

KOGTA FINANCIAL (INDIA) LIMITED

RELATED PARTY TRANSACTIONS POLICY

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1. Introduction to the company

Kogta Financial (I) Ltd ('the company') 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 December 08, 1998 under current RBI classification as Asset Finance Company – Non Deposit taking ('AFC-ND'). It is predominantly engaged in the business of lending against vehicle and MSME.

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 following 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 2013.

"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. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
- ii. Company Secretary; and
- iii. Chief Financial Officer :

"Related party": Related party with reference to the KFL means:

- i. a director or his relative;
- ii. a key managerial personnel (KMP) or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his relative is a member or director;
- v. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;

- vi. anybody 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;

A director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company (as per Companies (Meetings of Board and its Powers) Rules, 2014);

“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.

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 and Key Managerial Personal 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/KMP 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.

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 quarterly 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.

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 to the shareholders along with the justification for entering into such contract or arrangement.

7. Review

The policy will be reviewed be at yearly intervals or as and when considered necessary by the board.