal Credit for acquiring fixed assets like building and machinery and working capital term loans. The Corporation extends maximum loan of Rs.150 lacs per project. The Corporation also extends credit in joint financing with SIDBI/Commercial banks for large size projects.

The Corporation is undertaking distribution of insurance products (General).AFC also extends project formulation and project advisory services to the prospective and existing entrepreneurs.

#### LENDING NORMS:

- Credit to Industrial and Service units
- All the projects satisfying the definition of MSME Sector are eligible for loans irrespective of the project cost
- Activities for which Credit can be considered includes:
  - Manufacturing/Processing Industries

- Service Sector- Information Technology, Nursing Homes and other service units.
- Tourism Sector-Hotel, Restaurants ,Tourist Resorts and Amusement Parks
- Infrastructure Equipments
- Commercial Complexes, Apartments\*
- Working Capital Term Loans to existing profit making units
- Marketing of SSI Products
- Repayment period of loan normally ranges up to 7years and moratorium period ranges up to 2years.

**THRUST AREAR FOR 2008-2009:**

- ✓ Food Processing and Agro based Industries including.
- ✓ Mineral Based Industry
- ✓ Hospitality Industry/Tourist Resorts
- ✓ Information Technology/IT Related activities/Services
- ✓ Medical Scheme/Nursing Homes/Medical Equipments
- ✓ Infrastructure Equipments
- ✓ Bamboo based Industry
- ✓ Export oriented activities
- ✓ Commercial Complexes, Apartments\*
- ✓ Micro Finance\*

\*Subject to final completion of the modalities and approval

The lending Policy for the financial year 2008-2009 is as under:

**01. Lines of activities listed under ENCOURAGED AND NOT TO BE ENCOURAGED categories:**

Lines of activities are classified into two categories i.e., ENCOURAGED AND NOT TO BE ENCOURAGED, for the financial year 2008-2009.

Loans below Rs.5.00Lacs shall not be encouraged irrespective of line of activity/scheme. Permission shall be obtained from Head Office to sanction loans between Rs.2.00Lacs to Rs.5.00Lacs. Loans less than Rs.2.00Lacs shall not be considered for sanction.

For SC/ST entrepreneurs only the minimum loan amount is relaxed to Rs.2.00Lacs.

**02. Lines of activities not listed under any of the two categories:**

For the lines of activities not listed in any of the two categories of the lending policy, prior approval shall be taken from Head Office, excepting those lines of activities for which Credit was considered in the respective Branch jurisdiction during the last two (2) years and/or where there are no sick units.

For loan enquires which require Head Office approval, the Branch shall forward the enquires to Projects Appraisal Department the entire proposal with draft memorandum for finally placing before appropriate authority for sanction.

**03. Applicability of Lending Policy:**

The lending policy is applicable to the first generation entrepreneurs and for new projects. The lending policy is also applicable to the existing promoters going in for expansion/modernization and/or diversification of their activities into other lines of activities.

The units being set up by promoters as backward/forward integration, expansion/modernization, in the lines of activities listed in Not to be encouraged category / the line of activities not listed in the Lending Policy, the Branch Manager may issue loan application depending on the merits of the case and the same shall be forwarded to the project Appraisal Department at Head Office for decision on the project and to decide on the terms of Credit.

**04. Security Norms:**

- The loan shall be mortgaged by creating first charge over the land, building, Plant&Machinery, Hypothecation of stock. The primary security margin maintained taking into consideration land and building only for purpose of calculating security shall be minimum 30 %.( 50% in cases where lending is made to high depreciated units like electronics etc).
- For projects in Industrial Estates/Growth Centre/etc the Collateral Security margin shall be minimum 30% in the form of land, building.
- Security in the form of FDR/NSC/LIC (Surrendered value) of minimum 5% of the loan shall be obtained. However this may be waived in case of those units which had repaid their dues to the Corporation on time or units with very sound credit worthiness.

**05.** Promoters Contribution norms:

- The minimum Promoters' Contribution shall not be less than 33%of the project cost.

**06.** Criteria for Loan eligibility:

The maximum Debt-Equity Ratio shall be as below:

For all project (SSI or non-ssi) - 2:1

In case of existing entrepreneur with good track record- 3:1 where project cost is within Rs. 75.00 lacs.

<b>ENCOURAGED CATEGORY</b>	
<b>A.</b>	<b>AGRO &amp; FOOD BASED INDUSTRIES</b>
1.	Bio-fuel
2.	Biscuits( Where there are no sick units and for existing units going for expansion)
3.	Breads
4.	Cold Storage
5.	Fruit Processing unit
6.	Ice cream/ice cones
7.	Khandasari Sugar
8.	Milk Processing
9.	Rice Mills(Existing profit making corporation's assisted units for expansion)
10.	Sauces, jams & jellies
<b>B.</b>	<b>CERAMIC,REFRACTORIES AND MINERAL BASED INDUSTRIES</b>
1.	Mineral pulverizing including petroleum coke
2.	Stone crushing
<b>C.</b>	<b>CHEMICAL AND ALLIED INDUSTRIES</b>
1.	Chemical industries based on locally available raw materials including petroleum by-products.
<b>D.</b>	<b>CONSTRUCTION ACTIVITIES</b>
1.	Commercial Complexes
2.	Theatres including market complexes
3.	Ware-houses
4.	Construction of Apartments*
5.	Infrastructure Equipments
<b>E.</b>	<b>ELECTRICALS &amp; ELECTRONIC INDUSTRIES</b>
1.	Manufacture/Reconditioning of Distribution Transformer
2.	Medical Transcription
3.	Software Development
<b>F.</b>	<b>ENGINEERING,MECHANICAL &amp; ALLIED PRODUCTS</b>
1.	Fabrication
2.	General Engineering

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<b>G.</b>	<b>JUTE &amp; TEXTILE INDUSTRIES</b>
1.	Jute Products and related industries
2.	Weaving based on locally available materials
<b>H.</b>	<b>PAPER &amp; PAPER PRODUCTS</b>
1.	Corrugated Boxes/Boards
2.	Other paper boards
<b>I.</b>	<b>BAMBOO BASED INDUSTRIES</b>
1.	Doors, bamboo boards, other related products
<b>J.</b>	<b>MISCELLANEOUS INDUSTRIES</b>
1.	Amusement Park/Recreation Centre
2.	Diagnostic Centers-Electro-medical equipments(Pathology & Bio-Chemistry)
3.	Diagnostic Centres-withCT Scan/MRI/Ultra-Sound,X-Ray
4.	Hotels(2/3Star),Non-star Hotels
5.	Nursing-Homes-Multi specialty
6.	Restaurants-Veg/Non-vegetarian
7.	Infrastructure facilities for Pvt.Educational institutions, vocational institutes

**NOT TO BE ENCOURAGED CATEGORY**

Sl.No	Line of Activity
<b>A.</b>	<b>AGRO &amp; FOOD BASED INDUSTRIES</b>
1.	Agarbatties
2.	Briquetted fuel
3.	Cattle feed
4.	Coir Fiber
5.	Floriculture
6.	Ice Plants
7.	Iodized Salt
8.	Oil Mills
9.	Poultry Feed

10.	Rice Mill (Except for profit making Corporation financed unit )
11.	Soft Drinks
<b>B.</b>	<b>CERAMIC,REFRACTORIES AND MINERAL BASED INDUSTRIES</b>
1.	Clinker grinding
2.	Decorative tiles
3.	Glass ampoules
4.	Mechanized Bricks
5.	Mini Cement Plants
6.	02. Plaster of Paris

<b>C.</b>	<b>CHEMICAL AND ALLIED INDUSTRIES</b>
1.	Carbon dioxide
2.	Ferric and non-ferric alum
3.	I.V.Fluid
4.	Pesticide formulation
5.	Printing Ink
6.	Sodium silicate from rice husk
<b>D.</b>	<b>ELECTRICAL &amp; ELECTRONIC INDUSTRIES</b>
1.	Audio Recording
2.	Cable TV network,Internet,video film recording
<b>E.</b>	<b>ENGINEERING,MECHANICAL &amp; ALLIED PRODUCTS</b>
1.	Barbed wire, Bolts & Nuts, LPG Cylinder mfg., LPG regulators & valves, steel furniture, welding electrodes.
<b>F.</b>	<b>JUTE &amp; JUTE PRODUCTS</b>
1.	Jute Hessian cloth, jute bags for tea gardens
<b>G.</b>	<b>PAPER &amp; PAPER PRODUCTS</b>
1.	Computer stationery, egg tray, Hand made Paper
<b>H.</b>	<b>PLASTIC INDUSTRIES</b>
<b>I.</b>	<b>PRINTING INDUSTRY</b>

1.	Offset Printing
J.	<b>RUBBER AND LEATHER PRODUCTS</b>
1.	Latex Foam mattress, Leather related products, Reclaimed rubber, Tyre Retreading, Tread Rubber, Tyres & Tubes.
K.	<b>TRANSPORT VEHICLE</b>
1.	Tourist taxi, Borewell Rigs, Oil tankers, Trucks.
L.	<b>MISCELLANEOUS INDUSTRIES</b>
1.	LPG Bottling ,road rollers, weigh bridge

## (2) ACCOUNTING POLICIES

The accounting policies of the Corporation are based on the guidelines/notifications issued by the Small Industries Development Corporation (SIDBI), which is the apex body governing the SFCs and considering the following :

- **Income Tax Act, 1962** : Accounting policy followed by SFC takes into consideration the relevant provisions of the Income Tax Act, e.g., Section 145, Section 43D.
- **Accounting Standards/ Guidance notes issued by the Institute of Chartered Accountants of India (ICAI)** : The ICAI issues accounting standards/ guidance notes/ opinions, which together constitutes Generally Accepted Accounting Principles (GAAP). GAAP become applicable to the SFCs to the extent these are not contrary to anything contained in the SFC Act/ General Regulations
- **Industry Practices** : The accounting policies and practices
- **Relevant International Accounting Standards**

### Key governing principles

The key governing principles that have been considered in developing accounting policies are;

- **True and fair** : The prime consideration in the selection of accounting policies is that the financial statements prepared on the basis of such policies should present a true and fair view of the state of affairs as at the Balance Sheet date and of the profit or loss for the period ended on that date.
- **Prudence/ Conservatism** : In view of the business environment in which SFCs operate, the accounting policies/ practices for the SFCs need to be based on the principles of prudence/ conservatism. Accordingly, all anticipated losses should be provided for but the anticipated gains should not be recognized unless realized.
- **Materiality** : Accounting policies are designed keeping in view the concept of materiality in value terms. Financial statements should disclose all “material” items i.e., items the knowledge of which

might influence the decisions of the user of the financial statements.

- **Consistency** : It is assumed that the accounting policies are followed consistently. Any change in the accounting policy that has a material effect in the current period or which is reasonably expected to have a material effect in later period should be disclosed with ascertainable financial implication.
- **Disclosure** : All significant accounting policies adopted in the preparation and presentation of the financial statements should be disclosed.

## **RECOVERY OF DUES – PRACTICES AND ACCOUNTING TREATMENT**

The accounting policies/ treatment in respect of various recovery proceedings taken up by AFC covers the following :

- Reschedulement of loan
- One Time Settlement Scheme (OTSS)
- Recovery proceedings u/s 29 of the SFC Act
- Recovery proceedings u/s 31 of the SFC Act
- Action u/s 32G of the SFC Act

The above guidelines on accounting policies of recovery proceedings are based on the following :

- The recovery proceedings are undertaken by AFC in case of the Non Performing Assets (NPAs) since these relate to loanees who have defaulted in paying their dues on time – thereby AFC faces considerable risk in recovery of the part/ whole amount given as loans and advances in such cases.
- No interest pertaining to NPAs shall be accrued in the books of account of the AFC and the interest on such assets shall be accrued only in the memorandum accounts.
- No unrealized interest shall be accounted in the year in which recovery proceedings are under progress, as the income from these assets should be recognized on realized basis only.

## **ANNUAL ACCOUNTS**

The Balance Sheet and Profit & Loss Account can either be in vertical or horizontal form. However, for the purpose of uniformity, the vertical method of presentation has been approved by the Board.

The accounting year followed for preparation of the Balance Sheet and the Profit & Loss Account should be the financial year ( i.e. April 1 to March 31).

This is also in view of the fact that as per Section 3 of the Income Tax Act, 1961, as amended by the Direct Tax Laws (Amended ) Act, 1987, all companies (SFC is a company under the Income Tax Act) are required to furnish a Statement of Affairs as at 31<sup>st</sup> March of each year to the assessing authorities.

### *Previous year's figures*

Previous year's figures should be given for the purpose of comparison of current year's figures with that of previous year's.

The previous year's figures should be regrouped as per the groupings of the current year wherever essential to facilitate comparison of the annual accounts.

### *Adherence to accounting policies*

The Balance Sheet and the Profit & Loss Account should be drawn in accordance with the recommended accounting policies.

## **Balance Sheet**

Balance sheet is a statement of financial position as at a given date, which exhibits its assets, liabilities, capital reserves and other account balances at their respective values.

### *Order of presentation*

The assets and liabilities should be presented on the basis of liquidity. The assets should be stated in the order of most liquid to least liquid and liabilities in the order of least liquid to most liquid. (The International Accounting Standards (IAS) 30 on "Disclosures in the Financial Statements of Banks & Similar Financial Institutions" provides that the assets and liabilities should be stated in the order of their relative liquidity).

## **Profit and Loss Account**

Profit and Loss Account is a statement of all incomes earned and expenditure incurred during the accounting year.

The Profit and Loss Account ;

- Shall disclose the result of the working during the period covered by the account.
- Shall disclose every material feature, including credits or receipts and debits or expenses in respect of non-recurring transactions or transactions of an exceptional nature.

The Profit and Loss Account should set out various items relating to the income and expenditure arranged under the most convenient heads

### **Items requiring separate disclosure**

#### *Income or expenditure from extraordinary activities*

Extraordinary items are income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Corporation and, therefore, are not expected to recur frequently or regularly.

Extraordinary items should be disclosed in the statement of profit and loss as a part of net profit or loss for the period. The nature and the amount of the each extraordinary item should be disclosed separately in the statement of profit and loss in a manner that its impact on the current profit or loss can be perceived (Accounting Standard – 5, “Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies”). Any losses arising due to natural calamities such as floods, earthquakes, theft, fire, etc., are examples of extraordinary activities.

#### *Prior period adjustments*

Prior period items are incomes or expenses accounted for in current period as a result of errors (mathematical, wrong application of accounting policies, misinterpretation of facts or oversight) or omissions in the preparation of financial statements of prior periods.

The nature and amount of prior period items should be disclosed separately in the statement of profit and loss in a manner that their impact on the current profit or loss can be perceived (Accounting Standard – 5).

## **Profit and Loss Appropriation Account**

Profit and Loss Appropriation Account represents the amount available for creation of reserves and distribution to shareholders after all the expenses and other statutory requirements have been met.

After making provision for dividend, transfer to statutory reserves, etc. the Balance profit should be transferred to general reserves. In case the net balance is a loss, it should be shown under asset side of the Balance Sheet.

The form of main Balance Sheet, Profit and Loss Account and Profit and Loss Appropriation Account are provided as Annexure.

## **Schedules forming part of Balance Sheet and Profit and Loss Account**

The main Balance Sheet and Profit and Loss Account should be supported by grouping of various account heads. These groupings are referred to as schedules.

The reference of the relevant schedule should be provided against the relevant head/ group in the Balance Sheet and the Profit and Loss Account.

The schedules should contain heads of assets, liabilities, incomes and expenditures on the basis of common characteristics, representing the main grouping.

Thus only main heads should be presented on the face of annual accounts and the constituents shall be presented in the schedules.

The form of schedules to the Balance Sheet and Profit and Loss Account are provided as Annexure.

## **NOTES ON ACCOUNTS**

The notes on accounts form part of the Balance Sheet and Profit and Loss Account and are annexed to these financial statements. The reference of the relevant schedule of the notes to accounts should be provided in the Balance Sheet.

Generally the notes to accounts contain disclosures/ additional information which support the financial position contained in the Balance Sheet and Profit and Loss Account. These notes enhance transparency in the information presented in the Balance Sheet and the Profit and Loss Account.

Notes on accounts cover the following :

- Significant accounting policies
- Change in Accounting Policy
- Disclosures required by SIDBI guidelines
- Prudential disclosures.

### **Significant Accounting Policies**

As per the Accounting Standard -1 (AS – 1), on “Disclosure of Accounting Policies”, all significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed. The disclosure of the significant accounting policies should form part of the financial statements and the significant accounting policies should normally be disclosed in one place.

### **Change in Accounting Policy**

Any change in an accounting policy, which has a material impact on the financial position of the AFC should be disclosed. The impact and adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made.

Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current periods, then such change should be appropriately disclosed in the period in which the change should be appropriately disclosed in the period in which the change is adopted (as per AS – 1).

The following should be disclosed in the Profit and Loss Account and the Balance Sheet (of the Corporation) :

- Any deviation from an accounting policy
- Reasons for such deviations
- Financial impact, if any, arising due to such deviation.

### **Disclosures required by SIDBI guidelines**

RBI issues guidelines to All India Term Lending and Refinancing Institutions as regards the disclosures to be made in their published annual reports as a part of Notes to Accounts. Based on these RBI guidelines, SIDBI issues guidelines for all SFCs, to the extent applicable to them.

The relevant applicable disclosures required by SIDBI guidelines are as below:

- Classification of investments
- Valuation of Investments

- Disclosure on Capital, shareholding pattern, Asset quality & credit concentration, Credit exposure, Liquidity and maturity pattern of assets & liabilities and Operating results
- NPA classification of loans and advances and provisioning thereof
- No utilization of Special Reserve created under Section 36(1)(viii) of the Income Tax Act, 1961 for the purposes of NPA provisioning.

### **Prudential disclosures**

Certain disclosures are required to be made as a matter of prudence to provide more information/ clarification to the various stakeholders e.g. disclosure relating to interest waivers/ rebates allowed/ interest unrealized in respect of NPAs/ sale of assets u/s 29 of the SFC Act, etc.

In addition to the above, disclosures are made in the notes to accounts by the auditors as a result of their audit exercise to clarify/ qualify and of their observations.

### **CONTINGENCIES / EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

Contingencies or Events occurring after the Balance Sheet date may have a material impact on the financial position as depicted by the Balance Sheet at the close of the financial year.

The Institute of Chartered Accountants of India has in its Accounting Standard – 4 on “Contingencies and Events occurring after the Balance Sheet date” defined the aforesaid as under :

- A contingency is a condition or situation the ultimate outcome of which, gain or loss, will be known or determined only on the occurrence, or non-occurrence, of one or more uncertain future events.
- Events occurring after the Balance Sheet date are those significant events both favourable and unfavourable that occur between the Balance Sheet date and the date on which the financial statements are approved by the Board of directors.

### ***Contingencies***

The amount of a contingent loss should be provided by way of charge in the statement of Profit and Loss if :

- It is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability has been occurred as at the Balance Sheet date, and
- A reasonable estimate of the amount of the resulting loss can be made.

The existence of a contingent loss should be disclosed in the financial statements if either of the conditions stated above is not met, unless the possibility of the loss is remote.

Contingent gains should not be recognized in the financial statements.

### ***Events occurring after the Balance Sheet date***

Assets and liabilities should be adjusted for events occurring after the Balance Sheet date that provide additional evidence to assist the estimation of amounts relating to the conditions existing at the Balance Sheet date or that indicate that the fundamental accounting assumption of going concern (i.e. the continuance of existence of the enterprise) is not appropriate, e.g. dividends stated to be in respect of the period covered by the financial statements which are proposed or declared by the enterprise after the Balance Sheet date but before approval of the financial statements.

In such case, disclosures should be made in the report of the Board of Directors of the Corporation of those events occurring after the Balance Sheet date that represents material changes and commitments affecting the financial position of the enterprise

### ***Disclosure***

The disclosure in respect of contingencies should include the following :

- Nature of contingency
- Uncertainties which may affect the future outcome
- An estimate of the financial effect, or a statement that such an estimate cannot be made.

If disclosure of events occurring after the Balance Sheet date in the report of the Board of Directors is required, the following information should be provided :

- Nature of event
- An estimate of the financial effect, or a statement that such an estimate cannot be made.

### **(3) LOAN RECOVERY POLICY**

#### **01. Introduction :**

- 1.1 The Recovery policy of the AFC is built around dignity and respect to customers. The AFC will not follow policies that are unduly coercive in recovery of dues from borrowers. The policy is built on courtesy, fair treatment and persuasion. The AFC believes in following fair practices with regard to recovery of dues from borrowers and taking possession of properties/assets charge to the AFC as primary or collateral security and thereby fostering customer confidence and long term relationship.
- 1.2 The repayment schedule for any loan sanctioned by the AFC will be fixed taking into account the repaying capacity and cash flow pattern of the borrower. The AFC will explain to the customer the method of calculation of interest and how the repayment will be appropriated against interest and principal due from the customers. The AFC would expect the customers to adhere to the repayment schedule agreed to and approach the AFC for assistance and guidance in case of genuine difficulty in meeting repayment obligations.
- 1.3 The AFC's policy of taking possession of the mortgaged properties under or selling the property U/S – 29 of SFCs Act through enforcement of decree) aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy recognizes fairness and transparency in taking over the assets, valuation and realization of security. All the practices adopted by the AFC for follow-up and recovery of dues and re-possession of security will be in consonance with the law.

#### **02. General Guidelines :**

All the members of the staff or any person authorized to represent AFC in collection of dues/possession of mortgaged assets under section – 29 of SFCs Act,1951 would follow the guidelines set out below :

- a) The customer would be contacted ordinarily at the place of his/her choice and in the absence of any specified place, at the place of his/her residence and if unavailable at his/her residence, at the place of business/occupation.
- b) Identity and authority of persons authorized to represent the AFC for follow up and recovery of dues would be made known to the borrowers at the first instance. The AFC staff or any person authorized to represent the AFC in collection of dues or/and security repossession will identify himself/herself and display the authority letter issued by the AFC upon request.
- c) The AFC would respect privacy of its borrowers.

- d) The AFC is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and the AFC will adopt civil manners for interaction with borrowers.
- e) Normally the AFC's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless circumstances warrant visiting the borrower at odd hours and occasions. Such circumstances would include continuous irregularity in the accounts.
- f) Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- g) The AFC will document the efforts made for the recovery of dues and the copies of communication, if any, sent to the customers will be kept on record.
- h) All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i) Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

**03. Giving Notice to Borrowers :**

While written communications, telephonic reminders or visits by the AFC's representatives to the borrowers place or residence will be used as loan follow up measures, the AFC will not initiate any legal or other recovery measures including taking possession of the security u/s -29 of SFC's act without giving due notice in writing giving reasonable time. The AFC will follow all such procedures as required under law for recovery/ taking action u/s-29 of SFC act .

**04. Takeing over Possession of Security**

Possession of the security, primary and for collateral is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve possession, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the notice as detailed above. Due process of law will be followed while taking possession of the property. The AFC will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

**05. Valuation and Sale of Property :**

Valuation and sale of property possessed by the AFC will be carried out as per the policy of the Corporation and in a fair and transparent manner. The AFC will have right to recover from the borrower and guarantors the balance due, if any, after sale of property. Excess amount, if any, obtained on sale of property will be returned to the

borrower after meeting all the related expenses provided the AFC is not having any other claims against the borrower.

**06. Opportunity for the Borrower to take back the security :**

As indicated earlier in the policy document, the AFC will resort to possession of security only for the purpose of realization of its dues as the last resort and not with intention of depriving the borrower of the property. Accordingly, the AFC will be willing to consider handing over possession of property to the borrower any time after repossession but before **concluding sale transaction of the property**, provided the AFC dues are paid in full. If satisfied with the genuineness of borrower's inability to pay the loan installments as per the schedule which resulted in the repossession of security, the AFC may consider handing over the property after receiving the installments in arrears. However, this would be subject to the AFC being convinced of the arrangements made by the borrower to ensure timely repayment of remaining installments in future.

07. Further, to make the recovery process more transparent and customers friendly the additional steps as mentioned below will also be adopted..

**Adjustment of Subsidy :**

The capital subsidy granted by the Central Govt. or the State Govt. against investment in capital goods shall always be adjusted against the principal loan and the remaining portion, if any, shall be adjusted against the interest dues. In case of all other subsidy eg. Transport subsidy, interest subsidy etc. shall be adjusted against the interest and the remaining portion, if any, shall be adjusted against principal loan.

**Adjustment of Seed Money :**

The Seed Money granted by State Govt. or Central Govt. shall be adjusted against the principal loan and the remaining amount, if any, shall be adjusted against the interest due.

**Sale Permission of Machineries and adjustment of sale proceeds :**

In order to enable the borrowers sale absolute, worn out machineries and to deposit the sale proceeds for adjusting the same against principal due immediately on receipt of an application the concerned Branch-in-charge or Field in – charge shall take steps to place the matter before the Zonal Credit committee for approval. up to the sanctioned amount of Rs. 10.00 lacs. Any proposal beyond the sanction limit of Rs. 10.00 lacs be forwarded to Head Office Credit Committee for necessary action. The sale proceeds shall be adjusted against the principal loan.

**Adjustment of Liquid Security :**

Immediately before initiating legal action against an unit the liquid security pledged to the Corporation eg. NSC, FDR, LIC Policy shall be adjusted in the loan accounts as done in the Banks .

**Rephasement and funding of Loan account :**

In deserving cases the concerned Branch-In-Charge or Field In-charge shall take immediate steps for approval of rephasement and funding of the loan accounts from the Zonal Credit Committee or Head Office Credit Committee as the case may be.

## **(4) The Fair Practice Code in respect of lending activity of Assam Financial Corporation (AFC).**

### **1. OBJECTIVES**

The Fair Practice Code sets out the minimum standards, for investment activity pursued by AFC, to be followed while dealing with entrepreneurs seeking financial assistance. The Code explains how AFC is expected to deal with the entrepreneurs who are availing the financial assistance from it.

The Code has been developed with a view to:

- (a) promote fair practice by setting minimum standard in dealing with entrepreneurs;
- (b) increase transparency so that entrepreneurs can have a better understanding of what they can reasonably expect of the services;
- (c) encourage market forces, through competition, to achieve higher operating services;
- (d) promote client friendly relationship between AFC and entrepreneurs;
- (e) to develop confidence in the lending system of AFC

### **2. KEY COMMITMENTS**

A. Our key commitments to entrepreneurs are:

To act fairly and reasonably in dealing with entrepreneurs in:

- Meeting the commitments and standards in this code, for the lending and financial services AFC offers.
- Ensuring that our dealings with entrepreneurs rest on ethical principles of integrity and transparency.

B. To help entrepreneurs to understand how our financial products and services work by:

- Giving complete information about the various schemes of term lending of AFC.
- Ensuring that our advertising and promotional literature is clear and not misleading.
- Ensuring that you are given clear information about our products and services, the terms and conditions and the interest rate/charges, which apply to them.
- Giving you information on what is best suited to you, how you can avail of the benefits, what are their financial implications and whom you can contact for addressing your queries.

C. To keep entrepreneurs aware & updated by:

- Providing update of interest accrued on term loan account.
- Keeping informed about changes, if any, in the interest rate, charges or terms and conditions.
- Providing information of various financial schemes covering eligibility criterion, purpose, rate of interest, repayment/moratorium period, various charges payable by the entrepreneurs etc. will also be available with the loan application form.

D. To act promptly when things those go wrong by:

- Correcting the mistakes.
- Handling complaints promptly.
- Telling you how to take complaint forward if you not satisfied.

E. To publicise the code, AFC will make this code available on its website and on request provide either over the counter or by electronic communication or mail.

- F. AFC will not discriminate on the basis of age, race, gender, marital status, religion or disability while adopting and practicing the code.

### **3. APPLICATION FOR LOANS AND THEIR PROCESSING**

- a. At the time of sourcing a loan product, we will provide information about the interest rates applicable, as also the fees/charges, if any, payable for processing, prepayment options and charges, if any, and any other matter which affects the interest of the borrower, so that a meaningful comparison with those of other institution/banks can be made and informed decision can be taken by entrepreneur.
- b. All particulars normally required for processing the loan application will be specified at the time of application. In case any additional information is required, the applicant will be contacted immediately.
- c. The loan application form of AFC will cover various aspects of project formulation and details; information/documents required to be attached.
- d. On receipt of application for financial assistance, AFC will provide an acknowledgement for receipt of loan application. Loan application duly supported with complete information/documents, will be disposed of by AFC, normally within 45 days.
- e. AFC will not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude AFC from framing, adopting, and approving, different schemes for various financial needs of the entrepreneurs.
  - f. In case of receipt of request from the borrower for transfer of its account, the consent or otherwise i.e. objection of AFC, if any, shall be conveyed within 31 days from the date of receipt of request. Such transfer shall be as per transparent & contractual terms and conditions of loan agreement.

- g. Margin and availability of security shall not be substitute for due diligence on credit worthiness of the borrower

### **3.0 LOAN APPRAISAL AND TERMS/CONDITIONS**

The competent authority shall issue Loan Sanction Letter, on sanction of term loan assistance, which inter-alia shall provide information as regards to:

- a. Amount of loan sanction
- b. Terms and conditions
- c. Rate of interest, period of compounding, panel interest etc.
- d. Repayment schedule and moratorium period
- e. The contact person for seeking disbursement of loan
- f. All terms and conditions shall be transparent in the sanction communication governing credit facilities in writing and acceptance thereof by the borrower shall be kept on record, along with loan/security documents
- g. Copies of all loan agreement along with a copy of each of all enclosures quoted in the loan agreement should be furnished to the borrower.

### **4.0 DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

- a. AFC will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b. Changes in the interest rates and charges, if any, shall be affected by AFC prospectively and shall normally be effective from the date of sanction of loan. A suitable condition in this regard shall be inserted in the loan agreement.
- c. Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

d. AFC will release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim AFC 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 AFC is entitled to retain the securities till the relevant claim is settled/paid.

#### **4.0 GENERAL**

a) AFC will 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 AFC).

b) AFC shall treat customer information as private and confidential and shall be guided by following principles and policies:

The information shall be parted by AFC only in the following circumstances:

i). Information required to be given under law or as demanded or required by Statutory authorities:

ii). Information is given with customer's written permission.

c) In the matter of recovery of loans, AFC will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.

d) AFC's recovery collection policy shall be built on courtesy, fair treatment and persuasion. Efforts will be made in building customer confidence and long term relationship.

e) The staff deputed to make recovery calls shall identify themselves and shall provide details with regard to outstanding claims to the customer.

f) Under no circumstances, AFC shall resort to any illegal means of the customer for recovery of the dues.

g) For any grievance and complaint of misconduct against an official of the Corporation a borrower may address for redressal to

**MANAGING DIRECTOR,  
ASSAM FINANCIAL CORPORATION,  
MD.SHAH ROAD, PALTAN BAZAR,  
GUWAHATI- 781008  
Phone :( 0361)2635639  
Email: [afcghy@gmail.com](mailto:afcghy@gmail.com)**

- h) Annual compliance of the code and functioning of the grievances redressal mechanism shall be placed before the Board for review.
- i) Please note that the above guidelines are applicable to all loan applications for all segments irrespective of the amount of the limit.