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FULLERTON INDIA CREDIT COMPANY LTD

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## Related Party Transactions Policy

<b>Policy Title</b>	Related Party Transactions Policy
<b>Policy Owner</b>	Compliance
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<b>Reviewed by External Consultant</b>	Vinod Kothari & Co
<b>Approved by</b>	Board of Directors

Level	Name	Designation	Date & Sign
Recommended by	Rajashree Nambiar	MD and CEO	<i>Rajashree Nambiar</i> 8/3/19
Reviewed by	Pankaj Malik	Chief Financial Officer & Company Secretary	<i>Pankaj Malik</i>
Reviewed by	Sunil Kaw	GM, Risk	<i>Sunil Kaw</i>
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## 1. Background

The Reserve Bank of India (RBI), as part of their Master Directions – Non Banking Financial Company – Systematically Important Non Deposit taking Company & Deposit taking Company (Reserve Bank) Directions 2016 require the NBFCs to disclose the

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

Accordingly, this policy, known as “FICCL RPT Policy” (the Policy) is being put in place with the approval of Board.

## 2. Definitions

Related Party:

Under this Policy, the term ‘Related Party’ shall mean all persons/entities mentioned in Sec 2(76) of Companies Act, 2013 (Act, 2013) read with Rule 3 of Companies (Specification of Definition Details) Rules, 2014 as well as SEBI Regulations and, include the following:

- a director or his relative;
- a key managerial personnel or his relative;
- a firm, in which a director, manager or his relative is a partner;
- a private company in which a director or manager or his relative is a member or director;
- 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;
- anybody 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 other than advice, directions or instructions given in a professional capacity;
- any person on whose advice, directions or instructions a director or manager is accustomed to act other than advice, directions or instructions given in a professional capacity;
- any person belonging to the promoter or promoter group and holding 20% or more of shareholding
- any company which is:
  - a holding, subsidiary or an associate company (>20% or control of business decisions under an agreement) of such company; or
  - a subsidiary of a holding company to which it is also a subsidiary;

- an investing company or the venture of the company, whose investment in the company would result in the company becoming an associate company of the investing or venture company
- a director (other than an independent director) or key managerial personnel of the holding company or his relative with reference to a company.

**Relative:**

Under this policy, the term 'Relative' would have the same meaning as defined under Sec 2(77) of the Companies Act, 2013 read with Rule 4 of Companies (Specification of Definition Details) Rules, 2014. Hence, the following would be considered relatives of an individual:

- Members of Hindu undivided family
- Husband or wife
- Father (including step-father)
- Mother (including step-mother)
- Daughter
- Daughter's husband
- Son (including step-son)
- Son's wife
- Brother (including step-brother)
- Sister (including step-sister)

**Related Party Transaction (RPT):**

Under this Policy, the RPT would have the same meaning as per section 188 of Act, 2013 i.e. any contract or arrangement with a Related party with respect to:

- 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; and
- Underwriting the subscription of any securities or derivatives thereof, of the company.

**Turnover:**

The gross amount of revenue recognized in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.

**Net Worth:**

The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

All words and expressions used herein, unless defined herein, shall have the same meaning as respectively assigned to them under the Companies Act, 2013 and Rules framed thereunder or any other applicable law.

**3. Powers and approval process to undertake RPTs**

No transaction would be entered into with any Related Party, beyond the Single Borrower Limits prescribed by the RBI through Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016

Any RPT would go through the approval process as laid down by Sec 188 of Companies Act, 2013 as briefly summarized below but not limited to the summary:

- Transactions that are entered into in the ordinary course of business, and on arms' length basis would be approved by the Audit Committee of the Board.
  - i. in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:
  - ii. Requirement of approval of Audit Committee shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.
  - iii. Any transaction that involves providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, 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.
  - iv. Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party.
  - v. Any transaction in which the Related Party's interest arises solely by way of ownership of securities issued by the Company and all holders of such securities

receive the same benefits pro rata as the Related Party, or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.

- vi. Recurring transactions flowing out of a principal transaction or arrangement for which the Audit Committee has granted its omnibus approval.
  - vii. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.
- Transactions, which are either not in the ordinary course of business or not on arm's length basis, would need the prior approval at the Meeting of the Board in addition to approval by Audit Committee.
  - The Audit Committee may make omnibus approval in accordance with the provisions of Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 for RPTs which are of repetitive/regular nature proposed to be entered into by the Company;
  - in case 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 authorized by any other director, the director concerned shall indemnify the company against any loss incurred by it
  - The following transactions would require a prior approval of the Company by way of an ordinary resolution as required under section 188 of Act, 2013. All the related parties shall abstain for voting except where ninety per cent or more members, in number, are relatives of promoters or are related parties.
    - i. Sale, purchase or supply of any goods or materials (directly or through agent) exceeding 10% of Turnover or Rs. 100 crores, whichever is lower;
    - ii. Selling or otherwise disposing of, or buying property of any kind (directly or through agent) exceeding 10% of Net Worth of the Company or Rs. 100 crores, whichever is lower;
    - iii. Leasing of property of any kind exceeding 10% of Net Worth of the Company or 10% of Turnover of the Company or Rs. 100 crores, whichever is lower;
    - iv. Availing or rendering of any services (directly or through agent) exceeding 10% of Turnover of the Company or Rs. 50 crores, whichever is lower.
    - v. Appointment to any office or place of profit in the Company, its subsidiary company or associate company with remuneration exceeding Rs.2,50,000 per month.
    - vi. Underwriting the subscription of any securities of the company or derivatives thereof with remuneration exceeding 1% of Net Worth.

- The Limits specified in (i) to (vi) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The Turnover or Net Worth shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

In the 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.

#### 4. Disclosures related to RPT

- This Policy would be placed at the Company's website and would also form part of the annual report.
- The particulars of RPTs would form part of the Board's Report prepared in compliance and requirement of section 134(3) of the Companies Act, 2013.
- Details of Related Parties and RPTs should be recorded in MBP-4 Part A and B respectively.

#### 5. Exceptions

- Loans/ security or guarantee to following are prohibited:
  - (a) any director of company, or of a company which is its holding company or any partner or relative of any such director; or
  - (b) any firm in which any such director or relative is a partner.

To others, loan/security or guarantee may be given subject to compliance of Section 185 of Companies Act 2013.

#### 6. Review

This policy would be effective from the date of approval by the Board and would be subject to amendments in accordance with Regulations, Rules, Circulars, Notifications, etc. as may be issued by regulatory authorities, from time to time. In case of any inconsistency of the provisions of this Policy with any amendments, circulars, clarifications issued by relevant authorities, then such amendments shall prevail upon the provisions of this Policy and this Policy shall accordingly stand amended from the effective date.



This Policy should be reviewed and if there are any amendments in the regulatory guidelines and the revised policy should be staged for Board's Approval in the subsequent Board Meeting post the amendments are notified by the regulator.

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