

**FINQUEST FINANCIAL SOLUTIONS PRIVATE LIMITED****POLICY ON RELATED PARTY TRANSACTIONS**

Finquest Financial Solutions Private Limited

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# POLICY ON RELATED PARTY TRANSACTIONS

## 1. Preamble:

Finquest Financial Solutions Pvt Ltd. (“the Company”) is registered as a Non-Banking Financial Company (NBFC) under the Reserve Bank of India (RBI) Act, 1934 and is a Non-Deposit Taking Systemically Important NBFC ( NDSI - NBFC). The Company is professionally managed having good corporate governance and internal control system in place.

The Board of Directors of the Company is aware that the Related Party Transactions (the RPTs) can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of the RPTs as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under as amended from time to time and the Guidelines on Corporate Governance issued by the Reserve Bank of India, the Board of Directors (the “Board”) of the Company has adopted the Policy on Related Party Transactions (“the RPT Policy”). The RPT Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time

The RPT Policy will guide the Company to effectively comply with the provisions of Companies Act, 2013, Accounting standards as issued by Institute of Chartered Accountants of India, the Income tax Act, 1961 and such other statutes as may be put in place (the statutory provisions), in relation to the Related Party Transactions.

The Board of Directors (“the Board”) of the Company understands the importance of stakeholders’ confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of the stakeholders, the Board of the Company, acting upon recommendation of its Audit Committee (the Committee), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

### **Objectives**

The provisions of the RPT Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the applicable statutory provisions in this regard.

## 2. Scope:

The RPT Policy shall be applied in:

1. Identifying related party(ies), updating and maintaining the database of such persons/entities;
2. Ascertaining that the transactions entered / to be entered with the related party(ies) is/are in 'ordinary course of business' and at 'arm's length basis';
3. Identifying related party(ies) transactions;
4. Obtaining required approvals before entering into any related party(ies) transactions;
5. -Determining the disclosures / compliances to be adhered in relation to the related party (ies) transactions.

## 3. Definitions:

- (1) **"Act"** means the Companies Act, 2013 (18 of 2013) as amended from time .
- (2) **"Arm's Length Transactions"** means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (3) **"Arm's Length Price"** means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions.
- (4) **"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.

Explanation—For the purposes of this clause, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

- (5) **"Key Managerial Personnel (KMP)"** means key managerial personnel as defined under the Companies Act, 2013 and includes
  - i. the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
  - ii. the Company Secretary;
  - iii. the Chief Financial Officer; and
  - iv. Such other person as may be specified as KMP from time to time.
- (6) **"Related Party"** means a party as defined in Section 2 (76) of the Act.
- (7) **"Related Party Transaction"** or "RPT" means transactions as given under clause(a) to (g) subsection (1) of section 188 of the Act and shall include:

- (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.

(The above is an indicative list and not an exhaustive one)

Explanation: A transaction with a Related Party shall be deemed to include single transaction or a group of transactions in a contract.

**(8) "Relative"**

In terms of Section 2(77) of the Act read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if:

"Relative" means relative as defined under Section 2(77) of the Companies Act, 2013 .A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- (a) Member of a Hindu undivided family;
- (b) Spouse;
- (c) Father (including step-father);
- (d) Mother (including step-mother);
- (e) Son (including step-son);
- (f) Son's wife;
- (g) Daughter;
- (h) Daughter's husband;
- (i) Brother (including step-brother); or
- (j) Sister (including step-sister).

**(9) "Ordinary Course of Business"** shall mean any matter which transpires as a matter of normal and incidental daily customs and practices in business and / or something which is done, as a matter of corporate historical practice, in the ordinary course of business and shall include:

- (a) transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum of Association of the Company,
- (b) transactions which are usually carried on by the Company,
- (c) transactions which has been done by the Company regularly in last Five (5) years,
- (d) transactions done with a Related Party on a similar basis as if a third party,

- (e) transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company.

#### **4. Identification of Related Party and Related Party Transactions:**

- If a Director, KMP wishes to enter into a Related Party Transaction with the Company involving either him/her or his/her Relative, shall give a notice to the Company along with all relevant details and documents.
- Notice of any Related Party Transactions referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed Related Party Transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.
- Every Director and KMP shall make an annual disclosure as required under Section 184(1) of the Act read with applicable rules made there under as maybe amended from time to time.
- Every Director and KMP shall also promptly intimate any change in the annual disclosures mentioned above.

#### **5. Review and Approval of the Related Party Transactions:**

##### **I. Approval of the Audit Committee:**

- (A) Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. While considering the Related Party Transactions, the following information shall be presented to the Audit Committee:
- (i) the name of the Related Party and the basis on which such person or entity is a Related Party;
  - (ii) the Related Party's interest in the transactions, including the Related Party's position or relationship with, or ownership of, any entity that has an interest in the transactions;
  - (iii) the approximate monetary value of the transactions of the Related Party's interest in the transactions;
  - (iv) general description of the transactions, including material terms and conditions, if any;
  - (v) in the case of a lease or other transactions, providing for periodic payments or installments, the aggregate amount of all periodic payments or installments to be made;
  - (vi) in the case of loan, the aggregate amount of loan and the rate/amount of interest payable on such loan;
  - (vii) in case of guarantees issued, the aggregate amount of guarantees and commission, if any, to be payable on such guarantees;

- (viii) an assessment of whether the transactions are on terms that are comparable with the terms available to unrelated parties or to the employees generally; and
- (ix) any other material information regarding the transactions or the Related Party's interest in the transactions.

The transactions shall be approved only if it is determined by the Audit Committee that such transactions are:

- (i) in the best interests of the Company and its shareholders;
- (ii) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated parties; and
- (iii) In the ordinary course of the business of the Company.

(B) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following guidelines:

- (a) The omnibus approval given by the Audit Committee shall specify:
  - i. the name/s of the Related Party (ies),
  - ii. nature of transaction/relationship,
  - iii. duration/ period of transaction,
  - iv. maximum amount of transaction that can be entered into,
  - v. the indicative base price/current contracted price and the formula for variation in the price if any,
  - vi. material terms of the contract with value, if any,
  - vii. Name of the Interested Party/Director/KMP/Relative,
  - viii. Brief particulars of the contract, and
  - ix. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where a need for Related Party Transaction cannot before seen and 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.

- (b) The omnibus approval shall be valid for a period of one (1) financial year and shall require fresh approval after expiry of such financial year.
- (c) Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.
- (d) In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party (ies).
- (e) Audit Committee shall review, on yearly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

- (C) Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall not be part of discussion and voting on the approval of the related party transaction.
- (D) Notwithstanding the foregoing, the following Related Party Transactions shall **not require approval of Audit Committee**:
- (1) Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
  - (2) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
  - (3) Transaction(s) as listed below undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:
    - (a) transaction(s) done in Ordinary Course of Business and on Arm's Length basis or at Arm's Length Price;
    - (b) receipt of remuneration by way of sitting fees;
    - (c) reimbursement of expenses for attending Board Meeting and / or Meetings of Committee of Directors;
    - (d) any profit related commission as approved by members.

In connection with any review of a Related Party (ies) Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, subject to compliance with the applicable legal provisions.

## **II. Approval of the Board of Directors:**

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider the matter at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

- A. The following Related Party (ies) Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:
- (1) Related Party (ies) Transactions referred by the Audit Committee;
  - (2) Related Party (ies) Transactions **not** on Arm's Length basis or at Arm's Length Price,
  - (3) Related Party (ies) Transactions **not** in the Ordinary Course of Business.

- B. The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
- (1) the name of the Related Party(ies) and nature of relationship;
  - (2) the nature, duration of the contract and particulars of the contract or arrangement;
  - (3) the material terms of the contract or arrangement including the value, if any;
  - (4) any advance paid or received for the contract or arrangement, if any;
  - (5) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
  - (6) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - (7) any other information relevant or important for the Board to take a decision on the proposed transaction in line with the applicable legal requirements.
- C. Any Director interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### III. Approval of the Shareholders:

- A. Any related party transaction which is not in the Ordinary Course of Business **and/or** not on Arm's Length Basis or at Arm's Length Price, **and/or** crosses prescribed threshold limit given in table below, as per the Act, such related party transaction shall require prior approval of the Shareholders.

Sr. No.	Transactions	Threshold Values
(i)	Sale, purchase or supply of any goods or materials	> 10% of the TO* of the Company or Rs. 100 crore, whichever is <b>lower</b> ;
(ii)	Selling or otherwise disposing of or buying property of any kind	>10% of the NW* of the Company or Rs.100 crore, whichever is <b>lower</b> ;
(iii)	Leasing of property of any kind	> 10% of NW* of the Company or 10% of TO* of the Company or Rs 100 crore, whichever is <b>lower</b> ;



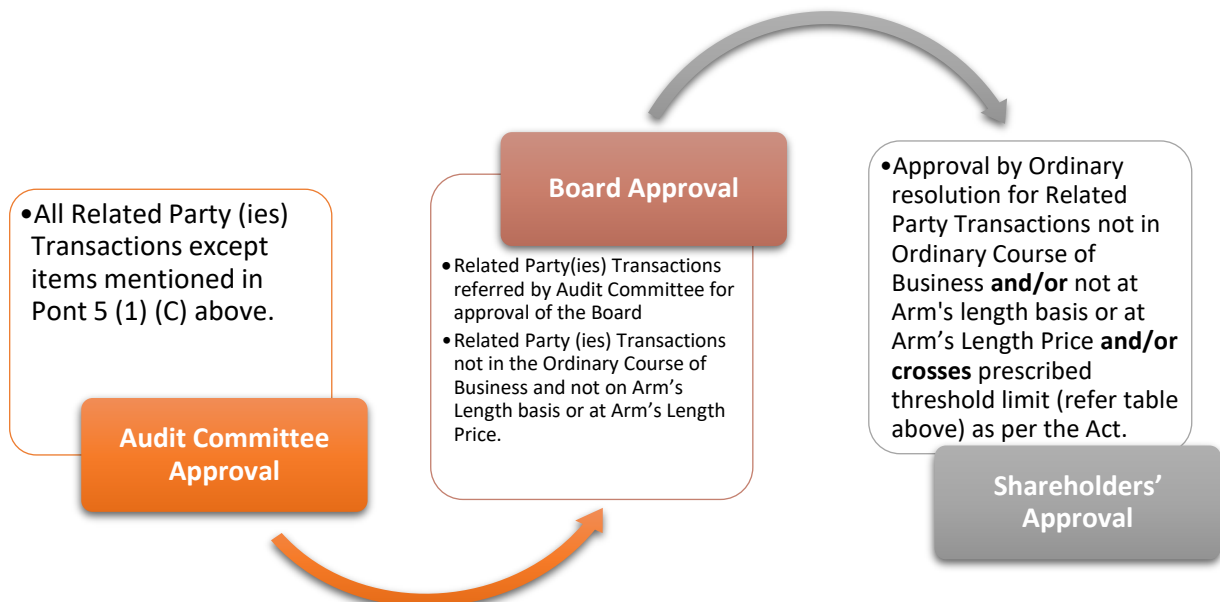
(iv)	Availing and rendering of any kind of services	>10% of the TO* of the Company or Rs.50 crore, whichever is <b>lower</b> ;
(v)	Appointment of any person in the office or any place of profit in the company, its subsidiary or associate company	at a monthly remuneration exceeding Rs. 2,50,000;
(vi)	Remuneration for underwriting of subscription of any securities or derivatives of the Company	>1% of NW of the Company.

\*TO – Turnover; NW – Net worth

B. The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars namely:

- (1) Name of the Related Party(ies)
- (2) Name of the Director or Key Managerial Personnel who is related, if any;
- (3) Nature of relationship;
- (4) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (5) Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval policy framework is given below:



## **6. Decision regarding transactions in ordinary course of business and at Arm's Length:**

The Audit Committee or the Board shall after considering the materials placed before them whether the transaction is in the Ordinary Course of Business and meets the Arm's Length Price requirements or not?

## **7. Related Party Transactions not approved under the RPT Policy:**

In the event the Company becomes aware of a transaction with a Related Party (ies) that has/have not been approved under 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 such Related Party (ies) Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party (ies) Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party(ies) Transaction to the Committee under this Policy and shall take any such action as it deems appropriate.

In case, where the Audit Committee determines not to ratify a Related Party (ies) Transaction that has/have been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of such transaction.

In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

## **Maintenance of the Registers**

The Company shall keep and maintain a Register, physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which the Policy applies. Every Director and the KMP shall, from time to time make the necessary disclosures to the Board, a period of 30 days of his appointment, or relinquishment of his office in other Companies/Firms/bodies corporate, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the Register maintained in this regard. The Register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Chief Financial Officer of the Company or any other person authorised by the Board for the purpose.

## **Disclosures**

Appropriate disclosures as required by the Act and Reserve Bank of India will be made in the Annual Financial Statements / the Board's Report i.e Annual Report of the Company

The RPT Policy will also be uploaded on the website of the Company and shall be disclosed in the Annual Report.

### **8. Policy Review:**

This Policy shall be reviewed by the Audit Committee every year, in order to align with the ongoing regulatory and business requirements or as and when any changes are to be made in the Policy. The policy as reviewed by the Audit Committee shall be placed before the Board for its approval.