



**RELATED PARTY TRANSACTION POLICY
OF
FINCFRIENDS PRIVATE LIMITED**

Version 1.0

**Approved by the Board of Directors of
Fincfriends Private Limited
On
12th November 2024**

Sd/-

**Artem Andreev
Chief Executive Officer**

RELATED PARTY TRANSACTION POLICY	
Effective Date	30/08/2024
Version	1.0
Prepared By	Compliance department
Approved By	Board of Directors

Preamble

Fincfriends Private Limited (the “Company”) is required to disclose transactions between the Company and Related Parties each year in the Financial Statements and in the Boards’ Report along with the justification for entering into such transactions.

Accordingly, the Company has formulated this policy on Related Party Transactions to define the rules and procedures for seeking requisite approvals before entering into any related party transactions.

The objective of this policy is to regulate transactions between the Company and its related parties based on the laws and regulations applicable on the Company. All Related Party Transactions, as that term is defined in this policy, shall be subject to review /approval/ratification in accordance with the procedures set forth below in order to ensure the transparency and procedural fairness of such transactions.

Regulatory Context

The Policy takes into account regulatory documents published by regulatory bodies, as and when become applicable, in particular:

- Section 2(76) of the Companies Act, 2013,
- Section 188 of the Companies Act, 2013, read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014
- Section 184 of the Companies Act, 2013, read with Rule 9 of the Companies (Meeting of Board and its Powers) Rules, 2014
- Section 177 of the Companies Act, 2013 read with Rule 6A of the Companies (Appointment and Qualification of Directors) Rules, 2014
- AS 18 of the Accounting Standards
- Scale Based Regulations issued by Reserve Bank of India
- Guidelines issued by Reserve Bank of India on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs
- Guidelines issued by Reserve Bank of India on outsourcing of Information Technology Services for the NBFCs

Definitions

- a. “Act” shall mean the Companies Act, 2013 and includes any amendment thereof.
- b. “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 or vested interest in that transaction.
- c. “Board” means Board of Directors of the Company.
- d. “The Company” means Fincfriends Private Limited

- e. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;
- f. “Committee” means the Audit Committee of the Company.
- g. “Associate Company”, means any company in which the Company controls at least twenty per cent of total share capital or of business decision under an agreement, but which is not a subsidiary of the Company but includes a Joint Venture Company.
- h. “Policy” means Related Party Transaction Policy.
- i. “Relatives” mean such person as defined in Section 2(77) of the Companies Act 2013, as amended from time to time.
- j. “Significant Influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and RBI Master Directions as amended from time to time.

Related Party

As per the provisions 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 2% 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. ¹any 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;

¹In case of private company - Sub-clause (viii) of clause 76 of Section 2, shall not apply vide exemption granted by MCA vide notification dated June 5, 2015.

Explanation: For the purpose of this clause, “the investing company or the venture of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix. such other person as may be prescribed by the Government.

Further, as per AS-18, -

- i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii. associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- iii. individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv. key management personnel and relatives of such personnel; and
- v. enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

In the context of above, the following are deemed not to be related parties:

- i. two companies simply because they have a director in common, notwithstanding clause (iv) or (v) above (unless the director is able to affect the policies of both companies in their mutual dealings);
- ii. a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- iii. the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
 - a. providers of finance;
 - b. trade unions;
 - c. public utilities;
 - d. government departments and government agencies including government sponsored bodies.

Related Party Transactions

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

a related party shall be construed to include single transaction or a group of transactions in a contract.

Ordinary Course of Business:

Ordinary Course of business means the transactions, customs and practices undertaken by the Company to conduct its business operations and activities (including activities which the as per its Memorandum and Articles of Association) and all the transactions in which the company regularly deals and repeatedly enters into for the purpose of its business, or the transaction is necessary, normal and incidental to business.

The assessment of whether a transaction is in ordinary course of business is very subjective, judgmental and can vary on case-to-case basis giving consideration to the nature of business and objects of the entity.

²Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- a. Whether the activity is covered in the objects clause of the Memorandum of Association
- b. Whether the activity is in furtherance of the business
- c. Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.)
- d. Whether the activity is repetitive/ frequent
- e. Whether the income, if any, earned from such activity/ transaction is treated as business income in the company's books of account
- f. Whether the transactions are common in the particular industry
- g. Whether there is any historical practice to conduct such activities business
- h. Revenue generated by the activity
- i. Resources committed to the activity.

These are not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

Identification of Related Parties and Process for entering into a Related Party Transaction

The following process shall be followed to ensure all related parties are identified in order to obtain the requisite approvals for any transactions with such related parties:

- 1) Every director shall at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year, or

²*Guidance Note on Related party Transactions issued by the Institute of Company Secretaries of India on March 2019*

whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, shall disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals, including his shareholding, in Form MBP-1 "Notice of Interest by Director" pursuant to Section 184(1) and Rule 9 of the Companies (Meeting of Board and its Powers) Rules, 2014 and also declare whether the Board of Directors, managing director or manager of any other body corporate is accustomed to act in accordance with his/her advice, directions or instructions (given otherwise than in a professional capacity).

- 2) Every Director shall also furnish declaration in relation to their relatives, their relatives' interest/concern in firms, interest/shareholding/directorships in private companies and public companies.
- 3) Every senior management officer means and includes the Board and Chief Executive Officer of the Company; (shall disclose his interests/ concern in other entities as well as the interest/ shareholding/ directorships of his/ her relatives and entities over which they are able to exercise significant influence etc to the Company immediately upon joining the Company or as soon as such interest or concern occurs.
- 4) Group Companies are identified for each & every transaction as per the definition given in the Companies Act, 2013 and AS-18 if any.

The Company strongly prefers to receive such declarations/ notice of any potential Related Party Transaction well in advance so that the Board has adequate time to obtain and review information about the proposed transaction. The above declarations shall be collated and maintained by the Company Secretary. Further, the declarations so collated shall be revisited on a time to time basis to add, remove and modify the name of the identified related party.

On the basis of declaration received as detailed above, Compliance Department shall maintain a database of Company's Related Parties. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.

Process for entering into a Related Party Transaction

Transactions with Related Parties shall generally be in the form of agreements which would define the terms governing individual transactions / work orders / purchase orders (Sub-transactions) to be undertaken under the agreement.

The Company will:

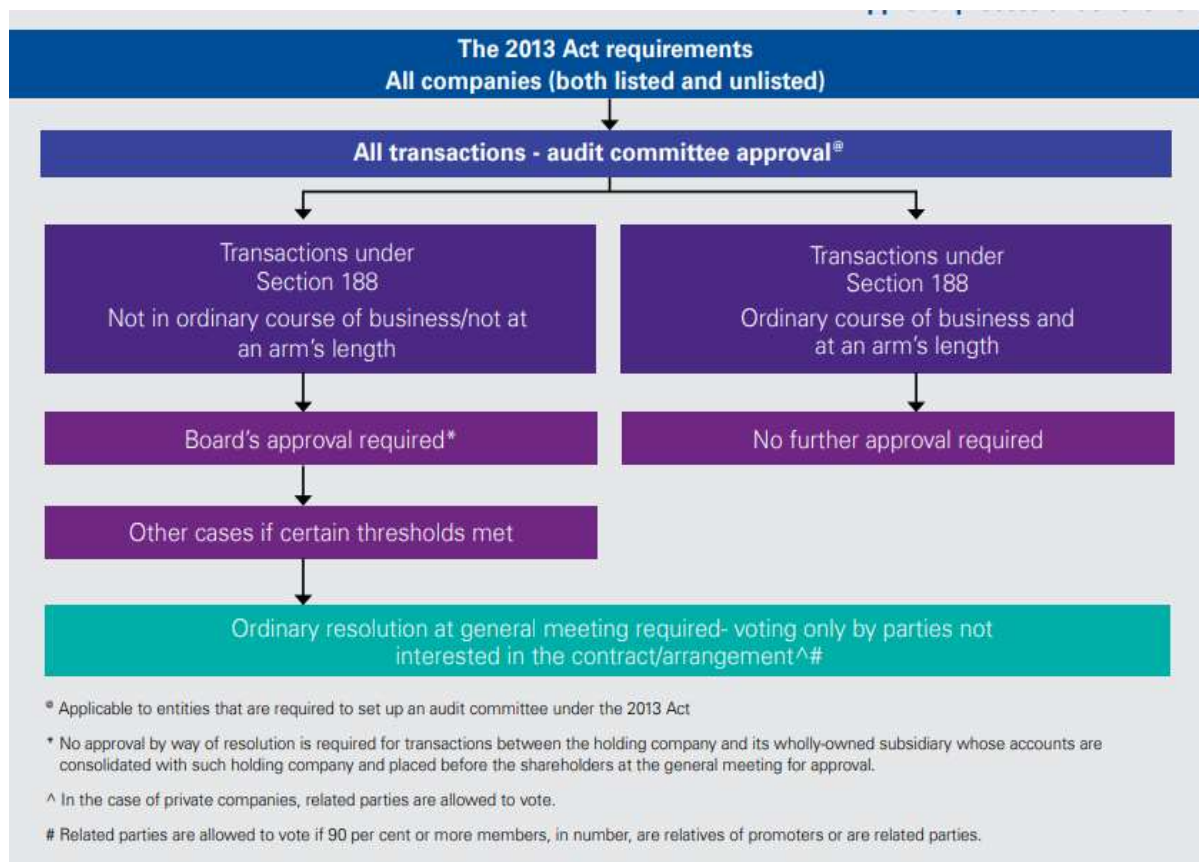
- a. identify the transactions with Related Parties;
- b. perform tests to determine whether the transaction is in the ordinary course of business operations or otherwise;

- c. for transaction with group companies, before entering into any transaction, an independent view from a third party is sought for the arm's length pricing of the transaction.
- d. review the commercial terms/ agreement involved in the transaction and analyze whether the transaction is at 'arm's length' as if the party is unrelated;
- e. determine the approval requirements applicable to the transaction in accordance with this Policy and applicable laws;
- f. prepare and maintain relevant documentation supporting the basis of its assessment;
- g. present the required details to the Audit Committee/ Board or Shareholders for approvals as required;
- h. execute agreement once the approvals are obtained, if required.
- i. Transfer pricing audit by an independent auditor is done at the year-end for all the related party transactions, including for group companies, held during the year.
- j. if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.

Approval Matrix for Related Party Transaction

Audit Committee Approval (if constituted)³	Board Approval	Shareholders' Approval
All Related Party Transactions be approved vide a resolution or covered under the Omnibus approval mechanism.	<ul style="list-style-type: none"> • Related Party Transactions referred by Audit Committee for approval of the Board. • Related Party Transactions, to be approved by the Board, as required under the applicable Law / Regulations applicable to the Company. • Related Party Transactions requiring shareholders' approval 	Related Party Transactions not in Ordinary Course of Business or not on Arm's length basis or crosses threshold limit as prescribed under the Act / Regulations applicable to the Company

³ As per section 177 of the Companies Act, 2013, The Board of Directors of every listed public company and such other class or classes of companies, as may be prescribed, shall constitute an Audit Committee. However, as per Scale Based Regulations of RBI, every NBFC under Middle Layer is required to constitute Audit Committee as per Section 177 of the Act. Therefore, until Audit Committee is constituted, role of Audit Committee may be performed by Board itself.



Approval of the Audit Committee:

Where the Board has constituted Audit Committee, all related party transactions shall require approval of the Audit Committee even if the transaction and/or subsequent modifications thereto is in the ordinary course of business and at arm's length price. Where the Board has not constituted Audit Committee, all related party transactions shall require approval of the Board.

The Board/ Audit Committee may also grant omnibus approval for related party transaction proposed to be entered into by the Company subject to fulfilment of the following conditions:

- a) Fulfilment of the criteria laid in the Rule 6A of the Companies (Meetings of Board and its Powers) Rules 2015 read with Section 177(4) of the Act and such other criteria as the Committee may deem fit.
- b) The Board/ Audit Committee shall satisfy itself the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
- c) transactions put up for omnibus approval shall specify/ disclose (i) the name/s of the related party, nature of transaction, period of transaction, maximum value of transaction that can be entered into, aggregate value of such transactions, (ii) the

indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other information as the Board/ Audit Committee may deem fit.

- d) Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Board/ Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.
- e) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- f) omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- g) In case of transaction, other than transactions referred to in Section 188 of the Act, Audit Committee shall make its recommendations to the Board for obtaining approval.
- h) In case any transaction involving any amount not exceeding INR 1,00,00,000 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.
- i) Any other conditions as the Board/ Audit Committee may deem fit.

The Board/ Audit Committee shall review on periodic basis, the details of related party transaction entered into by the Company pursuant to each of the omnibus approval given.

4. Approval of the Board:

The following related party transactions shall be entered into and acted upon by the Company, only after such approval is accorded by the Board and subject to such conditions as may be prescribed:

- (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:

Any related party transaction mentioned in Section 188 of the Act which is not in the ordinary course of business and/or not on arm's length basis will require Board approval.

Prior approval of the Board of directors and shareholders is not required when such related party transaction is in the ordinary course of its business and on an arm's length basis.

Any director of the Company who is concerned or interested in a contract or arrangement, shall in terms of the provisions of the Act, disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed.

Approval of Shareholders

Subject to the provisions of Sec 188 of the Act read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, the Company shall take necessary approvals from the shareholders while entering into the related party transactions in case the value of the transactions exceeds the limits as prescribed under the provisions of the Act as mentioned below.

Transaction	Threshold limit⁴
(a) sale, purchase, or supply of any goods or materials.	(a) 10% or more of the turnover of the company.
(b) selling or otherwise disposing of or buying property of any kind, directly or through the appointment of an agent.	(b) 10% or more of the turnover of the company.
(c) leasing of any kind of property.	(c) 10% or more of the turnover of the company.
(d) availing or rendering of any services, directly or through the appointment of an agent.	(d) 10% or more of the turnover of the company.
(e) appointment to any office or place of profit in the company, its subsidiary company or associate company.	(e) Monthly remuneration exceeding two and a half lakh rupee.
(f) underwriting the subscription of any securities or derivatives.	(f) one percent of the net worth of the company.

The related party in the context to the contract or arrangement, are allowed to vote on such resolution wherever the approval of the shareholders are required.

Disclosure of Related Party Transactions:

⁴The turnover or net worth referred in the above shall be computed on the basis of the audited financial statement of the preceding financial year.

a) As per the Act:

- Pursuant to Section 134(4) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, every Contract or arrangement entered with Related Parties in accordance with Section 188(1) of the Act shall be disclosed in the Board's Report along with the justification for entering into such contract or arrangements in Form AOC - 2.
- In terms of Section 178(8) of the Act, where the Board has not accepted any recommendation of the Audit Committee, the same shall be disclosed in the Boards' report with reason thereof.
- Pursuant to Section 188 of the Companies Act, 2013 the Management shall present to the Board and Shareholders of the Company the information, to the extent relevant, with respect to the Related Party Transactions for their approval:
 - 1) the name of the related party and nature of relationship;
 - 2) the nature, duration of the contract and particulars of the contract or arrangement.
 - 3) name of the director or key managerial personnel who is related, if any;
 - 4) the material terms of the contract or arrangement including the value, if any;
 - 5) any advance paid or received for the contract or arrangement, if any;
 - 6) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - 7) 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
 - 8) amounts written off or written back in the period in respect of debts due from or to related parties
 - 9) amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - 10) any other information relevant or important for the Board to take a decision on the proposed transaction

b) As per the Accounting Standard AS-18:

In terms of AS 18, the following disclosures are required to be made in the financial statements:

- i. Disclose the transactions with the directors or similar key management personnel of an enterprise, especially their remuneration and borrowings
- ii. Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.

- iii. Disclose if the reporting enterprise controls or is controlled by another party and explain the relevance of control relationships to financial statement users
- iv. Disclose the information as mentioned above as per Section 188 of the Companies Act, 2013

c) As per the Scale Based Regulations:

Related Party Items	Parent (as per ownership or control)		Subsidiaries		Associates/ Joint ventures		KMP@		Relatives of KMP		Others*		Total	
	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year	Current year	Previous year
Borrowings#														
Deposits#														
Placement of deposits#														
Advances#														
Investments#														
Purchase of fixed/other assets														
Sale of fixed/ other assets														
Interest paid														
Interest received														
Others*														

(Source: RBI circular on Disclosures in Financial Statements – Notes to Accounts of NBFCs, dated 19 April 2022)

Exemption from approval:

Notwithstanding the foregoing, the following transactions shall not require approval of Board or Shareholders:

- 1) Any transaction that involves the providing of reimbursements or advances to a director or KMP to meet expenditure in the course of his or her duties as such Director or KMP of the Company;
- 2) Any remuneration paid to a director or KMP as per the policy of the Company and/or under the provisions of the Act;
- 3) Sitting fees paid to director(s) in terms of the provisions of the Act;
- 4) Any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis
- 5) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Outsourcing of Financial and IT Services to Related Parties:

The Company shall be adhered to the applicable guidelines issued by RBI on outsourcing of financial services and IT services to the related parties, time to time.

Before entering into such arrangements with group entities, the Company shall have a Board approved policy (outsourcing policy) and also service level agreements/arrangements with their group entities. Moreover, the customers shall be informed specifically about the company which is actually offering the product/ service, wherever there are multiple group entities involved or any cross selling observed.

While entering into such arrangements, the Company shall ensure that these:

- i. are appropriately documented in written agreements with details like scope of services, charges for the services and maintaining confidentiality of the customer's data;
- ii. do not lead to any confusion to the customers on whose products/services they are availing by clear physical demarcation of the space where the activities of the NBFC and those of its other group entities are undertaken;
- iii. do not compromise the ability to identify and manage risk of the NBFC on a standalone basis;
- iv. do not prevent the Reserve Bank from being able to obtain information required for the supervision of the NBFC or pertaining to the group as a whole; and
- v. incorporate a clause under the written agreements that there is a clear obligation for any service provider to comply with directions given by the Reserve Bank in relation to the activities of the NBFC.

The Company shall ensure that their ability to carry out their operations in a sound fashion would not be affected, if premises or other services (such as IT systems, support staff) provided by the group entities become unavailable.

Exceptions:

- a) In the event the Company becomes aware of a transaction exceeding INR 1,00,00,000 with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee/Board. The Audit Committee/Board shall consider all of the relevant facts and circumstances regarding the RPTs, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee/Board shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Audit Committee/Board under this Policy and shall take any such action it deems appropriate.
- b) In any case, where the Audit Committee/Board determines not to ratify a RPT that has been commenced without approval, the Audit Committee/Board, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of a RPT, the Audit Committee/Board shall have the authority to modify or waive any procedural requirements of this Policy.

Review of policy:

The Policy shall be reviewed on periodic basis. Consequent upon any changes in regulatory guidelines, such change shall be deemed to be a part of the policy until the policy is reviewed and approved next time.

The Policy on Related Party Transactions shall be amended or modified with approval of the Board.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.