



# CAPITAL INDIA

## Home Loans

### POLICY ON RELATED PARTY TRANSACTIONS

Version	1.0
Owned By	Chief Financial Officer
Approved By	Board of Directors
Effective date	August 14, 2019

## 1. PREAMBLE

**Capital India Home Loans Limited** (hereinafter referred as **"Company"**) has always been committed to good corporate governance practices. As a matter of practice, the Company transacts business on arm's length basis with its related parties which are in the ordinary course of business.

The Board of Directors has adopted this Policy upon recommendation of the Audit Committee. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions ("the Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 read with the Rules framed there under.

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

This Policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

## 2. OBJECTIVE

In terms of para 4.3 of "Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 (as amended) issued by National Housing Bank, a HFC having asset size of Rs.50 Crore shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

This Policy has been framed for complying with the above requirements and it covers the materiality of Related Party Transactions and its dealings.

## 3. DEFINITIONS

- 3.1 "Act" means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- 3.2 "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, guidance may be taken from the transfer pricing provisions under the Income-tax Act. 1961.
- 3.3 "Audit Committee" means committee of Board of Directors of the Company.
- 3.4 "Board of Directors" or "Board" means the Board of Directors of the Company.
- 3.5 "Company" means Capital India Home Loans Limited.
- 3.6 "Key Managerial Personnel" means the Key Managerial Personnel of the Company in terms of the Act.
- 3.7 "Material Related Party Transaction" means a Related Party Transaction which individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover of the Company as per the last audited financial statements.

- 3.8 "Ordinary course of business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining.
- 3.9 "Policy" means the current policy on Related Party Transactions, including amendments, if any, from time to time.
- 3.10 "Related Party" have the meaning as defined in Section 2(76) of Companies Act, 2013.
- 3.11 "Related Party Transaction" have the meaning as defined under Section 188(1) of Companies Act, 2013 as means transfer of resources, services or obligations between the Company and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –
- a. sale, purchase or supply of any goods or materials;
  - b. selling or otherwise disposing of, or buying, property of any kind;
  - c. leasing of property of any kind;
  - d. availing or rendering of any services;
  - e. appointment of any agent for purchase or sale of goods, materials, services or property;
  - f. appointment to any office or place of profit in the company
  - g. underwriting the subscription of any securities or derivatives thereof, of the Company
- 3.12 "Relative" means a relative as defined under the Act.
- 3.13 "Transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation.

#### **4. POLICY**

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy.

- 4.1 Identification of potential Related Party Transactions: In order to identify the related party, the following must be noted:
- 4.1.1 An entity shall be considered as related to the Company if:
- a) such entity is a related party under Section 2(76) of the Companies Act, 2013 read with the Rules framed there under; or
  - b) such entity is a related party under the applicable accounting standards.
- 4.1.2 Key Managerial Personnel and connected Related Parties: Each Director and Key Managerial Personnel shall at the beginning of financial year disclose to the Company Secretary of the Company their Related Parties and disclose any changes thereto during the financial year as immediately as practicable. The Company shall also identify Related Party Transactions, if any, with Directors or Key Managerial Personnel of the holding company/ies or their relatives.

4.1.3 The Company will identify the potential transactions with the Related Parties as defined under this Policy.

## 4.2 Review and approval of Related Party Transactions

### 4.2.1 Audit Committee:

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of the following conditions:

- A. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
  - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
  - ii. The maximum value per transaction which can be allowed;
  - iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
  - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each omnibus approval made;
  - v. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- B. 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.
- C. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- D. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the Company pursuant to the omnibus approval given;
- E. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

To review a Related Party Transaction, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Act.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such Transaction, the benefits to the Company and to the Related Party, whether such Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

#### **4.2.2 Board of Directors:**

The related party transactions provided under Section 188 of Companies Act, 2013 which are not in ordinary course of business or on arms-length basis needs to be placed before the Board of Directors for their approval.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

#### **4.2.3 Shareholders:**

All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions subject to guidelines / circulars issued or to be issued by the concerned authority.

### **5. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of 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 actions as the Audit Committee deems appropriate under the circumstances.

### **6. DISCLOSURES**

In terms of para 4.3 of "Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016 (as amended) issued by National Housing Bank, a HFC having asset size of Rs. 50 Crore shall disclose the policy on dealing with Related Party Transactions on its website and in the Annual Report. Accordingly, this related party transaction policy shall be disclosed on the Company's website and in the Annual Report.

All the material related party transactions shall be disclosed in the Statutory Financial Statements.

### **7. AMENDMENT IN LAW**

Any subsequent amendment/ modification to the applicable laws shall automatically apply to this Policy.

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