

# RELATED PARTY TRANSACTIONS- POLICY & PROCEDURES, 2014

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## PREAMBLE

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

It is the policy of the Board of Directors (the “Board”) of KIFS Financial Services Limited (the “Company” or “KFSL”), that 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. The Board has determined that the Audit Committee (the “Committee”) shall review, approve and ratify all Related Party Transactions.

## 1. LEGAL FRAMEWORK

This Policy is framed to comply with the requirements of section 188 of the Companies Act, 2013 and Rules made there under as well as clause 49 of the Listing Agreement entered into by the Company with Bombay Stock Exchange Ltd. (BSE).

Securities and Exchange Board of India (“SEBI”) vide circular No. CIR/ CFD/ POLICY CELL/2/2014 dated 17<sup>th</sup> April, 2014 read with circular No. CIR/CFD/POLICY CELL/7/2014 dated 15<sup>th</sup> September, 2014 has amended clause 49 of the Listing Agreement whereby in terms of Clause 49 VII C, it is mandatory for the listed entities to formulate a policy on materiality of Related Party Transactions and also dealing with Related Party Transactions.

Accordingly, this policy is formulated to regulate transactions between the KFSL and its Related Parties to give effect to prescriptions made in following legislations:

- a) Clause 49 of the Listing Agreement for Equity entered into with BSE.
- b) Applicable Regulations, Circulars, Notification, Guidelines etc. of Reserve Bank of India and Securities and Exchange Board of India.
- c) The Companies Act, 2013, Rules & Regulations made, Circulars and Guidelines issued there under
- d) The Companies (Meeting of Board and its Powers) Rules, 2014

## 2. SCOPE OF APPLICATION

This policy shall come into force with effect from 1<sup>st</sup> October, 2014 and shall be applicable to transactions made with:

- (a) Board of Directors & their Relatives;
- (b) Key Managerial Personnel (KMP) & their Relatives; and
- (c) Related Parties, as defined hereinafter.

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### 3. OBJECTIVE

This policy is intended to ensure proper approval and reporting of transactions between KFSL and any of its related party/ies in the best interest of KFSL and its Stakeholders. The Policy aims at addressing issues of conflict of interest which might arise in dealing between KFSL, KMPs and its Related Parties.

A conflict of interest arises when an individual's personal interests, or those of an Immediate Family Member (defined below), improperly interfere, or appear to interfere, with the interests of the Company. Pursuant to the provisions of Clause 49 of the Listing Agreement, the Company must disclose certain transactions with its related persons. Under Section – 188 of the Act, certain transactions between the Company and its Directors and/ or KMPs must be approved by the Company's Board or a duly authorized committee of the Board. The Audit Committee is responsible for reviewing the independence of each director/ KMPs and the appropriateness of any potential Related Party Transactions.

### 4. DEFINITIONS

" Act"	Act means the Companies Act, 2013 and includes any statutory modification or re-enactment thereof for the time being in force.
"Accounting Standards or AS 18"	AS 18 means Accounting standard 18 issued by Institute of Chartered Accountants of India or such applicable Accounting Standard as recommended by the Institute of Chartered Accountants of India in consultation with and after examination of the recommendations made by the National Financial Reporting Authority and as prescribed by the Central Government.
"Arm's length transaction"	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 and as defined in Section 188 of the Act.
"Associate Company"	Associate Company means a company in which KFSL has a significant influence, but which is not a subsidiary company of KFSL and includes a joint venture company.  Explanation.—"significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.
"Audit Committee of Board or Committee"	Audit Committee means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013 and named as such.
"Board of Directors" or "Board"	Means the collective body of the Directors of the Company.

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<p>“Control”</p>	<p>Control means the right or the ability 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.</p> <p><b>Provided</b> that a director or officer of the company shall not be considered to be in control over such target company, merely by virtue of holding such position</p>
<p>“Key Managerial Personnel” (“KMP”)</p>	<p>Key Managerial Personnel shall mean the following whole-time key managerial personnel of the Company as defined under the Act:</p> <ul style="list-style-type: none"> <li>▪ Chairman and Managing Director</li> <li>▪ Whole-time Director</li> <li>▪ Chief Executive Officer (CEO)</li> <li>▪ Chief Financial Officer (CFO)</li> <li>▪ Company Secretary</li> </ul>
<p>“Office or place of profit”</p>	<p>“Office or place of profit” means any office or place –</p> <ol style="list-style-type: none"> <li>i. 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;</li> <li>ii. 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.</li> </ol>
<p>“Related Party Transaction Policy or Policy”</p>	<p>“Related Party Transaction Policy or Policy” means this policy duly approved by Board and includes any amendment or modification thereof.</p>
<p>“Related Party Transaction”</p>	<p>A “Related Party Transaction” would mean a transaction as defined under the Act, Clause – 49 (VII) (A) of Listing Agreement and AS 18 and includes a transaction which involves a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged.</p> <p>Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.</p>
<p>“Material Related Party Transaction”</p>	<p>A transaction with a related party shall be considered <b>Material</b> if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed ten percent of the annual consolidated turnover equivalent of the Company as per the last audited financial statements of the Company.</p>

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“Related Party”	<p>Related Party means related party as defined under Clause 49 (VII) (B) of the Listing Agreement which is as follows:</p> <p>an entity shall be considered as related to the company if:</p> <ol style="list-style-type: none"> <li>i. such entity is a related party under Section 2(76) of the Companies Act, 2013; or</li> <li>ii. (ii) such entity is a related party under the applicable accounting standards."</li> </ol>
“Relative”	<p>Relative means relative as defined under the Companies Act, 2013, read with Rule 4 of Companies (specification of definitions details) Rules, 2014 and includes anyone who is related to another in the following manner, namely:</p> <ol style="list-style-type: none"> <li>1. Members of HUF</li> <li>2. Spouse</li> <li>3. Father (includes step-father).</li> <li>4. Mother (includes the step-mother).</li> <li>5. Son (includes the step-son).</li> <li>6. Son’s wife</li> <li>7. Daughter</li> <li>8. Daughter’s husband</li> <li>9. Brother (includes the step-brother).</li> <li>10. Sister (includes the step-sister).</li> </ol>
Expressions in these regulations to bear same meaning as in the Act	<p>Subject as aforesaid and except where the subject or context otherwise requires, words or expressions contained in this Policy shall bear the same meaning as in the Act.</p>

### 5. POLICY

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

### 6. 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.

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

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

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c) Such 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.
- d) 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.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

### **8. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

Related Party Transactions 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 abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will 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 will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

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- ☞ 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 Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ☞ 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.

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

- i. 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.
- ii. 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.
- iii. 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.

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### **9. 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.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

### **10. DISCLOSURES**

- a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- c) The Company is also required to disclose this Policy on its website and a direct link to it will be provided in the Annual Report of the Company.

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

**FOR KIFS FINANCIAL SERVICES LTD.**  
**Sd/-**  
**MANAGING DIRECTOR**