



# **GRUH FINANCE LIMITED**

## **Policy on Transactions with Related Parties**

April 2018 (Version III)

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## GRUH FINANCE LIMITED

### POLICY ON TRANSACTIONS WITH RELATED PARTIES

#### 1. Policy

As a policy, GRUH (the "Company") discourages Transactions with Related Parties unless they are determined to be in the Company's best interests and they have been approved in accordance with the terms and conditions of this Policy. The Board of Directors (the "Board") further recognises that related party transactions could present conflicts of interest and/or improper valuation (or the perception or appearance thereof) and therefore has adopted this Related Party Transaction Policy (this "Policy") to be followed in connection with all related party transactions involving the Company. The Board recognises that transactions between related parties and the Company may occur in the ordinary course of business and on arm's length basis. All Related Party Transactions, as the term is defined in this policy, shall be subject to review and approval in accordance with the procedures set forth below.

#### 2. Definitions

2.1. **"Applicable Laws"** includes (a) the Companies Act, 2013 ('the Act') and rules made thereunder; (b) the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (c) Accounting Standards (d) National Housing Bank (NHB) Act, NHB Housing Finance Companies Directions, 2010 and Notifications issued by NHB from time to time and (e) any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

2.2. **"Audit Committee"** means the committee of Board of Directors of the Company constituted in accordance with the provisions of Companies Act, 2013 and Rules made thereunder.

2.3. **"Related Party Transaction"** as per regulation 2(1)(zc) of SEBI (LODR), 2015 mean a transfer of resources, services or obligations between listed entity and a related party, regardless of whether a price is charged. As per section 188(1) of Companies Act, 2013 related party transaction will include following specific transactions :

- 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.

provided that nothing in section 188(1) shall apply to any transaction entered into by the Company in its ordinary course of business other than transactions which are not at arm's length basis.

#### 2.4. **"Related Party"**

As per regulation 2(1)(zb) of SEBI (LODR), 2015 related party means a related party as defined under section 2(76) of the Companies Act, 2013 or under the applicable accounting standards.

As per the Accounting Standard - 18, parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party, in making financial and/or operating decisions.

As per section 2(76) of Companies Act, Related Party 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:
- (viii) any company which is -
  - (a) a holding, subsidiary or an associate company of such company; or
  - (b) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed.

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, provides that a director (excluding independent directors) or key managerial personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

In terms of AS 18, the following are deemed not to be related parties:

- a) two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e), (unless the director is able to affect the policies of both companies in their mutual dealings);
- b) 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
- c) 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) :
  - (i) providers of finance;
  - (ii) trade unions;
  - (iii) public utilities;
  - (iv) government departments and government agencies including government sponsored bodies.

In view of the above definition, AS 18 further defines the terms 'control' and 'significant influence' as follows -

#### Control

- a) ownership, directly or indirectly, of more than one half of voting power of an enterprise, or
- b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

#### Significant Influence

Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

#### Relative

In terms of Section 2(77) of the Companies Act, 2013 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 step-father); d. Mother (including step-mother); e. Son (including step-son); f. Son's wife; g. Daughter; h. Daughter's husband; i. Brother (including step-brother); or j. Sister (including step-sister).

#### Material Related Party Transaction (Regulation 23(1) and 23(4) of SEBI (LODR), 2015)

mean such Related Party Transactions where the aggregate value of transactions entered, or likely to be entered into, with a related party; during the current financial year, is likely to exceed 10% of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

#### **Arm's length transaction (Section 188(1)(b) of Companies Act, 2013)**

mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

#### **Omnibus approval (Regulation 23(3) of SEBI (LODR), 2015)**

In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company, the Audit Committee may grant an omnibus approval for such Related Party Transactions proposed to be entered into by GRUH, subject to the following conditions, namely -

- (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:
  - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.
  - (iv) such other conditions as may be specified by the law from time to time.
- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by GRUH pursuant to each of the omnibus approvals 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.

### **3. Procedures**

#### **3.1. Board of Directors**

- 3.1.1. All related parties with whom the Company intends to enter into transaction will require prior approval of the Board of Directors.
- 3.1.2. All related party transactions, otherwise done at arm's length distance, falling within the limits of section 188(1) will require prior approval of the Board of Directors at its meeting. The Board of Directors shall review and recommend all transactions in terms of section 188(1) requiring shareholders' prior approval.
- 3.1.3. As per Regulation 23 (4) of SEBI (LODR), 2015 all material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- 3.1.4. The Board of Directors shall annually review, the details of all Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party.
- 3.1.5. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- 3.1.6. As per guideline issued by Fixed Income Money Market and Derivatives Association of India (FIMMDA) dated October 5, 2017, Company shall not invest in Commercial paper of any other Company within HDFC group either in primary or secondary market.

#### **3.2. Audit Committee**

- 3.2.1. Each of GRUH's directors and executive officers are instructed to inform the Company Secretary of any potential Related Party Transactions. All such transactions will be analysed by the Audit Committee in consultation with management to determine whether the transaction or relationship does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Committee will be provided with the following details of each new, existing or proposed Related Party Transaction :
- i. The Name of the Related Party and nature of relationship;
  - ii. The nature, duration 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 Audit Committee to take a decision on the proposed transaction.
- 3.2.2. Transactions with approved parties will require a prior approval of the Audit Committee.
- 3.2.3. The Related Party Transactions which are not in the ordinary course of business and not at arm's length will be reviewed by the Audit Committee and then recommended to the Board of Directors.
- 3.2.4. If a Related Party Transaction is ongoing, the Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Committee shall periodically review and assess ongoing relationships with the Related Party.
- 3.2.5. The Committee will review the material facts of all Related Party Transactions and may approve or disapprove of the entry into the Related Party Transaction.
- 3.2.6. The Committee may also disapprove of a previously entered Related Party Transaction and may require that management of the Company take all reasonable efforts to terminate, unwind, cancel or annul the Related Party Transaction.
- 3.2.7. A Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- 3.2.8. The Committee may decide to get advice, certification, study report, rely upon certification issued as per the requirement of other laws etc. from a professional (includes statutory / internal Auditors) or technical person including price discovery process, to review transactions with Related Party.
- 3.2.9. Any member of the Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction. However, the Chairperson of the Committee may allow participation of such member in some or all of the Committee's discussions of the Related Party Transaction.
- 3.2.10. Annually, the Audit Committee shall review any previously approved or ratified Related Party Transaction that is continuing and determine based on then-existing facts and circumstances, including the Company's existing contractual or other obligations, if it is in the best interests of the Company to continue, modify or terminate the transaction.

#### **4. Approval of Shareholders**

- 4.1. The contracts or agreements with any Related Party which are not in the ordinary course of business and not at arm's length in respect of transactions specified in section 188(1) of the Companies Act, 2013, will require prior approval of the shareholders by a resolution.
- 4.2. All material related party transactions will require shareholders' approval.
- 4.3. The explanatory statement to be annexed to the notice of general meeting in this regards will contain following particulars:
  - i. name of the related party;
  - ii. name of the director or key managerial personnel who is related, if any;

- iii. nature of relationship;
- iv. nature, material terms, monetary value and particulars of the contract or arrangement;
- v. any other information relevant or important for the members to take a decision on the proposed resolution.

## **5. Disclosure**

- 5.1. Each director who is, directly or indirectly, concerned or interested in any way in any transaction with the Related Party shall disclose all material information and the nature of his interest in the transaction to the Committee or Board of Directors.
- 5.2. All Related Party Transactions that are required to be disclosed in the Company's filings with the Stock Exchanges, as required by the Listing Regulations.

## **6. Review of Policy**

The Audit Committee will periodically review this Policy and may recommend amendments to this Policy as it deems appropriate.

## **7. Exceptions - Transactions that need not be reported to the Audit Committee**

- 7.1. Employment of Executive Officers and their compensation as approved by Nomination & Remuneration Committee.
- 7.2. Managerial remuneration recommended by Nomination and Remuneration Committee and approved by the Board of Directors of the Company.
- 7.3. Reimbursement or advances of business travel and expenses incurred or to be incurred directly by a director or executive officer of the Company in connection with the performance of his or her duties.
- 7.4. Transactions where all shareholders receive proportional benefits :  
Any transactions, arrangements or relationships where the Related Party's interest arises solely from the ownership of the Company's Shares and all holders of the Company's Shares received the same benefit on a pro-rata basis (e.g., dividends, sub-division or bonus shares).
- 7.5. Certain banking-related services :

Any transactions, arrangements or relationships with a Related Party involving services as a bank viz. current account, depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services.

## **7.6. Regulated transactions :**

Any transactions, arrangements or relationships with a Related Party involving the rendering of services as a common or contract carrier, or public utility, at rates or charges fixed in conformity with law or governmental authority.

## **7.7. Other Transactions :**

Such other transactions as may be determined by the Committee or Board of Directors from time to time.

## **8. Administrative Measures**

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, these Policies and Procedures.

**9. Interpretation**

In any circumstance where the terms of these Policies and Procedures differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as these Policies and Procedures are changed to confirm to the law, rule, regulation or standard.

**10. Dissemination of Information**

GRUH shall upload this Policy on its website i.e., [www.gruh.com](http://www.gruh.com) and a weblink of the same will be provided in the Annual Report. Disclosures regarding Material Related Party Transactions, if any, shall be disclosed to the stock exchanges quarterly along with the GRUH's Compliance Report on Corporate Governance, in accordance with the Listing Regulations. GRUH shall also make relevant disclosures in its Annual Report and maintain such registers as required under the provisions of the Companies Act, 2013, Rules made thereunder and Listing Regulations.

**11. Implementation**

The policy will be implemented by the management of the Company from the date it is approved by the Board. All Related Party Transaction entered prior to the date of approval of this Policy and Procedures shall be subject to review by the Audit Committee.