



2020

Related Party Transactions Policy V1.0

This document details the Salient Feature of Related Party Transactions for NBFCs.



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1. Prelude

CapFloat Financial Services Private Limited recognizes that related party transactions may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company's & its shareholders' best interest and in compliance to the provisions of the Companies Act, 2013 ("Act") and Master Direction – Non Banking Financial Company – Systemically Important Non- Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 ("Directions").

Amendments, from time to time, to the Policy, if any, shall be considered by the Board of Directors of the Company based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. Purpose

The Policy intends to define a governance framework for proper approval and reporting of transactions between CapFloat Financial Services Private Limited and its Related Parties. The Company is required to disclose each year in the Financial Statements and the Board Report all material transactions between the Company and Related Parties. The Company is also required to disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto to be provided in the Annual Report.

3. Definitions

Related Party: An entity shall be considered as related to the Company if:

- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. Such entity is a related party under the applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI)

Related Party Transaction(s) or RPT means a contract or arrangement with a Related Party as provided under Section 188 (1) of the Companies Act, 2013 and/or applicable Accounting Standards issued by the ICAI made thereunder, as amended from time to time.

Material Related Party Transaction means a transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial

statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 from time to time.

4. Identification of Related Party

The Secretarial team shall, always, maintain a database of Company's Related Parties, identified based on definition for related party as prescribed under 2(76) Of Companies Act 2013 read with the rules framed thereunder. The database should contain the names of individuals and Companies along with their personal/company details including any revisions therein.

5. Identification of Related Party Transactions

- The Company identifies the related party transactions in accordance with Section 188 of the Act and /or applicable Accounting Standards issued by the ICAI. The Company also determines whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.
- The Company to approve an estimated related party transaction for the immediate next financial year, at the last meeting of Board and Audit Committee held in a financial year.

6. Review and Approval of Related Party Transactions

6.1. Audit Committee

6.1.1. All the transactions which are identified as RPTs should be preapproved by the Audit Committee before entering into such transaction whether at a meeting or by resolution by circulation or through electronic mode. The Audit Committee shall consider all relevant factors while deliberating on the RPTs for its approval. Provided that the above provisions shall not apply to a transaction, other than for the transaction referred to in Section 188 of the Act, between the Company and the Holding Company.

6.1.2. Any member of the Committee who has a potential interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction. A related party transaction which is

- i. not in the ordinary course of business, or

- ii. not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- 6.1.3. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of the Companies Act, 2013 and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. The omnibus approval shall specify:
- i. The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into; and
 - ii. The indicative base price / current contracted price and the formula for variation in the price if any.
 - iii. Such other conditions as the audit committee may deem fit: Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- 6.1.4. Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.
- 6.1.5. RPTs entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification in accordance with the provisions of Section 177 of the Act.
- 6.1.6. Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.

6.2. Board of Directors

- 6.2.1. In case any RPTs are referred by the Company to the Board for its approval due to the transaction being
- i. not in the ordinary course of business, or
 - ii. not at an arm's length price, such transactions shall be affected only with prior approval of the Board of Directors of the Company, on recommendation of Audit Committee.

- 6.2.2. The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.
- 6.2.3. Any member of the Board who has any interest in any related party transaction will recuse himself and abstain from discussion and shall not vote to approve the related party transaction.

6.3. Shareholders

If a related party transaction is not in the ordinary course of business, or not at arm's length price and is a Material Related Party Transaction, it shall require shareholders' approval by a resolution.

6.4. Reporting of RPTs

- 6.4.1. Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

6.5. RPTs not previously approved

- 6.5.1. In the event the Company becomes aware of a RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy and in compliance with the applicable laws and regulations as may be amended from time to time.
- 6.5.2. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.