

## **RELATED PARTY TRANSACTION POLICY**

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**Hiranandani Financial Services Private Limited**

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<b><u>S.NO</u></b>	<b><u>PARTICULARS</u></b>	<b><u>PG. NO</u></b>
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### Policy Control

<b>Particulars</b>	<b>Date of Board Meeting</b>	<b>Version</b>
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## 1. **PREAMBLE**

Hiranandani Financial Services Private Limited ("**HFS/ the Company**") is a Middle Layer Non-Deposit Taking Non- Banking Finance Company (**NBFC-ML**) and is registered with the Reserve Bank of India ("**RBI**") as an Investment and Credit Company – Non Deposit Taking.

This Policy provides for related party transactions, if any of the Company to be carried out compliance with the applicable legal provisions and regulatory. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

## 2. **RBI GUIDELINES :**

Reserve Bank of India ("**RBI**") in order to enable NBFCs to adopt best practices and greater transparency in their operations has, vide Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated October 19, 2023 as amended from time to time ("**RBI Directions**"), directed all NBFC-ML and above to frame Related Party Transaction Policy which shall be duly approved by the Board of Directors.

## 3. **SCOPE**

This policy sets definition of related party transactions and dealing with related party transactions. This policy would be effective from the date of approval by the Board and would be subject to amendments in accordance with Regulations, Rules, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any inconsistency of the provisions of this Policy with any amendments, circulars, clarifications issued by relevant authorities, then such amendments shall prevail upon the provisions of this Policy and this Policy shall accordingly stand amended from the effective date.

## 4. **DEFINITIONS**

**A) Related Party :** with reference to a company, means—

- i. a Director or his relative;
- ii. Key Managerial Personnel or his relative;
- iii. firm, in which a Director, Manager or his relative is a partner;
- iv. private company in which a Director or Manager or his relative is a member or director;
- v. public company in which a Director or Manager is a Director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. any body corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person on whose advice, directions or instructions a Director or Manager is accustomed to act;  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- viii. any company which is

- a holding, subsidiary or an associate company of such company; or –
- a subsidiary of a holding company to which it is also a subsidiary;
- An investing Company or the Venturer of the Company

Explanation: For the purpose of this clause, “the investing company or the venture of a Company” means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.

- ix. A director other than an Independent director or Key managerial personnel of the holding company or his relative with reference to a company shall be deemed to be a related party.
- x. such other person as may be prescribed under the Companies Act ;

B) **Relative:** Under this policy, the term ‘Relative’ would have the same meaning as defined under Sec 2(77) of the Companies Act, 2013 read with Rule 4 of Companies (Specification of Definition Details) Rules, 2014. Hence, the following would be considered relatives of an individual:

- Members of Hindu undivided family
- Husband or wife
- Father (including step-father)
- Mother (including step-mother)
- Daughter
- Daughter’s husband
- Son (including step-son)
- Son’s wife
- Brother (including step-brother)
- Sister (including step-sister)

C) **“Related Party Transactions”:** Shall have the same meaning as defined under the Companies Act 2013, as amended from time to time and applicable Directions/Circulars issued by Reserve Bank of India.

A transaction with Related Party shall be deemed to include single transaction or a group of transactions in a contract.

D) **“Arm’s Length Transaction / Basis”** means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

E) **“Ordinary Course of Business”** shall mean the usual transactions, customs and practices carried on generally by the Non-Banking Financial Companies and shall include:

- i. Transactions covered in the ‘main objects’ or the ‘objects incidental’ to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company,
- ii. Transactions which are usually carried on by any Non-Banking Financial Company
- iii. Transactions which have been done by the Company regularly in last three (3) years,
- iv. Transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them under the Companies Act, 2013 and Rules framed thereunder or any other applicable law.

## **5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

### **5.1 Approval of Audit Committee**

Every Related Party Transaction and subsequent modifications to the transaction shall be subject to the prior approval of the Audit Committee at a meeting. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company for transactions which are repetitive in nature. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, shall be placed before the Audit Committee for ratification.

#### **Approval of the Board of Directors**

(A) The following related party transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

- (i) Related party transactions referred by the Audit Committee;
- (ii) Related party transactions not on arm's length basis, or;
- (iii) Related party transactions not in the ordinary course of business.

(B) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (i) The name of the related party and nature of relationship;
- (ii) The nature, duration of the contract and particulars of the contract or arrangement;
- (iii) The material terms of the contract or arrangement including the value, if any;
- (iv) Any advance paid or received for the contract or arrangement, if any;
- (v) The manner of determining the pricing and other commercial terms both included as part of contract and not considered as part of the contract;
- (vi) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (vii) Any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.

### **5.2 Approval of Shareholders**

Any related party transaction which is not in the ordinary course of business and/or not on arm's length basis, and crosses prescribed threshold limit for as per Companies Act, 2013 will require prior approval of the Shareholders.

The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars namely:

- (i) Name of the related party
- (ii) Name of the director or key managerial personnel who is related, if any;

- (iii) Nature of relationship;
- (iv) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (v) Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval policy framework is given below:

<b>Audit Committee Approval</b>	<b>Board Approval</b>	<b>Shareholders' Approval</b>
All Related Party Transactions except items mentioned in Point 6 below.	<ul style="list-style-type: none"> <li>• Related Party Transactions referred by Audit Committee for approval of the Board.</li> <li>• Related Party Transactions not in the ordinary course of business or not on arm's length relationship.</li> </ul>	Approval by Ordinary resolution for Related Party Transactions not in Ordinary Course of Business or not at Arm's length basis and crosses prescribed threshold limit as per Companies Act, 2013.

The Audit Committee or the Board shall after considering the materials placed before them judge if the transaction is in the ordinary course of business and meets the arm's length requirements.

#### **6. CRITERIA FOR OMNIBUS APPROVAL:**

The proposal to be placed before the Audit Committee should contain following information –

- The name(s) of related party, nature of transactions, period/duration of transactions, maximum amount of per transaction that can be entered into and maximum value of the transactions in aggregate which can be allowed under the omnibus route in a financial year;
- The indicative contracted price and the formula for variation in the price, if any; and
- any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Review of related party transactions entered into by the company pursuant to each of the omnibus approval. The intervals at which such review is to be done can be decided by the audit committee;

- Factors specifying the criteria for omnibus approval for transactions which are of repetitive in nature; Justification for the need of omnibus approval
  - The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company; the omnibus approval shall specify: The name(s) of the related party,
  - Nature of transaction,
  - Period of transaction, Maximum amount of transactions that shall be entered into,
  - The indicative contracted price and
  - The formula for variation in the price if any; and
  - Such other conditions as the audit committee may deem fit
- Approval of Omnibus transaction without fulfilling the above criteria:

Special Condition: where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value Not Exceeding Rupees One Crore per Transaction.

- REPETITIVE IN NATURE: All omnibus approval granted by audit committee during a financial year shall expire at the end of financial year of the company. At the start of new financial year a Company may not enter into such related party transaction without approval or omnibus approval by the audit committee. Such fresh approval shall be granted only after the expiry of earlier financial year not before that period.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose-

- the name of the related party and nature of relationship;
- the nature, duration/period of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- statement of transactions as per the contracts/arrangements.

Where any director is interested in any contract or arrangement with a related party, such director shall not participate at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement. There shall be a disclosure whether the contracts/transactions are at arm's length.

#### **7. RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL:**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Transactions to be entered into with its wholly owned subsidiaries and with effect from April 1, 2022, transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- c. Payment of Dividend;

- d. Transactions involving corporate restructuring, such as buy-back of shares, subdivision or consolidation of securities, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.
- f. The issue of specified securities on a preferential basis, subject to compliance of applicable Laws;
- g. Any transaction by the Company with its employee, who is a related party in the ordinary course pursuant to the employment terms.
- h. Employer's contribution to Provident Fund/Gratuity/Superannuation etc. to a recognized Trust as part of its statutory obligations.
- i. Reimbursement of expenses at actuals based on supporting documents.

#### **8. RELATED PARTY TRANSACTION NOT APPROVED UNDER THE POLICY**

In the event of entering into a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under the Policy, and shall take any such action it may deem fit.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or Audit Committee or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

#### **9. DISCLOSURES RELATED TO RPT**

- This Policy would be placed at the Company's website and would also form part of the annual report.
- Every Director and the KMP shall, from time to time make the necessary disclosures to the Board, a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard.
- Details of Related Parties and RPTs should be recorded in MBP-4 Part A and B respectively.



**10. REVIEW**

This Policy shall be reviewed by the Audit Committee as and when any changes are to be made in the Policy and the revised policy as recommended by the Committee, shall be presented to the Board for their Approval in the subsequent Board Meeting.