

QRG Investments and Holdings Limited
Policy on Related Party Transactions
Version 3.0
Internal



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1. SCOPE AND PURPOSE

The Related Party Transactions Policy provides a framework to regulate transactions between QRG Investment and Holdings Limited (“Company”) and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds and material modification for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013, and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions other than those covered under omnibus approval must require prior approval of the Audit Committee in accordance with this Policy. All material related party transactions shall require approval of shareholders.

3. DEFINITIONS

3.1 **“Act”** means the Companies Act, 2013, including the Rules, Regulations, Schedules, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs, from time to time.

3.2 **“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.

3.3 ‘Contract or arrangement’ shall have the same meaning as specified in Section 188(1)(a) to (g) of the Companies Act, 2013.

3.4 ‘Control’ shall have the same meaning as assigned to it under Section 2(27) of the Companies Act, 2013.

3.5 ‘Director of an NBFC or any other entity’ shall mean a director appointed/elected to the Board of the entity.

3.6 ‘Entity’ in the context of a ‘related party’ shall mean a ‘person’ other than an individual and a Hindu Undivided Family.

3.7 **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association.

3.8 **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 as

amended.

- 3.9 **“Key Managerial Personnel” or “KMP”** shall have the meaning as defined in the Section 2(51) of the Companies Act 2013 and as amended from time to time.
- 3.10 ‘Person’ shall have the same meaning as assigned to it under Section 3 (23) of Part I of Insolvency and Bankruptcy Code (IBC), 2016.
- 3.11 ‘Lending’ in the context of a ‘related party’ shall mean extending funded or/ and non-fund-based credit facilities to related parties. While investments in debt instruments of related parties shall be covered for this purpose, equity investments shall be excluded.
- 3.12 ‘Personal Loans’ shall have the same meaning as defined under Banking Statistics (Harmonised Definitions). However, for related party transactions, personal loans shall exclude loans for investments in financial assets.
- 3.13 ‘Promoter’ shall have the same meaning as assigned to it under Section 2(69) of the Companies Act, 2013.
- 3.14 ‘Related Party’ with respect to a NBFC shall mean a related person, or any of the following entities:
- i. where a related person is a partner, manager, KMP, director or a promoter; or
 - ii. where a related person is a shareholder with more than ten per cent of paidup equity share capital; or
 - iii. where a related person is having control, whether singly or jointly with another person; or
 - iv. where a related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
 - v. where a related person has the power to nominate a director to its Board; or
 - vi. which is accustomed to act on the advice, direction, or instruction of a related person; or
 - vii. where a related person is a guarantor or a surety; or
 - viii. where a related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust; or
 - ix. which is related to the related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.
- 3.15 ‘Related Person’ with respect to a NBFC shall mean a person, and the relatives of such a person, where the person:
- i. is either a promoter, or a director, or a KMP of the NBFC; or
 - ii. owns more than five per cent of paid-up equity share capital of the NBFC or can, either singly or jointly, exercise more than five per cent of the voting rights of the NBFC on account of either ownership or voting agreement or through shareholders’ agreement or through any other arrangement; or
 - iii. can, through an agreement with the NBFC, nominate a director to its Board; or
 - iv. is either singly or jointly, in control of the NBFC.

3.16 **“Relative”** in relation to an Individual, means persons as defined under section 2(77) of the Companies Act, 2013.

3.17 **“Related Party Transaction”** means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract including but not limited to the following –

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company
- vii. underwriting the subscription of any securities or derivatives thereof, of the company.

3.18 **“Associate”** means a Company as defined under section 2(6) of the Act.

3.19 **‘Specified employees’** mean all employees of a NBFC who are positioned upto two levels below the Board and any employee designated as such as per the NBFC's policy

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, or any other applicable law or regulation and as amended from time to time.

4. MATERIALITY THRESHOLDS

A transaction with a related party shall be considered material if

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property any kind amounting to ten percent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;
- (v) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.
- (vi) is for remuneration for underwriting the subscription of any securities or derivatives thereof,

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of the company exceeding one percent of the net worth as as mentioned in clause (g) of sub-section (1) of section 188.

- (vii) The materiality threshold for lending to related parties shall be ₹5 crore per individual transaction.

Additionally, the Company on an annual basis will also set the limits for its Projected Related Party Transactions for the consideration and approval by the Audit Committee and the Board of Directors.

Material Modification: Any modification in the material terms and conditions of the existing transaction shall be considered as material modification and would require approval of the Audit Committee.

5. RELATED PARTY TRANSACTIONS- APPROVAL MECHANISMS

a. Related party transactions other than lending:

As per the Companies Act, 2013, any transaction entered into by the Company with a related party other than for extending loans to the related party which is in its ordinary course of business and which is on an arm's length basis does not require any approval from the Audit Committee, Board of Directors or the Shareholders.

Only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

b. Related party transactions – Lending:

Any loan to a related party will be approved by the ALCO ("Asset Liability Management Committee") with the following overall limits:

There shall be an overall limit of INR 200 crores for loans towards all related parties combined. There shall be a sub-limit of INR 100 crores for loans to a single-related party.

Approval Framework for loans to related parties:

- i. Loans Above the Materiality Threshold: All credit facilities exceeding materiality threshold to a related party shall be sanctioned only by the ALCO ("Asset Liability Management Committee").
- ii. Loans Below the Materiality Threshold: Loans not exceeding ₹5 crore may be sanctioned by officials who have been given appropriate authority in terms of powers delegated to them by the ALCO ("Asset Liability Management Committee").
- iii. The concerned related party will not participate in the decision deliberation.

Terms of Lending to Related Parties:

All transactions with any related party will be at arm's length at commercial terms.

6. DISCLOSURE OF INTEREST BY DIRECTORS /KMPs

Every Director and KMP shall, in adherence of the provisions of Companies Act, 2013, furnish necessary disclosures (annually and whenever there is a change) about his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in the manner prescribed.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

Every Director should forthwith bring to the attention of Board any related party transaction that he or she anticipates/ foresees to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

7. Review And Approval of Related Party Transactions

7.1 Approval of Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate, including without limitation:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction
- d) Value of the proposed transaction;
 - i) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

- ii) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- e) Justification as to why the RPT is in the interest of the Company;
- f) A copy of the valuation or other external party report, if any such report has been relied upon;
- g) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- h) Any other information that may be relevant

7.2 Review of Related Party Transactions

Related Party Transactions will be brought to management's and the Board's attention on a periodical basis with intimation from Accounts department. The same shall be consolidated by the Office of the Secretary in form of a Statement of Related Party Transactions and presented to the Audit committee on a quarterly basis for review by the Committee and information of the Board.

The Company shall also disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering such transaction.

In case of transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board. Further, in case any transaction involving any amount not exceeding Rupees 1 (one) crore 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 3 (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 requirement of obtaining Audit Committee approval or any subsequent modification of transactions of the Company with related parties by the 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.

8. General

The Board of Directors may review and amend this Policy from time to time but not later than three years from its last review or any other timeframe as may be stipulated under the governing laws in force.

Necessary disclosures shall be made by the Company in its Annual Report as may be required under applicable laws.

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In the event of any conflict between the Policy and the provisions of any other statute, rule, regulation, the provisions of the statute will prevail.

Any notification/ circular or other statutory guideline(s)/ regulation(s) on the subject, shall automatically have the effect of amending this Policy with effect from the date as mentioned in the relevant amendment/ circular/ notification/ clarification etc. as issued, without the need of any further approval by the Audit Committee or Board of Directors.
