

# CAPITAL FIRST LIMITED

| POLICY ON RELATED PARTY TRANSACTIONS |  |
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| Prepared By: SECRETARIAL DEPARTMENT  | Version : 2                            |
| Recommended By: AUDIT COMMITTEE      | Adopted Date : August 08, 2014         |
| Approved By: BOARD OF DIRECTORS      | Last Amendment Date: November 07, 2014 |

## 1. Preamble

This policy is framed in compliance with the requirements of section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

The Board of Directors (the “Board”) of Capital First Limited (the “Company” or “CFL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review / amend this policy as required from time to time.

## 2. Definitions

**“Audit Committee or Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 292A of the Companies Act, 1956 read with Section 177 of Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges as amended from time to time.

**“Arm’s length transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**“Board”** means Board of Directors of the Company

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes :

- (i) Managing Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds **ten percent of the annual consolidated turnover** of the company as per the last audited financial statements of the company.

**“Policy”** means Related Party Transaction Policy.

**“Related Parties”** shall have the same meaning as assigned to it in the Companies Act, 2013 and Clause 49 of the Listing Agreement, as amended from time to time.

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Relatives” shall mean such person as defined in section 2(77) of the Companies Act, 2013, as amended from time to time.**

### **Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

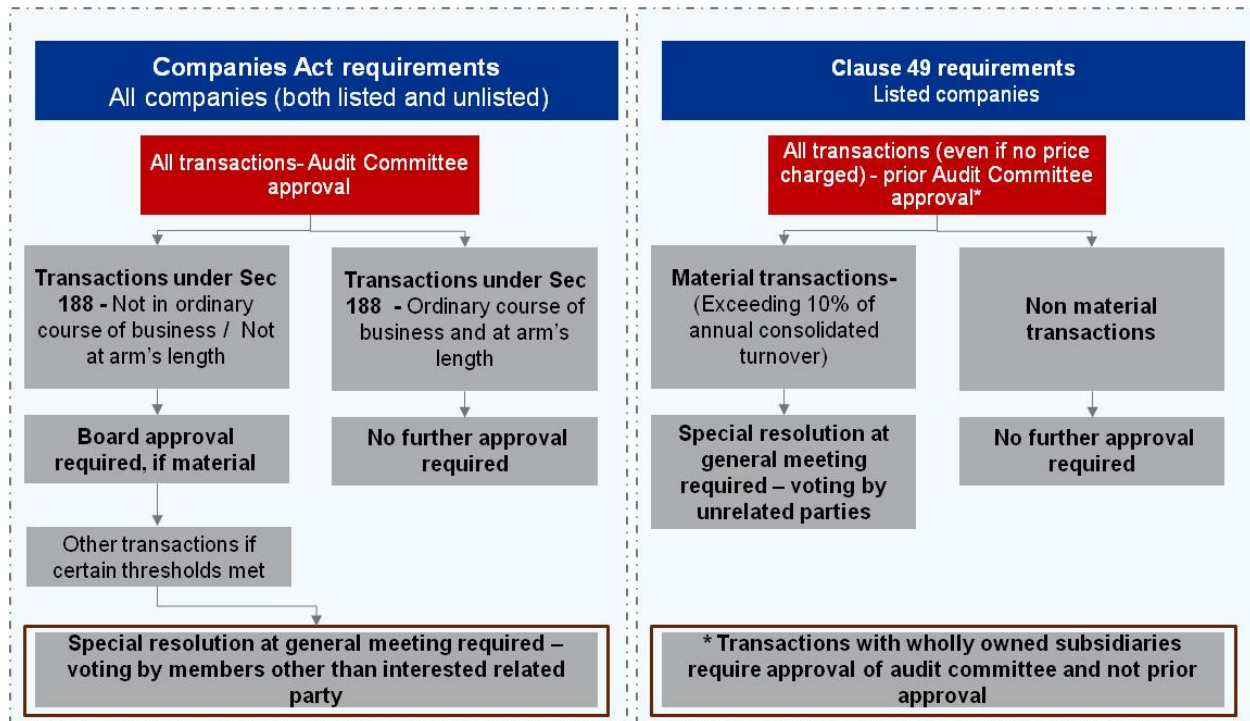
### **3. Identification of Potential Related Party Transactions**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with 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.

#### 4. APPROVALS

##### i. APPROVAL MATRIX



##### ii. AUDIT COMMITTEE APPROVAL

All Related Party Transactions shall require prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

1. The Audit Committee shall lay down the criteria 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.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

3. The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) 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, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

4. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

However prior audit committee approval and special shareholder resolution will not be required for transactions entered into by Capital First Limited (CFL) with its wholly owned subsidiary whose accounts are consolidated with CFL and placed before the shareholders at the general meeting for approval.

### iii. **BOARD APPROVAL**

The Related Party Transactions provided under section 188 of Companies Act, 2013 which are not in Ordinary Course of Business or on Arms Length Basis needs to be placed before the Board of Directors for their approval.

### iv. **SHAREHOLDERS APPROVAL:**

#### **COMPANIES ACT 2013**

The following transactions which are not in the ordinary course and arm's length and which triggers the thresholds as provided in The Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time, require resolution by Board & prior approval of shareholders by way of special resolution:

- sale, purchase or supply of any goods or materials
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind

- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company
- underwriting the subscription of any securities or derivatives thereof, of the Company

#### **LISTING AGREEMENT**

Under Listing Agreement if the related party transactions (whether at arm's length or not) is material then the same needs to be approved through special resolution by shareholders at General Meeting. The related parties shall abstain from voting on such resolutions. However, if the transaction is with wholly owned subsidiary, the aforesaid approval through special resolution is not required.

#### **5. REVIEW AND APPROVAL MECHANISM OF RELATED PARTY TRANSACTIONS**

The Credit Policy department of the Company shall track the names of the related parties before initiating any lending activity. If the Credit Policy department finds any names which are similar to the name provided in related party list then the same shall be intimated to the Company Secretary of the Company. The Company Secretary in turn shall check the same and revert if the said names are of the Related Parties or not.

Related Party Transaction will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee may be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arms 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 and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then 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.

## **6. APPROVAL BY CIRCULAR RESOLUTION OF THE AUDIT COMMITTEE**

The Related Party Transaction may be approved by the Audit Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

## **7. EXEMPTIONS TO RELATED PARTY TRANSACTIONS**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee\ Board or Shareholders:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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.
- ii. 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.

## **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

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 matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

## **9. VOTING RIGHTS**

The Related Party shall abstain from discussions in the Audit Committee or Board Meeting where the related transaction is being discussed

The Related Parties shall abstain from voting at the General Meeting where the Related Party Transaction is placed before the members for approval.

## **10. REPORTING**

Particulars of related party transactions shall be disclosed in the manner provided in the Companies Act, 2013 and Clause 49 of Listing Agreement as amended from time to time.