

# Related Party Transaction Policy

Version 1.0



**ANNAPURNA**  
FINANCE  
GROWING TOGETHER

## 1. PREAMBLE

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the SEBI Regulations) requires the board of directors of every listed company including a high value debt listed entity to, inter alia, formulate a policy on materiality of related party transactions and on dealing with related party transactions, latest by April 1, 2023. The Board of Directors (the “Board”) of Annapurna Finance Private Limited (AFPL), has accordingly adopted the policy and procedures in order to comply with the said requirements.

This Policy shall periodically (atleast once in every three years) be reviewed and if needed modified, based on the recommendation of the Audit Committee, by the Board of Directors of the Company to adopt the best practices and to comply with any amendment in the Regulations and/or the Companies Act, 2013 and the Rules framed thereunder.

## 2. OBJECTIVE

This policy is to regulate all transactions between the Company and its related parties based on the laws and regulations applicable on the Company.

Furthermore, this policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders. Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons.

## 3. DEFINITIONS

In this Policy, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:

**“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder including amendments, re-enactments, modifications, notifications, circulars, and orders from time to time.

**“Arm’s Length Basis”** shall mean a transaction entered into between two Related Parties that is conducted as if they were unrelated to avoid any conflict of interest.

**“Audit Committee”** or “Committee” means a Committee of the Board of Directors of the Company constituted in terms of the Act and the Rules framed thereunder, read with the provisions of the SEBI Regulations and as reconstituted by the Board from time to time.

**“Applicable Laws”** means the Companies Act, 2013 and the rules made thereunder, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable accounting standards and include any other statute, law, standards, regulations, or other governmental instruction relating to Related Party Transactions, as applicable.



“Board of Directors” or “Board” shall mean Board of Directors of the Company.

“Company” shall mean Annapurna Finance Private Limited.

“Key Managerial Personnel” (KMP) means:

- a. Chief Executive Officer or Managing Director or Manager and in their absence, a Wholetime director;
- b. Company Secretary;
- c. Chief Financial Officer;
- d. Chief Operating Officer
- e. 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
- f. Such other officer as may be prescribed, from time to time

“Material Modification(s)” means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 10% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

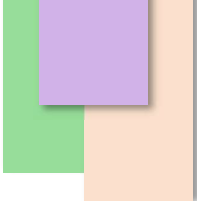
“Material Related Party Transaction” means :

- a) any contract/ arrangement with a related party as defined under Section 188(1) of the Act, which is equal to or exceeds the limits mentioned under Rule 15(3) of the Companies (Meetings of the Board and its powers) Rules, 2014 as given in Annexure I.
- b) any transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 10 % of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

However, 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 transaction during a financial year, exceed 5% of the annual consolidated turnover of the company as per the last audited financial statement of company.

“Office or Place of Profit” means any office or place:

- i). where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.



ii.) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

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

- i. Members of a Hindu undivided family (HUF) ;
- ii. Husband and wife ; or
- 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).

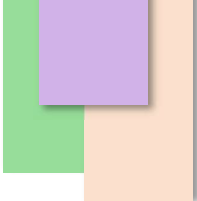
**“Related Party”** is defined as under:

1. Section 2(76) of the Act : a Related Party with reference to a company means :
  - i. a Director other than an Independent Director or KMP of the holding company or his relative with reference to a company.
  - ii. 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 2% (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 under whose advice, directions or instructions a director or manager is accustomed to act.

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

viii; any body corporate which is—

- a) a holding, subsidiary or an associate company of such company;
- b) a subsidiary of a holding company to which it is also a subsidiary;
- c) an investing company or the venturer of the company;
- ix. such other person as may be prescribed;

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2. Regulation 2(1)(zb) of SEBI Regulations : Any person or entity forming a part of the promoter or promoter group of the listed entity; or any person or any entity, holding equity shares of 10 % or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.

**“Ordinary course of Business”** means a transaction which is: -

- i. Carried out in the normal course of business as envisaged in the Memorandum of Association of the Company as amended from time to time.
- ii. Activities carried out in promoting and or in furtherance of the company's business objective.
- iii. Historical practice with a pattern of frequency; or
- iv. Common commercial practice; or
- v. Meets any other parameters/criteria as decided by Board/Audit Committee

**“Related Party Transaction” or (“RPT”)** shall in terms of Section 188 of the Act and the Rules made thereunder mean any of the following transactions entered by the Company with any of its Related Parties which are, either not in the ordinary course of business or not on arm's length basis:

- a. sale, purchases 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 purchases 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.

Further, Related Party Transaction in terms of Regulation (2)(1)(zc) means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

regardless of whether a 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.

Following shall not be a related party transaction as per SEBI Regulations :

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

Words importing the singular number shall include the plural number and words importing the masculine gender shall, where the context admits, include the feminine and neutral gender.

Words and expressions used but not defined in this Policy shall have the same meaning as ascribed to them in the Act / Regulations (specify the names), and the rules made thereunder, as the case may be or in any subsequent amendment thereto. This Policy shall be subject to such statutory clarifications, informal guidance and FAQs as may be issued by Regulatory Authority from time to time.

#### 4. APPLICABILITY AND COMMENCEMENT

This Policy applies to all transactions including all prospective transactions between the Company and its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

This policy shall come into effect from April 1, 2023.

#### 5. IDENTIFICATION OF POTENTIAL RPTS

Each Director, KMP and Senior Management Personnel (SMP) is responsible for providing notice to the Board or Audit Committee of any potential RPT involving him/ her or his/ her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

Further, the management of the Company will be responsible to inform about the entities/companies which are related parties to the Company, based on the group structure / corporate holdings.

The Board/Audit Committee will determine whether the transaction does, in fact, constitute a RPT and requiring compliance of this Policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction. In case of transactions entered without approval of Audit Committee/ Board, the same shall be placed before the Committee/ Board for ratification as per the provisions of Companies Act, 2013.



## 6. APPROVAL OF RELATED PARTY TRANSACTION

### (A) Prior Approval of Audit Committee

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee. Members of the Audit Committee, who are independent directors, shall only approve Related Party Transactions.

A Related Party Transactions to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10 % of the annual *standalone* turnover, as per the last audited financial statements of the subsidiary company.

The Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

The Committee will consider the following factors and information, among others, to the extent relevant to the proposed Related Party Transaction(s) while granting its approval:

- Whether the terms of the Related Party Transaction(s) 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(s) and the nature of alternative transactions, if any;
- Whether the Related Party Transaction(s) would affect the independence of an independent director;
- Whether the proposed transaction(s) 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(s) 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(s) would present an improper conflict of interest for any Director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related Party, the direct or indirect nature of the director's, KMP's or other Related Party's interest in the transaction(s) and the ongoing nature of any proposed relationship and any other factors the Board/the Committee deem relevant.
- Such other information as may be prescribed under the Act and the Regulations.

### **Prior approval of the Audit Committee shall not be required for:**

- a. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Regulations are applicable to such listed subsidiary.
- b. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.

### **(B) Omnibus Approval**

The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party. Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

- The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future) including the following :

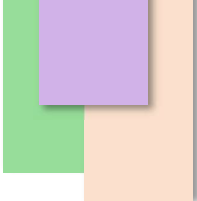
- (a) Repetitiveness of the transactions (in past or in future)
- (b) Justification for the need of omnibus approval.
- (c) Such other information as may be prescribed under the Act and the Regulations.

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed, maximum value of transaction during the year (ii) the indicative base price / current contracted price and the formula for variation in the price if any, (iii) transactions which cannot be subject to the omnibus approval by the Audit Committee and (iv) such other conditions as the Audit Committee may deem fit.

In case where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;

- Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- The Audit Committee shall, at least on quarterly basis, review the details of the related party transactions entered into by the Company pursuant to each of the omnibus approval.





In an unforeseen event where a RPT needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such RPT by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company. Such transaction shall be ratified within three month(s) from the date of entering into such transaction.

**Omnibus approval shall not be made for transactions in respect of –**

- i. Selling or disposing of the undertaking of the Company.
- ii. Such other transactions specified under the applicable laws from time to time.
- iii. Transactions which are not in the ordinary course of business or not at arm's length
- iv. Transactions which are not repetitive or unforeseen in nature.
- v. Inter-corporate loans given / taken by the Company to / from related parties and purchase / sale of investments from / to related parties.
- vi. Transactions in respect of sale or disposal of the undertaking of the Company.
- vii. Any other transaction as may be specified by the Audit Committee.

**(C) Prior Approval of Board of Directors**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board.

The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which, may be decided by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- iii. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- iv. Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.



Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

#### **(D) Prior Approval of Shareholders / Investors**

All RPT specified in the Companies Act, 2013 which are not in Ordinary Course of Business of the Company or not at Arm's Length Basis and exceed the thresholds laid down in the Companies Act, 2013 and Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time, shall be placed before the shareholders for its approval.

Further, requisite majority of the investors in terms of the Article 13 of the Articles of Association of the Company shall also be required to be obtained for the related party transactions triggering the Article.

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Notwithstanding, the RPTs which cross the thresholds as defined herein shall be entered by the Company only with the prior approval of shareholders of the Company, as per section 188 of the Act.

Subject to the provisions of the applicable laws, the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, shall have the power to ratify, revise or terminate the RPT, which are not in accordance with this Policy or as per the provisions of the applicable laws.

In case of a wholly owned subsidiary, the 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.

#### **Prior approval of Shareholder shall not be required for:**

- a. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Regulations are applicable to such listed subsidiary.
- b. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.

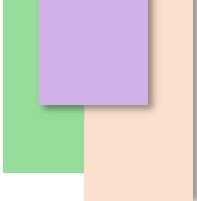
#### **Exception :**

*The clauses 6 shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.*

## Related Party Transactions not approved under this Policy

- i. In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with 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 RPTs, 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 RPTs to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- ii. Further, in case any transaction (not being a specified transaction under the Act between the Company and its wholly owned subsidiary) involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be voidable at the option of the Audit Committee.
- iii. In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- iv. Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.
- v. Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

## 7. DISCLOSURE



Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.

The Company shall disclose to the Stock Exchanges along with the compliance report on corporate governance on a quarterly basis, compliance with all material RPTs with related parties.

In addition, the Company shall also submit to the stock exchanges disclosures of RPTs in the format and manner as specified by the SEBI from time to time, every six months within fifteen days from the date of publication of its standalone and consolidated financial results and publish the same on its website in accordance with the SEBI Regulations.

Appropriate disclosures as required by the Act, and applicable accounting standard shall be made by the Company in its Financial Statement and Annual Report in the prescribed format. Every contract or arrangement entered into under section 188(1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

In terms of RBI Directions, and SEBI Regulations, this Policy will be uploaded on the website of the Company and a reference thereto will be made in the Financial Statements and the Board's Report to the Shareholders.

The Company shall also maintain register of contracts or arrangements in which directors are interested under Section 189 of the Act, wherever applicable.

## 8. MONITORING AND EVALUATION

Related Party Transactions for each quarter shall be referred to the meeting of Audit Committee for review. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the review of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information pertaining to the Related Party Transaction, including terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party and any other relevant matters.

The provisions of this Policy pertaining to approval and review of Related Party Transaction(s) shall mutatis mutandis apply to Material Modification(s).

This Policy shall periodically (atleast once in every three years) be reviewed and if needed modified, based on the recommendation of the Audit Committee, by the Board of Directors of the Company to adopt the best practices and to comply with any amendment in the Regulations and/or the Companies Act, 2013 and the Rules framed thereunder. Further, the Audit Committee may review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

All Related Party Transactions must be reported to the Audit Committee for review and referred for prior approval of the Committee, as the case may be, in accordance with this Policy.

## 9. CLARIFICATIONS / AMENDMENT MISCELLANEOUS

This Policy shall be reviewed by the Audit Committee ("Committee") as and when any changes are to be made in the Policy. Any changes or modification in the Policy as recommended by the Committee shall be presented to the Board for their approval. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and must be approved in the manner as may be decided by the Board of Directors. In case any clause /provision of this Policy is inconsistent with Applicable Laws, the provisions of such Laws shall prevail. Any subsequent amendment / modification in the Applicable Laws shall automatically apply to this Policy.

This Policy has been made in consonance with the contemporary rules, regulations and laws prevailing in India. However, if, due to subsequent changes in the law, a particular provision or part thereof becomes redundant or is inconsistent with the law, in such case the applicable provisions of the law shall prevail.

### Annexure I

Category of Transactions	Limit
Sale, purchase or supply of any goods or services, directly or through appointment of agent	10% or more of the turnover
Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of an agent	10% or more of the networth
Leasing of property of any kind	10% or more of the turnover
Availing or rendering of any services, directly or through appointment of an agent	10% or more of the turnover
Appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakh
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of net worth

#### **Notes:**

1. Limits would apply to transactions entered into individually or taken together with previous transactions during a financial year.
2. Turnover and Networth shall be computed on the basis of the audited balance sheet of the preceding financial year.

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