

# Hindusthan Microfinance Private Limited (HMPL)



## Related Party Transactions Policy

***Hindusthan Microfinance Private Limited (HMPL)***  
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## Objectives

- a) This Policy on Related Party Transactions (RPT) has been framed to comply with the requirements of the Companies Act, 2013 including any amendments made thereon, notifications issued by the Ministry of Corporate Affairs (MCA), Government of India and SEBI, in pursuance of any guidelines, the circulars and direction by the RBI in this regard from time to time as applicable on the Company. This Policy will guide the Company to effectively comply with the laws and regulations; the Accounting Standards as issued by the Institute of Chartered Accountants of India, Income-tax Act and such other statutes as may be in vogue regarding Related Party Transactions. More specifically, the policy is required under Section 177 and 188 of the Company Act, The SEBI Regulations 2015, Rule 23 / Regulation z (2b) of SEBI Listing Regulations which comprehensively deal with RFT are not applicable to the Company for the present.
- b) Besides complying with the related laws and regulations, the policy will bring in transparency and fair play in the operations of the Company,
- c) Any other transactions that are considered appropriate if they are in the best interests of the Company and its shareholders.

## Definition of Related Parties

"Related Party" means any individual or entity having a direct or indirect relationship with HMPL, as defined under Section 188(1) of the Companies Act, 2013, and/or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including:

- Promoters, directors, key managerial personnel(KMP), their relatives, and associates.
- Subsidiaries and holding companies.
- Entities under common control.
- Suppliers, vendors, or customers with significant influence over HMPL.

## 4) Definitions of Important terms /concepts :

**(i)“Related Party Transaction” (RPT)** means transactions as given under clause (a) to (g) sub-section (1) of Section 188 and shall include:

- 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.

Notwithstanding the foregoing, the following shall not be deemed as Related Party Transactions for the purpose of this Policy:

- a) Any transaction that involves providing compensation to a director or KMP, in accordance with the provisions of the Act, 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.
- b) Reimbursement made of expenses incurred by a Related Party for the business purpose of the Company.
- c) Any other exception consistent with the Applicable Laws, including any rules or regulations made thereunder and does not require prior approval by the Audit Committee.

**(ii) "Relative"**

In terms of Section 2(77) of the Act 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 stepfather); (d) Mother (including stepmother);
- e) Son (including stepson; (f) Son's wife;
- g) Daughter; (h) Daughter's husband;
- i) Brother (including stepbrother; and (j) Sister (including stepsister).

**(iii) "Ordinary Course of Business"** shall mean any matter which transpires as a matter of normal and incidental daily customs and practices in business and/or something which is done as a matter of corporate historical practice, in the ordinary course of business and shall include:

- a) transactions covered in the 'main objects' or the 'matters which are necessary for furtherance of the objects' as envisaged in the Memorandum of Association of the Company;
- b) transactions which are usually carried on by the Company;
- c) transactions which have been done by the Company regularly in the last five years;
- d) transactions done with a Related Party on a similar basis as if a third party; and
- e) Transaction or activity that is necessary, normal, regular and incidental to the business and involves a significant amount of money or managerial resources that generates income for the Company.

**(iv) Annual Consolidated Turnover** : Income (interest income earned +other income ) of the Company as per the last audited Consolidated Financial Statement of the Company .

- (v) **Arm's Length Transactions** : As defined under the Company Act 2013 i.e transaction between two related parties that is conducted as if they were unrelated , so that there is no conflict of interests .
- (vi) **Omnibus Approval**; It means a consolidated /standing approval given by the Audit Committee in respect of transactions which are repetitive in nature .
- (vii) **Material Related Party Transaction (RPT)** : It means the RPTs to be entered individually or taken together with previous transactions during a financial years ,exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company .

### Types of Related Party Transactions

This policy applies to all transactions, including:

- Loan agreements, guarantees, investments, and financial assistance.
- Purchase or sale of goods or services.
- Lease agreements.
- Joint ventures or collaborations.
- Management contracts.
- Any other transaction with a financial impact on HMPL.

### Key Principles

**Fairness and Transparency:** All Related Party Transactions must be conducted at arm's length and on terms no less favorable to HMPL than those obtainable from unrelated third parties. Transparency in disclosure and justification of the transaction are essential.

**Prior Approval:**

- **Material Transactions:** Transactions exceeding 10% of HMPL's annual consolidated turnover or ₹5 crore (whichever is lower) require prior approval by the Audit Committee of the Board and the Board
- **Other Transactions:** Smaller transactions require prior approval by the Managing Director ,Audit Committee ,and the Board, depending on the materiality and risk involved.

**Documentation and Valuation:** All Related Party Transactions must be documented with clear terms and conditions, and valuation of assets or services exceeding Rs. 25 lakhs involved must be conducted by independent valuers, where necessary.

**Monitoring and Reporting:** HMPL shall maintain a register of all Related Party Transactions and regularly monitor their compliance with this policy. Annual disclosure of Related Party Transactions as per the Companies Law , the RBI and SEBI guidelines is mandatory.

**Conflict of Interest:** Any potential or actual conflict of interest arising from a Related Party Transaction must be identified, disclosed, and managed appropriately.

**1. Approval of the Audit Committee**

- A.** Every Related Party Transaction shall be subject to the prior approval of the Audit Committee. The Audit Committee considers the following factors/criteria for granting omnibus approval. (In principle prior approval by the Board of Directors.)
- b. The omnibus approval given by the Audit Committee shall specify (i) the name/s of the Related Party(ies), (ii) nature of transaction/relationship, (iii) duration/period of transaction, (iv) the maximum amount of transaction that can be entered into (v) the indicative base price/current contracted price and the formula for variation in the price if any, (vi) material terms of the contract with value, if any, (vii) Name of the Interested Party/Director/KMP/Relative, (viii) brief particulars of the contract, and (ix) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.,; Related Party Transaction cannot be foreseen and details mentioned above are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs 1 crore per transaction.
  - c. The omnibus approval shall be valid for a period of one (1) financial year and shall require fresh approval after the expiry of such financial year.
  - d. Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.
  - e. In determining whether to approve a Related Party Transaction, the Audit Committee shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, to enter into a transaction with a Related Party(ies).
  - f. Audit Committee shall review, on a yearly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

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(i)	Repetitiveness of the transactions (in past or future)
	The maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year
(ii)	The maximum value per transaction which can be allowed
(iii)	Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval
	Review, at such intervals as the Audit Committee may deem fit, Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made
(iv)	Transactions that cannot be subject to the omnibus approval by the Audit Committee
(v)	Justification for the need for omnibus approval and in the interest of the Company

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**B.** In case of a transaction other than transactions referred to in Section 188 of the Act, and where the Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

**C.** 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.

**D.** Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.

**E.** Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee:

- i. Any transaction that involves providing 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;
- 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. Transaction(s) as listed below undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year:

- a) Transaction(s) done in Ordinary Course of Business and on Arm's Length basis or at Arm's Length Price;
- b) Receipt of remuneration by way of sitting fees;
- c) Reimbursement of expenses for attending Board Meeting and/or Meetings of Committee of Directors;
- d) Any profit related commission as approved by members;
- e) Any transaction between a holding company and its wholly-owned subsidiary company, other than a transaction referred to in Section 188 of the Act.

In connection with any review of a Related Party (ies) Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy, subject to compliance with the applicable legal provisions.

## **2. Approval of the Board of Directors**

**A.** The following Related Party(ies) Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

- a. Related Party (ies) Transactions referred by the Audit Committee;
- b. Related Party(ies) Transactions not on Arm's Length basis or at Arm's Length Price, and/or;
- c. Related Party (ies) Transactions not in the Ordinary Course of Business.

**B.** The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- i. The name of the Related Party (ies) and nature of the relationship;
- ii. Nature, duration of the contract and particulars of the contract or arrangement;
- iii. The material terms of the contract or arrangement, including the value, if any;
- iv. Any advance paid or received for the contract or arrangement if any;
- v. The manner of determining the pricing and other commercial terms both included as part of the contract and not considered as part of the contract;
- vi. 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;
- vii. Any other information relevant or important for the Board to decide on the proposed transaction in line with the applicable legal requirements.

**C.** Any Director interested in any contract or arrangement with a related party shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## **3. Approval of the Shareholders**

**A.** Any Related Party Transaction that is not in the Ordinary Course of Business and/or not on Arm's Length Basis or at Arm's Length Price, and/or crosses prescribed threshold limit for as per the Act will require prior approval of the Shareholders.

Availing and rendering of any kind of services, directly or through the appointment of an agent Amounting to 10% or more of the turnover of the Company



Appointment of any person in the office or any place of profit in the Company, its subsidiary or associate Company at a monthly remuneration exceeding Rs. 2,50,000;

Remuneration for underwriting of subscription of any securities or derivatives of the Company >1% of the net worth of the Company

(i)	Sale, purchase or supply of any goods or materials, directly or through the appointment of an agent amounting to 10% or more of the turnover of the Company	;
(ii)	Selling or otherwise disposing of or buying property of any kind, directly or through the appointment of an agent amounting to 10% or more of the net worth of the Company	;
(iii)	Leasing of property of any kind Amounting to 10% or more of turnover of the Company.	
(iv)	Availing and rendering of any kind of services, directly or through the appointment of an agent Amounting to 10% or more of the turnover of the Company	.
(v)	Appointment of any person in the office or any place of profit in the Company, its subsidiary or associate Company at a monthly remuneration exceeding Rs. 2,50,000;	
(vi)	Remuneration for underwriting of subscription of any securities or derivatives of the Company >1% of the net worth of the Company	.
All Related Party (ies) Transactions	Related Party (ies) Transactions referred by Audit Committee for approval of the Board. Related Party (ies) Transactions not in the Ordinary Course of Business and not on Arm's Length basis or at Arm's Length Price.	Approval by Ordinary resolution for Related Party Transactions not in Ordinary Course of Business and/or not at Arm's length basis or at Arm's length <b>and/or</b> crosses prescribed threshold limit as per the Act.

4. No member of the Company shall vote on such resolution to approve any contract or arrangement which may be entered into by the Company if such member is a related party.

Provided also that nothing contained in the second proviso shall apply to a Company in which ninety per cent or more members, in number, are relatives of promoters or are related parties:

5. In the case of a wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly-owned subsidiary and the holding company.

### **Non-Compliance**

**Any breach of this policy may result in disciplinary action, including termination of employment for employees and legal action against other parties involved.**

### **Reporting Requirements**

HMPL shall comply with the reporting requirements regarding RPT if any prescribed by RBI or any other Regulatory Authority.s. .

Audit of the Transaction ;

Concerned Internal Auditors shall scrutinize the RFTs from time to time to ensure the same are in conformity with the Policy . The Statutory Auditors are expected to verify RFTs during their audit and certify in the Annual /Half yearly audit .

### **Policy Review**

This Related Party Transactions Policy shall be subject to periodic review to ensure its alignment with the Companies Act ,RBI's and other regulators' prudential norms, guidelines and industry best practices. Any updates or revisions to the policy shall be communicated to all relevant stakeholders. The Policy will be reviewed by the Audit Committee and the Board periodically and amendments as may be necessary may be effected by the Board .

Mr. Anil Jadhav

Sd/-

(Chairman & Managing Director)