



# CAPITALINDIA

Rediscover Business

## POLICY ON RELATED PARTY TRANSACTIONS

Version	5.0
Owned by	Finance/Compliance
Approved by	Board of Directors
Effective from	February 14, 2025

## 1. PREAMBLE

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

The Board of Directors has adopted Policy on Related Party Transactions (“**Policy**”) upon recommendation of the Audit Committee. The said Policy includes materiality thresholds and the manner of dealing with Related Party Transactions in compliance with the requirements of Section 177(4) and Section 188 of the Companies Act, 2013 read with the Rules framed thereunder (“**Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulation**”) and other statute from time to time. 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

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transaction(s);
- (b) define material modification(s); and
- (c) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the Listing Regulations and any other laws and regulations as may be applicable to the Company.

## 3. DEFINITIONS

- 3.1 “**Act**” means the 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 constituted by Board of Directors of the Company.
- 3.4 “**Associate Company**” means a company in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture Company.
- 3.5 “**Board of Directors**” or “**Board**” in relation to a Company, means the collective body of the directors of the Company.
- 3.6 “**Company**” means Capital India Finance Limited.

- 3.7 **"Key Managerial Personnel"** means as defined in Section 2(51) of the Act, 2(1)(o) of the Listing Regulations, applicable Accounting Standards and applicable RBI Master Directions.
- 3.8 **"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3.9 **"Material Related Party Transactions"** mean the following:
- A transaction with a related party is considered material, if the transaction(s) to be entered individually or taken together with previous transactions during a financial year, exceeds Rs.1000 Crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit in terms of the listing regulations in force from time to time.
  - 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 or such other limit in terms of the listing regulations in force from time to time.
- 3.10 **"Material Modification"** of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.
- 3.11 **"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.
- 3.12 **"Policy"** means the current policy on Related Party Transactions, including amendments, if any, from time to time.
- 3.13 **"Related Party"** have the meaning as defined under Section 2(76) of the Act, Regulation 2(1)(zb) of the Listing Regulations, applicable Accounting Standards and applicable RBI Master Directions.
- 3.14 **"Related Party Transactions"** have the meaning as defined under Section 188 of the Act, Regulation 2(1)(zc) of the Listing Regulations, applicable Accounting Standards and applicable RBI Master Directions.
- 3.15 **"Relative"** have the meaning as defined under Section 2(77) of the Act, Regulation 2(1)(zd) of the Listing Regulations, applicable Accounting Standards and applicable RBI Master Directions.
- 3.16 **"Subsidiary"** means a company in which the Company controls the composition of Board of Directors; or exercises or controls more than one half of the total share capital either on its own or together with one or more of its subsidiary companies.

Any other term not defined herein shall have the same meaning as defined under the Companies Act, 2013, Listing Regulations, applicable Accounting Standards, RBI Master Directions and any other applicable law or regulations.

#### 4. MATERIALITY THRESHOLDS

Regulation 23 of the Listing Regulations requires the Company to provide materiality thresholds for transactions beyond which prior approval of the shareholders will be required by way of resolution.

#### 5. 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.

##### 5.1 Identification of potential Related Party Transactions:

In order to identify the related party, the following must be noted:

- 5.1.1. An entity/individual shall be considered as related to the Company if it is a related party.
- 5.1.2. Key Managerial Personnel and connected Related Parties: Each Director and Key Managerial Personnel shall at the beginning of the 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 companies or their relatives.

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

##### 5.2 Review and approval of Related Party Transactions

###### 5.2.1. Audit Committee

The Managing Director/Chief Executive Officer, Chief Financial Officer and Chief Compliance Officer & Company Secretary shall provide a compliance certificate to the audit committee / board of directors on a quarterly basis pertaining to all related party transactions with Related Parties.

All related party transactions and subsequent material modification shall require prior approval of the Audit Committee of the Company.

Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Provided that:

- a) a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

- b) prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15(2) of the listing regulations are applicable to such listed subsidiaries.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (b) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation.

The Audit Committee may grant prior omnibus approval for Related Party Transaction(s) 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 for related party transactions proposed to be entered into by the Company or its subsidiary in line with the Policy and such criteria 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 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 a repetitive nature and that such approval is in the interest of the Company.
- Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- 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 or its subsidiaries pursuant to the omnibus approval given;
- E. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

However prior Audit Committee approval and special shareholder resolution will not be required for:-

- Transactions entered into by the Company with its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on the one hand and the Central Government or any State Government or any combination thereof on the other hand.
- Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms of the provisions of sub-regulation (1) of the Listing Regulations.

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 vote 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 and the Listing Regulations.

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.

#### **5.2.2. Board of Directors**

The related party transactions under Section 188 of the Act 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.

In terms of Regulation 4 sub clause 2(f)(ii) (6) of the Listing Regulations, the Board of Directors shall monitor and manage potential conflicts of interest of the management, Board members and shareholders, including misuse of corporate assets and abuse in Related Party Transactions.

### 5.2.3. **Shareholders**

All Material Related Party Transaction and subsequent Material Modification as defined by the Audit Committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve on such resolution whether the Company is a related party to the particular transaction or not.

Shareholders' approval shall not be required for:

- a material related party transaction to which the listed subsidiary is a party, but the Company is not a party, if regulation 23 and regulation 15(2) of the Listing Regulations are applicable to such listed subsidiary.  
For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice
- A material related party transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

The shareholders' approval for omnibus related party transactions approved in an Annual General Meeting ("**AGM**") of the Company shall be valid upto the date of the next AGM for a period not exceeding fifteen months. In case of omnibus approvals for material related party transactions, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

## 6. **RATIFICATION OF RELATED PARTY TRANSACTIONS**

In the event the Company becomes aware of a related party transaction that has not been previously approved by the Audit Committee, the members of the Audit Committee, who are Independent Directors, may ratify such related party transaction within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the conditions as under:

- a. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
- b. the transaction is not material in terms of the provisions of sub-regulation (1) of the Listing Regulations;
- c. rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- d. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of the Listing Regulations.

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such a 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.

## 7. DISCLOSURES

The details of Material Related Party Transaction shall be disclosed to the stock exchanges on quarterly basis along with the compliance report on corporate governance.

The Company shall make disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results as per prescribed format.

The Company shall record the details containing the full particulars of contracts or arrangements in respect of all Related Party Transactions approved by the Audit Committee.

Necessary disclosures shall be made in the Annual Financial Statements as required under applicable Accounting Standards and RBI Master Directions. Further, as required under Regulation 34(3) read with Schedule V of the Listing Regulations, necessary details of all materially significant Related Party Transactions, which may have potential conflict with the interests of the Company at large, shall also be disclosed in the 'Report on Corporate Governance' forming part of the Annual Report of the Company.

As per Listing Regulations, disclosure shall be made with respect to the transactions of the Company, with any person or entity belonging to promoter/promoter group which holds 10% or more shareholding in the listed entity. This reporting shall be in the annual report and as per the format prescribed by the applicable accounting standards.

As per RBI Master Directions, the below disclosure are required:-

- a) Details of all material transactions with related party shall be disclosed in the annual report as per format prescribed in the applicable RBI Master Directions.
- b) The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the annual report.

The various business heads, department heads or any person authorized to enter into any transaction on behalf of the Company shall not undertake any transaction with a related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and on an Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the Secretarial Department, Accounts Department and the CFO, for seeking the requisite approvals.

The Company shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Act, rules and regulations made there under and SEBI requirements.



## **8. AMENDMENT IN LAW**

Any subsequent amendment/ modification In the Listing Agreement and/or applicable laws in this regard shall automatically apply to this Policy

## **9. REVIEW OF POLICY**

This Policy shall be reviewed and assessed periodically, once in Three years and due to any regulatory amendment otherwise.