

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS OF FINOVA CAPITAL PRIVATE LIMITED

FINOVA CAPITAL PRIVATE LIMITED

CIN: U65993RJ2015PTC048340

Regd. Office: 702, 7th Floor, Unique Aspire, Plot No. 13-14 Cosmo Colony, Amrapali Marg, Vaishali Nagar, Jaipur -302021

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PREFACE

The board of directors (the “Board”) of Finova Capital Private Limited (“Company”) has adopted the following policy and procedures with regard to Related Party Transactions (as defined hereinafter) at its meeting held on June 01, 2021 to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company. The Company may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are in compliance with the applicable legal requirements.

OBJECTIVE & PURPOSE OF POLICY

This Policy on dealing with Related Party Transactions is framed in consonance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“Master Direction DNBR. PD. 008/03.10.119/2016-17”) dated September 01, 2016 (as updated from time to time) and is intended to ensure proper reporting, approval and disclosure of the concerned transactions between the Company and its Related Parties.

This policy deals with the review and approval mechanism of related party transactions keeping in mind the potential or actual conflict of interest that may arise because of such transactions.

DEFINITIONS

- 1) “Act” means the Companies Act, 2013 and shall include all rules, regulations, sub-ordinate legislations made thereunder, amendments, modifications and re-enactments of the.
- 2) “Audit Committee or Committee” means a Committee of the Board of Directors of the Company constituted in terms of the Guidelines issued by RBI, Listing Regulations and the Act.
- 3) “Arm’s Length Basis” means a transaction between two Related Parties that is conducted as if they were unrelated so that there is no conflict of interest. For determining Arm’s Length Basis, reliance shall be placed on Indian Accounting Standard (Ind AS) 24.
- 4) “Articles” or “AOA” means the Articles of Association of the Company as may be amended from time to time as prescribed under the Transaction Documents.
- 5) “Board of Directors” or “Board” means the Board of Directors of the Company, as constituted from time to time.
- 6) “Director” shall mean a director on the Board;
- 7) “Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:-

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- a. Managing Director, or Chief Executive Officer or Manager
- b. Whole-time Director;
- c. Company Secretary;
- d. Chief Financial Officer;
- e. such other officer as may be prescribed

8) **“Material Related Party Transaction”** means a transaction with a related party shall be considered material if the transaction(s) 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.

Further, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company shall be considered material.

9) **“Person(s)”** shall mean an individual, corporation, partnership, limited liability partnership, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

10) **“Policy”** means this policy on dealing with Related Party Transactions of the Company.

11) **“Related Party”** means such party with reference to a company as defined in Section 2(76) of the Act and under the applicable accounting standards.

12) **“Related Party Transaction”** means any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation – A *“transaction”* with a related party shall be construed to include single transaction or a group of transactions in a contract.

13) **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under

APPROVAL OF RELATED PARTY TRANSACTIONS

- **Approval of the Audit Committee**

All Related Party transactions require prior approval of the Audit Committee whether entered in the ordinary course of business and at arm’s length basis or not.

Each proposed Related Party Transaction or any modifications thereof, shall be placed before the Audit Committee for prior approval in accordance with this Policy.

The Company may obtain omnibus approval from the Audit Committee for related party transactions, proposed to be entered into by the company subject to the following conditions, as

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mentioned below, except for transactions in respect of selling or disposing of the undertaking of the company:

- a) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - (i) Repetitiveness of the transactions (in past or in future);
 - (ii) Justification for the need of omnibus approval;
- b) The Audit Committee shall satisfy itself on the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such omnibus approval shall specify:
 - (i) The name/s of the related part(ies),
 - (ii) nature and duration of transaction(s),
 - (iii) maximum amount of transaction that can be entered into;
 - (iv) The indicative base price / current contracted price and the formula for variation in the price if any and;
 - (v) The material terms of the contract or arrangement including the value, if any;
 - (vi) Such other conditions as the Audit Committee may deem fit.

Provided that 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 INR 1 Crore per transaction.

- d) Audit Committee shall review, atleast on a half yearly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- f) In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of any Related Party Transaction, then it shall be ratified by the Audit Committee, Board of Directors and / or shareholders, as the case may be, within a period of three months of entering into Related Party Transaction.

In case, the same 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 authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.

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- **Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis shall be placed before the Board for its approval on the recommendation of the Audit Committee.

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

- a) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- b) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- c) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

- **Approval of the Shareholders of the Company**

Any such Related Party Transactions that exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules framed there under shall also be placed for prior approval of shareholders at the general meeting.

- **Material Related Party Transaction**

All Material Related Party Transactions shall be placed for prior approval of shareholders through a Resolution. However, the Material Related Party Transactions entered into between the Company and its wholly owned subsidiaries, if any, shall not require prior approval of the shareholders.

- **REVIEW OF RELATED PARTY TRANSACTIONS**

All the related party transactions entered into by the Company shall be reviewed by the Audit committee as well as Board atleast once in every financial year and as many times as it may deem fit.

To review a Related Party Transaction, the Committee and the Board will be provided with all relevant material information of the Related Party Transaction viz:

- a. The name of the Related Party and nature of relationship;
- b. The nature, duration of the contract and particulars of the contract or arrangement;
- c. The material terms of the contract or arrangement including the value, if any;

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- d. Any other information relevant or important for the Audit Committee/Board to take a decision on the proposed transaction.

*** NOTE:**

If a member of the Audit Committee/Board or any member of company is interested in an item of business which is a Related Party Transaction under Section 188 of the Act proposed to be entered into by the company, he/she shall recuse himself and abstain from discussion and voting on the approval or ratification of such of the Related Party transaction. Further, such interested member shall also not be reckoned for the purpose of counting quorum of the meeting.

ASCERTAINING WHETHER RELATED PARTY TRANSACTIONS ARE IN THE ORDINARY COURSE OF BUSINESS

1. In order to determine whether a transaction is within the ordinary course of business or not, some of the principles that may be adopted to assess are as follows:
 - a) whether the transaction is in line with the usual transactions, customs and practices undertaken by the company to conduct its business operations and activities;
 - b) whether it is permitted by the Memorandum and Articles of Association of the company; and
 - c) whether the transaction is such that it is required to be undertaken in order to conduct the routine or usual transactions of a company.
2. The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.
3. Whether the transaction value is within the reasonable range for similar types of other transactions, will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.

DISCLOSURE OF INTEREST OR CONCERN

1. All Related Party Transactions in which Directors are interested as defined in Section 184/188 of the Act shall be entered in with all the relevant particulars in register maintained in Form MBP 4 as prescribed in Rule 16 of the Companies (Meetings of Board and its Powers) Rules, 2014.
2. Further, every member / director of Audit Committee or Board who is interested in an item of business which is a Related Party Transaction under Section 188 of the Act proposed to be entered into by the company and transacted/approved at the meeting shall disclose in advance his/her interest / concern.
3. In accordance with provisions of Section 184(2) of the Act, if any director of a company is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:

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- a. with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
- b. with a firm or other entity in which, such director is a partner, owner or member, as the case may be;

Then, he/she shall disclose the nature of his/her concern or interest at the meeting of the Board in which such contract or arrangement is discussed and shall not participate in such meeting during the discussion of such contract or arrangement:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

*** NOTE:**

A contract or arrangement entered into by the company without disclosure under section 184 (2) of the Act or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

DISCLOSURE / REPORTING

The Company shall disclose this Policy on its website and provide the web link in the Annual Report.

Further, in accordance with Section 134 (3) (h) of the Companies Act, 2013 and Master Direction DNBR. PD. 008/03.10.119/2016-17 issued by RBI, the company shall disclose in its Board's report, the complete particulars/details of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and Companies Act, 2013 or any other statutory enactments, rules, the provisions of the Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

REVIEW AND AMENDMENTS

The Audit Committee, in its meeting, will oversee the implementation of the policy and review its functioning at the intervals as it may deem necessary.

Further, this policy may be amended subject to the approval of Board of directors on recommendation of Audit Committee of the Company, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

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