

# HINDUJA FINANCE LIMITED

(CIN: U65993MH2006PLC166340)

Regd. Office: Hinduja House, 171, Dr. Annie Besant Road, Worli, Mumbai 400018

## RELATED PARTY TRANSACTIONS POLICY

### 1. Introduction

This policy is framed as per the provisions of the Companies Act, 2013 and the Rules framed thereunder, including any statutory modifications or re-enactment thereof. Provisions of this policy are designed to ensure transparency in the approval process and reporting and disclosure requirements, in terms of the applicable laws.

The Board of Directors reserves the power to review and amend this policy from time to time as and when necessary.

### 2. Definitions

- a) **“Act”** means Companies Act, 2013 including any statutory modification or re-enactment thereof;
- b) **“Board”** means Board of Directors of the Company.
- c) **“Related Party”** with reference to the Company, means an entity where such entity is a related party as defined under section 2(76) of the Companies Act, 2013
- d) **“Related Party Transactions”** means a transaction between the Company and a Related Party which transaction is of the nature specified in sub-clause (a) to (g) of section 188 (1) of the Companies Act 2013.

### 3. Transactions between Company & Related Parties

All related party transactions exceeding the threshold limits prescribed under Section 188 of the Companies Act, 2013 and the Rules made thereunder which are not in the ordinary course of business and on arm's length basis, shall require prior approval of the shareholders by way of a special resolution.

As per Rule 15 sub-rule (3) of the Companies (Meetings of Board and its Powers) Rules, 2014 except with the prior approval of the company by a special resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,—

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below –
- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
  - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
  - (iii) leasing of property of any kind exceeding ten per cent. of the net worth of the company or ten percent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
  - (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.—it is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation - (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of a wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

(3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:—

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

Any member who is in any way interested or concerned shall abstain from voting on such resolution.

All transactions in the ordinary course of business and on arm's length basis shall be periodically disclosed to the Audit Committee/ Board. In case of transactions which are frequent and regular in nature and are in the ordinary course of business of the Company, the Audit Committee may fix up limits within which the management may carry out such transactions without any approval of the Committee.

#### **4. Ambit of "Ordinary Course of Business"**

- The Companies Act, 2013 does not define the phrase "Ordinary Course of business". However, the following definitions may be considered for understanding the term "ordinary course of business":
  - (i) *Black's Law dictionary* defines "Ordinary Course of Business" as the usual course and routine of business;
  - (ii) *P. Ramanatha Aiyar's Advanced Law Lexicon* says that the term "ordinary course of business" means the transaction of business according to the common usages and customs of the commercial world generally or of the particular community or (in some cases) of the particular individual whose acts are under consideration. Term used in connection with sales made by a merchant as part of his regular business and in contrast with a sale in bulk which is regulated by statute, e.g. U.C.C. In general, any matter which transpires as a matter of normal and incidental daily customs and practices in business.
  - (iii) In a matter decided by the Andhra Pradesh High Court- *Peddi Virayya vs Doppalapudi Subba Rao and anr (AIR 1959 AP 647)*, the High Court observed that:

The meaning of the word 'course' as given in Chamber's 20th Century Dictionary is "habitual method of procedure". Some of the meanings of the word 'ordinary' as contained in the Oxford English Dictionary are "Regular course of custom or practice

belonging to the regular or usual order of course; in an ordinary manner or as a matter of regular practice."

One of the meanings of the expression in the course of according to the same Dictionary is "in regular process of; in the ordinary sequence of events." The expression "in the ordinary course of business" is susceptible of one meaning viz., that there should be a series of transactions as distinguished from one transaction. A stray transaction may not be said to constitute an ordinary course of business."

- The definition of the term "ordinary course of business" is subjective and the totality of facts and circumstances surrounding a transaction will need to be looked at to ascertain whether or not a transaction is in the ordinary course of business.

The Audit Committee may apply the following attributes for confirming whether a related party transaction is in the ordinary course of business:

- Usual transactions, customs and practices of a certain business or the company;
  - Activity considered normal and otherwise not unremarkable;
  - Frequency of activity;
  - Regularity of activity;
  - Financial outlay from the activity
  - Activity (ordinarily) generates revenue;
  - Resources committed to the activity
- The Institute of Chartered Accountants of India has issued a Standard on Auditing 550 (as a guidance to auditors for audit of related party transactions) which sets out a few examples of significant transactions outside the normal course of business, which are as follows:
    - Complex equity transactions, such as corporate restructurings or acquisitions.
    - Transactions with offshore entities in jurisdictions with weak corporate laws.
    - The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
    - Sales transactions with unusually large discounts or returns.
    - Transactions with circular arrangements, for example, sales with a commitment to repurchase.
    - Transactions under contracts whose terms are changed before expiry.

## 5. Procedures

### 1. Identification of potential related party transactions:

Every director of the Company, who 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, with a body corporate in which such director or such director in association with any other director, holds more than two percent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate or with a firm or other entity in which such director is a partner, owner or member; shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such discussion.

Provided that where any director who is not 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 such concern or interest at the first meeting of the Board held after he becomes concerned or interested.

The Board, after receiving the required disclosures and other additional information, if any, determine whether the transaction does constitute a Related Party Transaction. The Related Party list shall be updated whenever necessary and shall be reviewed at least once a year.

## 2. Review and Approval of Related Party Transactions

### ➤ Transactions not in the ordinary course of business or on arm's length basis

As per the terms of reference of the Audit Committee, all Related Party Transactions will be placed before the Audit Committee for its review. The Audit Committee may call for such additional information as may be required and thereafter recommend the same for approval to the Board.

Any director, who is in any way interested or concerned in the transaction, shall not be present at the meeting during discussion on such transaction and he shall abstain from voting on such resolution.

### ➤ Transactions in the ordinary course of business or on arm's length basis

All transactions in the ordinary course of business and on arm's length basis, along with the expert opinion and certification confirming that the transaction is in the ordinary course of business or on arm's length basis, shall be periodically disclosed to the Audit Committee/ Board.

### ➤ Transactions not requiring approval of the Audit Committee or Shareholders

The following Related Party Transactions shall not require the approval of the Audit Committee or the Shareholders:

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of

its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- c. Transactions available to all employees generally
- d. Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

3. Information to be placed before the Audit Committee and Board of Directors for approval of Related Party Transactions

- the name of the related party and nature of relationship;
- the nature, duration 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 Board to take a decision on the proposed transaction.

4. Factors to be considered by the Audit Committee and Board of Directors while approving Related Party Transactions

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- The extent of the Related Party's interest in the Related Party Transaction;
- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Chief Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

#### 5. Related Party Transactions not previously approved

In the event the Company becomes aware of 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 all of 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 Committee under this Policy, and shall take any such action it deems appropriate.

Further, if the Related Party Transaction is not ratified within three months from the date on which such contract or arrangement is entered into, such contract or arrangement shall be voidable at the option of the Board 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.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

#### 6. **Disclosures:**

Every contract or arrangement entered into under section 188(1) of the Companies Act, 2013 shall be referred to in the Board's Report to the shareholders along with justification for entering into such contract or arrangement.

#### 7. **Amendment**

The board reserves its right to amend or modify this policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification shall be inconsistent with the applicable provision of the Act or any law for the time being in force.