

# **AVENDUS FINANCE PRIVATE LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**

Document Control	
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Reviewed by	Audit Committee
Approved by	Board of Directors
Approval Date	February 8, 2024
Confidentiality level	Displayed on website of the Company

Change History				
Version	Effective Date	Created by	Approved by	Description of change
1.1	June 27, 2020	Secretarial Team	Board of Directors	Operational Changes
1.2	February 11, 2022	Secretarial Team	Board of Directors	Changes as required under SEBI Listing Regulations
1.3	February 13, 2023	Secretarial Team	Board of Directors	Changes as required under SEBI Listing Regulations
1.4	February 8, 2024	Secretarial Team	Board of Directors	Annual Review and non-applicability of SEBI Listing Regulations

**A. Introduction:**

The Board of Directors ("the Board") of Avendus Finance Private Limited ("the Company" or "AFPL"), has adopted this Policy on Related Party Transaction ("Policy") and procedures with regards to any contract or arrangement with a Related Party, upon recommendation of the Audit Committee under the applicable provisions of the Companies Act, 2013 read with rules framed thereunder (the "Act") and Accounting Standards.

The Reserve Bank of India (RBI), as part of Master Directions – Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Direction, 2023 ("RBI Guidelines") require the NBFCs to disclose the:

- a) details of all material transactions with related parties in the annual report
- b) policy on dealing with Related Party Transactions (RPT) on its website and also in the Annual Report

This policy will guide the Company to effectively comply with the provisions of Act Accounting Standards, and RBI Guidelines, in relation to Governance around Related Party Transactions.

The Board of the Company, on recommendation of the Audit Committee, has adopted this policy to-

- a. regulate transactions of the Company with its related parties (*as defined and identified under the Companies Act, 2013 (the "Act")*) and RBI Guidelines;
- b. ensure high standards of Corporate Governance while dealing with related parties; and
- c. ensure optimum compliance with various applicable laws prescribed for related party transactions ("RPT").

**B. Intent and Objective of the Policy:**

Master Directions – Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Direction, 2023 requires a Company to formulate a policy on dealing with Related Party Transactions including clear threshold limits duly approved by Board of Directors, and such policy shall be disclosed on the company's website and a web link thereto shall be provided in the Annual Report.

The Objective of this policy is to set out:

- a) the materiality thresholds for related party transactions
- b) the manner of dealing with the transactions between the Company and its related parties based on the Act and any other laws and regulations as may be applicable to the Company; and
- c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

**C. Definitions:**

- a. Arm's Length Basis: Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case of contracts with related parties for specified period / quantity / services, it is possible that the terms of one off comparable transaction with an unrelated party are at variance, during the validity of contract with related party. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed or this purpose under any law can also be considered for establishing this principle.
- b. Materiality / Material Related Party Transaction: 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 per the last audited financial statements of the Company.
- c. Ordinary Course of Business: Transactions will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities and all such activities which the Company can undertake as per the Memorandum & Articles of Association and which meets any other parameters/criteria as decided by the Board/Audit Committee.
- d. Related Party Transaction (RPT) for the purpose of the Act means, specified transactions of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188 and clause (iv) of sub-section 4 of Section 177 of the Act;
- e. Related Party means a related party as stated RBI Guidelines or defined under sub-section (76) of section 2 of the Act, 2013 or under the applicable accounting standards-

#### **D. Policy on Related Party Transactions**

All Related Party Transactions before being entered into must be reported to the Audit Committee of the Company for its prior approval in accordance with this Policy. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. This Policy shall be reviewed by the Board of Directors atleast once in a year and updated accordingly based on the recommendations of the Audit Committee.

#### **E. Review and Approval of Related Party Transactions**

##### **a. Approval of Audit Committee is required for:**

1. All the transactions which are identified as Related Party Transactions and subsequent material modifications shall be subject to approval of the Audit Committee of the Company whether at a meeting or by resolution by way of circulation. The Audit Committee shall consider all relevant

- factors while deliberating the Related Party Transactions for its approval;
2. The Company shall update the Related Party List on disclosure made by the Related Party and shall be reviewed at least once a year at the time of Annual disclosure by the Directors.
  3. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently;
  4. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria /conditions as mentioned under Act and on such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year;
  5. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus 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. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification;
  7. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee shall review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
    - a. Type, nature, material terms and particulars of the proposed transaction;
    - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
    - c. Tenure of the proposed transaction (particular tenure shall be specified);
    - d. Value of the proposed transaction;
    - e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
    - f. the transaction relates to any loans, inter-corporate deposits, advances or If investments made or given by the Company or its subsidiary:
      - 1) details of the source of funds in connection with the proposed transaction

- 2) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - 3) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - 4) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Any other relevant information or such information as may be required.
8. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis. In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

**b. Approval of Board of Directors under the Act**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, 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 recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

**c. Shareholders' approval requirements**

i) All material related party transactions and subsequent material modifications as defined in this policy or ii) Related Party Transactions not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, shall require *prior* approval of the shareholders through special resolution.

In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

The provisions of passing shareholders resolution, as required under Section 188 of Act shall not be applicable in case of 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;

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 Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

**F. Disclosures**

- a. The Annual Audited Financial Statements and Board's Report shall contain details of RPTs as required under applicable law and as may be guided by the regulatory authorities.
- b. This Policy shall be disclosed on the website of the Company.

Every contract or arrangement, which is required to be approved by the Board or the shareholders 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.

**G. Administrative Measures**

The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related party(ies) shall, irrespective of their level, be responsible for compliance with this Policy.

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