



Policy on Related Party Transactions

KFIN TECHNOLOGIES PRIVATE LIMITED

CONTENTS		
Sr. No.	Particulars	Page No.
1.	Objective	3
2.	The Regulatory Framework	3
3.	Definitions	3
4.	Policy	6
5.	General	11

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1. Objective

- 1.1. The objective of this Policy on Related Party Transactions ("**Policy**") is to regulate transactions between KFin Technologies Private Limited ("**Company**" or "**KFintech**") and its Related Parties based on the laws and regulations as may be applicable to the Company in this regard and to provide a framework on materiality threshold, identification, ratification, proper dealing, approval and disclosure of transactions between the Company and its Related Parties.

2. The Regulatory Framework

- 2.1. The Companies Act, 2013 together with the Rules notified thereunder including Rule 6A and 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, Regulation 53 (f) (including Para A of Schedule V) of the SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 ("**SEBI LODR**") or any other applicable regulations (together referred to as "**Applicable Laws**"), provide a framework for regulating transactions with Related Parties.
- 2.2. This Policy is framed as per the requirements of the Applicable Laws and shall operate within the boundaries set by the Applicable Laws.
- 2.3. Comparison of related party definition as per the Act with Accounting Standards is provided in **Appendix - 1**.
- 2.4. Comparison of relative definition as per the Act with Accounting Standards is provided in **Appendix - 2**.

3. Definitions

- 3.1. "**Accounting Standards**" means the standards of accounting or any addendum thereto for companies or class of companies referred to in Section 133 of the Act.
- 3.2. "**Act**" means the Companies Act, 2013, together with the Rules notified there under including any statutory modifications or re -enactments thereof for the time being in force.
- 3.3. "**Arm's Length Transaction**" means a transaction between two Related Parties that is conducted as if they were unrelated i.e. in a purely commercial manner, so that there is no conflict of interest.
- 3.4. "**Associate Company**" in relation to another company, means a company in which that other company has a Significant Influence, but which is not a subsidiary company or a holding company of the company having such influence and includes a Joint Venture company. For the purpose of this clause:

- (i) the expression "**Significant Influence**" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;
- (ii) the expression "**Joint Venture**" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3.5. "**Audit Committee**" means a Committee of the Board of Directors of the Company constituted under the applicable laws with the charter to *inter alia* oversee statutory and internal audit processes in the Company.

3.6. "**Board**" means the Board of Directors of the Company.

3.7. "**Key Managerial Personnel**" or "**KMP**" means:

- (i) The Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
- (ii) The Company Secretary;
- (iii) The Whole- time Director and
- (iv) The Chief Financial Officer (CFO) and
- (v) such other officer, not more than one level below the directors who is in whole -time employment of the Company, designated as key managerial personnel by the Board;
- (vi) Any other person performing the role of a KMP as defined in the Act from time to time.

3.8. "**Material Related Party Transaction** " means a transaction entered or to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds (as prescribed under the Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014):

- 3.8.1 In case of sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% (ten percent) or more of the turnover of the Company as per its audited financial statements of the preceding financial year;
- 3.8.2 In case of selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% (ten percent) or more of net worth of the company as per its audited financial statements of the preceding financial year;
- 3.8.3 In case of leasing of property any kind amounting to 10% (ten percent) or more of the turnover of the company as per its audited financial statements of the preceding financial year;
- 3.8.4 In case of availing or rendering of any services, directly or through appointment of agent, amounting to 10% (ten percent) or more of the

turnover of the company as per its audited financial statements of the preceding financial year;

3.8.5 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. For the purpose of this clause, the expression “office or place of profit” means any office or place:

- (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;
- (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.

3.8.6 For remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth of the company as per its audited financial statements of the preceding financial year.

3.9. “**Relative**”, with reference to any person, defined as such under Section 2(77) of the Act and Rule 4 of the Companies (Specification of definitions details) Rules, 2014. The current definition of Relative means one who is related to another in any of the following manner:

- (i) if they are members of a Hindu Undivided Family
- (ii) if they are husband and wife
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

3.10. “**Related Party**” is a person or an entity which is:

- (i) a related party under Section 2(76) of the Act;
- (ii) a related party under Rule 3 of the Companies (Specification of definitions details) Rules, 2014
- (iii) a related party under the applicable Accounting Standards ;

3.11. **“Related Party Transaction”** means a transaction involving the supply of goods and/or services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes the following transactions:

- (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; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company:

Explanation: Related Party Transaction includes a single transaction or a group of transactions taken together in a contract, with a Related Party.

3.12. **“Policy”** means Policy on Related Party Transactions i.e. this Policy.

3.13. **“Transactions in the ordinary course of business”** mean transactions/activities that are connected to or necessary for the business of the Company and satisfy the following principles:

- a) The transaction/activity is permitted under the Memorandum and the Articles of Association of the Company;
- b) The transaction/activity is carried on frequent or regular basis or is as per the industry practice.

4. Policy

4.1. All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Audit Committee or the Board or the Shareholders as required under this Policy.

4.1.1. Identification of Related Party Transactions:

4.1.1.1. Each Director and Key Managerial Personnel is responsible for providing notice to the Board/Audit Committee of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Upon receipt of such notice, the Company Secretary is authorized to determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

- 4.1.1.2. The Company Secretary shall be responsible for keeping a record of all Related Parties of the Company and the transactions with all Related Parties at all times.
- 4.1.1.3. The Company Secretary shall inform the financial controller to put a “related party flag” into the accounting system against all such related party names both in the customer master and vender master records.
- 4.1.1.4. The Company Secretary shall also circulate the list of such related parties to the business team for their reference and requirement to obtain approval(s), as per this Policy, prior to entering into any business transactions with such related parties.
- 4.1.1.5. The Chief Financial Officer shall generate a report of all the transactions with such related parties on the quarterly basis and such report (actual payout against approvals) shall be presented to the Audit Committee.
- 4.1.1.6. As regards transactions with Related Parties that require prior approval of the Board/Audit Committee/Members, the Company Secretary shall be responsible to notify the Board/ Audit Committee of any such potential Related Party Transactions and in case if the approval of the members is required, the Board shall take all the steps to their approval.
- 4.1.1.7. The notice of any potential Related Party Transaction shall be given well in advance to the Board/ Audit Committee and shall also contain adequate information about the Related Party Transaction(s). This will provide the Board/Audit Committee members adequate time and information to consider and review the proposed transaction(s).

4.1.2. Approval for Related Party Transactions

The Company shall not enter into any Related Party Transaction except as stated hereinafter.

4.1.2.1. Transactions requiring approval of the Audit Committee:

- (a) Approval of the Audit Committee shall be required for all Related Party Transactions except for transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval (“**WOS Transactions**”). In case of wholly owned subsidiary, 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;

- (b) The Audit Committee may approve/ratify the transactions as mentioned above, subsequently on periodical basis.

4.1.2.2. Transactions requiring approval of Board:

Following transactions shall require a prior approval of the Board:

- a) Related Party Transactions which are not in the ordinary course of business or not at arm's length price;
- b) Material Related Party Transactions.

4.1.2.3. Transactions requiring approval of Shareholders of the Company:

Following transactions shall require a prior approval of the Shareholders of the Company by a resolution:

- a) All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

4.1.2.4. Deemed Approval

The transactions or arrangements which have been undertaken with the related party pursuant to Companies Act, 2013 / AS 18 /Ind AS 24 and such transactions do not fall within the ambit of transaction as mentioned in Section 188 of the Companies Act, 2013, shall deemed to be approved for the purpose of this Policy. An illustrative list of such transactions is enumerated below:

- a) Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
- b) Payment of remuneration, fees, commission, etc. to directors pursuant to approval of the Nomination and Remuneration Committee ;
- c) Payments made to/received from Directors or Key Managerial Personnel pursuant to share based incentive plans as approved by the Shareholders.

- d) Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board composed committee.
- e) Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

4.1.3. Approval & Review Mechanism:

4.1.3.1. While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Act, such other relevant acts or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.

4.1.3.2. The Audit Committee may grant omnibus approval for Related Party Transactions considering the repetitive nature of the transactions. In all such cases, the CFO / Company Secretary shall place for information of the audit committee on a quarterly basis, the actual list of transactions during the period for which prior omnibus approvals obtained

4.1.3.3. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.

4.1.3.4. The omnibus approval granted by the Audit Committee shall include the following particulars:

- i. Name of the related parties;
- ii. Nature and duration of the transaction;
- iii. Estimated amount of transaction that can be entered into;
- iv. The indicative base price or current contracted price and the formula for variation in the price, if any; and
- v. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus

approval for such transactions subject to their value not exceeding rupees one crore per transaction.

4.1.3.5. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year

4.1.3.6. The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.

4.1.4. Monitoring Process

4.1.4.1 The Secretarial Team shall maintain a list of Related Parties pursuant to Section 2(76) r/w Section 2(77) of the Companies Act 2013 and share the Related Party Register with the Finance and Procurement team on Quarterly basis and also as and when there are changes in the list of the related parties under Section 2 (76) r/w Section 2(77) of the Companies Act, 2013. Finance Team to check the data before creating any vendor in the system. If any new vendor falls under the Related Party list then the Finance team to advise secretarial team to obtain necessary approvals, if required.

4.1.4.2 Finance team on a monthly basis shall provide details with respect to volume and value of the transactions to the business team, secretarial team and the operations team. In case, the value of transaction exceeds the 70% of threshold as determined by the Omnibus Approval, then the finance team shall send email intimation to business team. Business team shall ensure that the thresholds as approved through Omnibus Approval are not breached;

4.1.4.2 Business team should approach secretarial team to seek prior Omnibus Approval from the Audit Committee and the Board in case the business team expects addition to the volume or value of transaction.

4.1.5. Disclosure:

4.1.5.1. Appropriate disclosures as required under the Companies Act, 2013 and the rules made thereunder and such other applicable laws, and Accounting Standards shall be made in its Financial Statements, Board's Report and at such other places as may be prescribed.

4.1.5.2. Every contract or arrangement entered into with Related Parties shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

5. General

- 5.1. The Policy would be subject to revision/amendment as and when required.
- 5.2. The Board reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- 5.3. The power to interpret and administer the Policy shall rest with the Chairman of the Audit Committee whose decision shall be final and binding. The Chairman is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or tabled before the Audit Committee, from time to time, to ensure the Audit Committee's oversight on these matters.
- 5.4. Where any contract or arrangement with Related Party is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting, wherever required as per the Applicable Law, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- 5.5. Without prejudice to anything contained in para 5.4 above, it shall be open to the Company, in addition of the penal actions as per the Applicable Laws, to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Appendix - 1

Comparison of related party definition as per the Act with Accounting Standards:

Sr. No.	Related Party	Act	AS 18	Ind AS 24
1	Director/ Key Managerial Personnel (“KMP”) of the Company or their relatives	Yes	Yes [Only executive directors and their relatives are required]	Yes
2	Director, other than Independent director/ KMP of the Holding Company or their relatives	Yes	No	Yes
3	A firm in which a director, manager or his relative is a partner	Yes	Yes	No
4	A private company in which a director or manager or his relative is a member or director	Yes	Yes	No
5	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	Yes	No	No
6	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. However, it should be noted that advice, directions or instructions given in professional capacity by any person will not be considered for the assessment under this clause.	Yes	Yes	No
7	Any person on whose advice, directions or instructions a director or manager is accustomed to act. However, it should be noted that advice, directions or instructions given in professional capacity by any person will not be considered for the assessment under this clause.	Yes	Yes	No
8	A holding company	Yes	Yes	Yes
9	A subsidiary company	Yes	Yes	Yes
10	An associate or joint venture company	Yes	Yes	Yes
11	Fellow subsidiaries	Yes	Yes	Yes

12	Investing party in respect of which the reporting enterprise is an associate (Not covered to the extent not already a related party under other provisions given above)	No	Yes	Yes
13	Co-venturer in respect of which the reporting enterprise is a joint venture (Not covered to the extent not already a related party under other provisions given above)	No	Yes	Yes
14	Individuals having control or significant influence (by virtue of their direct or indirect shareholding) and their relatives. Not covered to the extent not already a related party under other provisions given above.	No	Yes	Yes
15	Entities over which control or significant influence is exercised by parties identified at 1 and 14 above (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.)	No	Yes	Yes
16	Associate or joint venture of a member of a group of which the other entity is a member	No	No	Yes
17	Both entities are joint ventures of same third party	No	No	Yes
18	One entity is a joint venture of third entity and the other entity is an associate of the third entity	No	No	Yes
19	The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company	No	No	Yes

Appendix – 2

Comparison of relative definition as per the Act with Accounting Standards:

Relatives	Act	AS 18	Ind AS 24 Note: Term relatives means close members of the family of a person which also includes the term spouse or domestic partner
Members of HUF	Yes	No	Yes
Husband / Wife	Yes	Yes	Yes
Father	Yes	Yes	Yes
Step-father	Yes	No	No
Mother	Yes	Yes	Yes
Step-mother	Yes	No	Yes
Brother	Yes	Yes	Yes
Step-brother	Yes	No	Yes
Sister	Yes	Yes	Yes
Step-sister	Yes	No	Yes
Son	Yes	Yes	Yes
Step-son	Yes	No	Yes
Son's wife	Yes	No	Yes
Daughter	Yes	Yes	Yes
Step Daughter	No	No	Yes
Daughter's husband	Yes	No	Yes
Father's father	No	No	Yes
Father's mother	No	No	Yes
Mother's mother	No	No	Yes
Mother's father	No	No	Yes
Son's son	No	No	Yes
Son's son's wife	No	No	Yes

Son's daughter	No	No	Yes
Son's daughter's husband	No	No	Yes
Daughter's son	No	No	Yes
Daughter's son's wife	No	No	Yes
Daughter's daughter	No	No	Yes
Daughter's daughter's husband	No	No	Yes
Brother's wife	No	No	Yes
Sister's husband	No	No	Yes
Dependents, if any	No	No	Yes