

**KOGTA FINANCIAL (INDIA) LIMITED**

**RELATED PARTY TRANSACTIONS POLICY**

<b>Version History</b>		
<b>Document Owner</b> : Rahul Agrawal		
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## 1. Introduction

Kogta Financial (India) Limited ('the Company' or "KFL" or "Kogta") is a Non-Banking Financial Company ('NBFC') having valid Certificate of Registration with Reserve Bank of India ('RBI') vide registration no. B.10.00086 dated May 27, 2016 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important ('ICC-ND-SI') with more than 20 years of experience in asset finance business.

It is focused on offering financing of all kind of commercial vehicles (HCV, LCV, MUV, SCV), Cars, Tractors, Two-wheelers and MSME & Loan against property segment.

## 2. Regulatory Requirement

The Companies Act, 2013 ('Companies Act' or 'the Act') has introduced sections 177 and 188, which contain provisions regarding related party transactions. These sections, along with the relevant Rules framed under the Companies Act, have introduced certain compliance and approval requirements regarding the related party transactions.

Accordingly, the Board of Directors (the Board) has adopted the Related Party Transactions Policy ("Policy") with regard to related party transactions. The Audit Committee of the Company will review this policy from time to time and propose any modifications to the Board for approval.

## 3. Definitions

**"Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

**"Associate Company"** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

**"Audit Committee"** means the Audit Committee constituted by the Board of Directors of the Company in accordance with applicable law and under Section 177 of the Act.

**"Board"** means Board of Directors of Kogta Financial (India) Limited.

**"Joint venture"** means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

**“Key Managerial Personnel”** shall mean the officers of the Company as defined in Section 2(51) of the Act: -

- i. the Chief Executive Officer (CEO) or the managing director or the manager;
- ii. the company secretary;
- iii. the whole time director;
- iv. the Chief Financial Officer (CFO);
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

**“Related party”** Related party with reference to the KFL means:

- i. a director or his/her relative;
- ii. a key managerial personnel (KMP) or his/her relative;
- iii. a firm, in which a director, manager or his/her relative is a partner;
- iv. a private company in which a director or manager or his/her relative is a member or director;
- v. a public company in which a director or manager is a director and holds along with his/her 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;
- 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; or (C) an investing company or the venturer of the company; (for the purpose of this clause, “the investing company or the venturer 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 (as per the Companies (Specification of Definitions Details) Rules, 2014);

**“Relative”**, with reference to any person, means one who is related to another in any of the following manner:

- i. if they are members of a Hindu Undivided Family
- ii. if they are husband and wife
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband

- ix. Brother (including step-brother)
- x. Sister (including step-sister)

**“Related party transaction”** as per Section 188 of the Act, shall mean contracts or arrangements with related party with respect to: -

- 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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the Company.

It shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis and the transactions in **“ordinary course of business”** shall mean and include-

- Transactions that are entered in the normal and usual course of business and are identical to the business of the Company.
- Transactions that are reasonable in the context of the business of the Company.
- Transactions that are part of the standard industry practice.

**“Subsidiary Company”** or **“Subsidiary”**, in relation to any other company means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

**“Significant influence”** means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

**“Total share capital”** means the aggregate of the paid-up equity share capital and convertible preference share capital.

It may be noted that this policy framework, including the definitions above, is meant solely for the purposes of compliance with related party transaction requirements under Companies Act, 2013. The above terms may have different connotations for other purposes like disclosures in the financial statements, which are governed by applicable regulations, accounting standards, regulatory guidelines etc.

#### **4. Identification of Related Party**

Each director is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “related Party” by virtue of his/her being Director in the entity or holding certain shareholding percentage. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

#### **5. Approval of related party transactions**

##### **A. Board of Directors**

All the material transactions which are identified as related party transactions should be approved by the Board before and/or within the 3 months of entering into such transaction. The Board shall consider all relevant factors while deliberating the related party transactions for its approval.

In case any related party transactions are referred by the KFL to the Board for its approval, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

The Board has approved the related party transactions subject to the maximum limit:

- That all Related Party availing of financing/ indebtedness from the Company to the outstanding limit upto INR 2,00,00,000 (Rupees Two Crore) in aggregate;
- That all Related Party providing financing/ indebtedness to the Company to the outstanding limit upto INR 2,00,00,000 (Rupees Two Crore) in aggregate.

##### **B. Shareholders**

If a related party transaction is not at arm’s length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders’ approval by a special resolution. In such a case, any member of the KFL who is a related party, shall not vote on resolution passed for approving such related party transaction.

##### **C. Audit Committee**

A related party transaction which is not at arm’s length price would require approval of the Audit Committee as discussed subsequently. Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and voting on the

approval of the related party transaction.

Audit Committee shall review, on a yearly basis, the details of related party transactions entered into by the KFL pursuant to the approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

#### **D. Deemed Approval**

The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under separate approvals/procedures from relevant committee shall be deemed to be approved for the purpose of this Policy. Such transactions are enumerated below:

- i. Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
- ii. Payment of remuneration, fees, commission, etc. to directors pursuant to approval of the Nomination and Remuneration Committee;
- iii. Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board Composed Committee.
- iv. Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

#### **6. Reporting of related party transactions**

Every contract or arrangement, which is required to be approved by the Board/shareholders/Audit Committee under this Policy, shall be referred to in the Board's report along with the justification for entering into such contract or arrangement.

#### **7. Review**

The Company's CEO, CFO and COO have been entrusted with the responsibility of enforcement of this policy. They are hereby given absolute power to jointly or severally, make necessary changes, amendments or additions or removals for the operational aspects of the policy within the overall spirit and guidance from time to time for reasons like technology or process upgradation, regulatory changes, maintaining competitive edge or responding to changes in market or risk environment, etc. This is required to ensure full operational freedom to the senior management and make the management team more adaptive to rapid changing external environment. All changes so made shall be noted to the policy approving authority during the next policy review.

The CEO, CFO and COO can decide on delegation of authority and can design / redesign MIS systems and reporting as they see fit to improve the responsibility and accountability within the team hierarchy.