



# **Capsave Finance Private Limited**

## **Related Party Transaction Policy**

Originally Adopted Date of Policy	November 15, 2021
Amended/Modified Date of Policy	May 30, 2022
Amended/Modified Date of Policy	May 22, 2023
Amended/Modified Date of Policy	August 14, 2023
Amended/Modified Date of Policy	August 22, 2024
Policy owner	Company Secretary
Review and recommended	Audit Committee
Approved by	Board of Directors of the Company
Version 1	Adoption of Policy
Version 2	Annual Review
Version 3	Review and adopted
Version 4	<ul style="list-style-type: none"> <li>• Applicability of Related Party Transaction Policy</li> </ul>
Version 5	Annual Review

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## 1. INTRODUCTION

Capsave Finance Private Limited (“CFPL”) is a Non-Deposit Accepting – Systemically Important Non-Banking Finance Company (“NBFC-ND-SI”) and is registered with the Reserve Bank of India (“RBI”).

Corporate Governance means the system of rules, practices and processes by which a company is administered and controlled. It involves balancing the interests of the various stakeholders of the company including shareholders, employees, customers and the community within which it operates. These corporate governance guidelines will help the Company in attaining its objectives/goals, since it encompasses every sphere of operations, management, action plans, internal controls and regulatory disclosure.

The Board of Directors (“Board”) of the Company, have adopted the Related Transaction Policy (“RPT Policy”) in compliance with the Companies Act, 2013 and pursuant to the Reserve Bank of India circular no. DNBR.PD.008/03.10.119/2016-17.

In order to comply with these requirements and as a good Corporate Governance practice, this policy on Related Party Transactions is adopted for implementation by the Board of Directors (the “Board”) of the Company.

## 2. SCOPE AND PURPOSE

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.

## 3. DEFINITIONS

“**Act**” shall mean 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 the transaction entered into between two Related Parties as if they were unrelated to avoid any conflict of interest, and the term ‘arm’s length’ shall be construed accordingly.

“**Audit Committee**” or “**Committee**” means the Audit Committee of the Company as constituted by the Board.

“**Board of Directors**” or “**Board**” shall means Board of Directors of the Company.

“**Company**” shall mean Capsave 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. Chief Financial Officer
- c. Company Secretary
- d. 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
- e. Such other officer as may be prescribed, from time to time

“**Material RPT**” means 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.

“**Relative**” shall mean the term as defined under relevant applicable section of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014.

“**Related Party**” shall mean a Related Party shall have the same meaning as defined under Section 2(76) of the Act and the Rules made thereunder and the applicable Accounting Standards.

As per Section 2(76) of the Act, Related Party with reference to a company means:

- (i) a director or his relative;
- (ii) a key managerial personnel 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) 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:

**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; or
- c) an investing company or the venturer of the company;"

**Provided** that nothing in sub-clauses (viii) shall apply to the transaction as mentioned under section 188 (1) (a to g);

“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**

Related Party Transaction means any contract or arrangement with a 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:

### **Relative**

In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014 a person is said to be a relative of another, if

- a) They are members of a Hindu undivided family;
- b) They are husband and wife;
- 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 Sister (including step-sister).

#### 4. APPLICABILITY

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”.

#### 5. APPROVAL OF RELATED PARTY TRANSACTION

##### (A) Audit Committee Approval

- Related Party Transactions shall be approved by the Audit Committee, as may be required in terms of the provisions of the Companies Act, 2013. To review a related party transaction which requires approval of the Audit Committee, the Audit Committee will be provided with all relevant material information to assist it in deciding whether or not to approve the transaction.
- The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.
- The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and at arm’s length subject to the following conditions:
  - a. The Audit Committee shall satisfy itself on the need for omnibus approval and whether such approval is in the interest of the Company;
  - b. Omnibus approval shall be valid for a period not exceeding 1 (One) financial year and shall require fresh approval after the expiry of such financial year;
  - c. The omnibus approval shall contain the name of the related party(ies), nature and duration of the transaction, maximum amount of transaction that can be entered into, the indicative base price or current contracted price and the formula for variation in the price, if any, and such other conditions, as the Audit Committee may deem fit;

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.

- d. Omnibus approval shall not be made for transactions in respect of –
  - i. Selling or disposing of the undertaking of the Company;
  - ii. Transactions which are not in the interest of the Company.
  - iii. Such other transactions specified under the applicable laws from time to time.
  - iv. Transactions which are not in the ordinary course of business or not at arm's length

- v. Transactions which are not repetitive or unforeseen in nature.
  - vi. Inter-corporate loans given / taken by the Company to / from related parties and purchase / sale of investments from / to related parties.
  - vii. Transactions in respect of sale or disposal of the undertaking of the Company.
  - viii. Any other transaction as may be specified by the Audit Committee.
- e. 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.
  - RPTs that do not require specific prior approval of the Audit Committee:
    - Any transaction that involves 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.
    - 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.
    - Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder

## **(B) Approval of Board of Directors and Shareholder**

Except in respect of transactions entered into by the Company in its ordinary course of business (other than transactions which are not on an arm's length basis), the Company shall not enter into any contract or arrangement with its Related Parties with respect to the matters specified in Section 188(1) of the Act, without the following prior approvals:

- (i) Approval of the Board of Directors given by way of a resolution at a meeting of the Board and subject to such conditions as may be prescribed by the Board; and
- (ii) Approval of the shareholders of the Company by ordinary resolution in case the contract or arrangement falls within the criteria specified as per Section 188(1) read with the Companies (Meetings of Board and its Powers) Rules, 2014.

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.



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.

However, Shareholders approval shall not be required for Material RPTs entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval.

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.

### **(C) Related Party Transactions Not Approved under this Policy**

In case of any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the 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.

In case of any contract or arrangement entered into by a director or any other employee, without obtaining the consent of the Board or approval by the Shareholder in the General Meeting under Section 188(1) of the Act and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

## **6. GOVERNANCE STRUCTURE**

### **1. Identification of Related Party Transactions**

Related Party Transactions are required to undergo a detailed analysis before arriving at a conclusion as to its impact as well as the course of action with regard to the approval requirements from the concerned bodies. The Companies Act, 2013 and Rules made thereunder have laid down procedures for dealing with Related Party Transactions.

In terms of Section 188 (1) of the Companies Act, 2013, the Company cannot enter into any contract or arrangement with a Related Party, without the consent of the Board with respect to the following contracts/ arrangements viz.

- 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.

In relation to the above, the expression "*office or place of profit*" has been explained to mean any office or place—

*(a) 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;*

*(b) 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.*

In terms of the third proviso to Section 188(1) of the Companies Act, 2013, the consent of the Board and the shareholders of the Company will not be required in case any of the aforementioned transactions entered into by the Company are in the ordinary course of business and on an arm's length basis.

The Related Party list shall be updated periodically and shall be reviewed at least once a year.

## **2. Ascertaining whether Related Party Transactions are on an Arm's Length Basis**

The tests for ascertaining arm's length relationship in case of contracts / arrangements that may be entered into by the Company with its related parties could be on the following lines:

- The contracts/ arrangements are entered into with related parties, at such prices/ discounts/premiums and on such terms which are offered to un-related parties of similar category/ profile, if available.
- The contracts/ arrangements have been commercially negotiated.
- The pricing is arrived at as per the guidelines that may be issued by the Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, Securities and Exchange Board of India as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, or Rules framed thereunder.
- The payments to group companies are made in the manner and at such rates prevalent in the market for similar category of goods and services and similar category/ profile of customers.

- Any modification to the original contract/ arrangements is substantially on the same price/discount/ premium and on such terms, as offered to un-related parties of similar category/ profile.

### **3. Ascertaining whether Related Party Transactions are in the Ordinary Course of Business of the Company**

(a) In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association or such other activities as may be permitted, from time to time by Reserve Bank of India, the principal regulator of the Company.

(b) The Company shall also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

(c) Further, whether the transaction value is within the reasonable range for similar types of other transactions will also be an important consideration. An exceptionally large value transaction should invite closer scrutiny.

(d) These are not exhaustive criteria and the Company will have to assess each transaction considering its specific nature and circumstances. In case of any confusion, final decision will be taken by the Managing Director.

## **7. DISCLOSURE**

Appropriate disclosures as required by the Act and Reserve Bank of India will be made in the Financial Statements and the Board's Report of the Company. This Policy shall be disclosed on the website of the Company.

## **8. REVIEW OF POLICY**

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.