



Avanti Microfinance Private Limited

Related Party Transaction Policy

This document was :

Version	Drafted by	Reviewed by	Board approval and adoption date
Version 1	Company Secretary of Avanti Microfinance Private Limited	Mr. Manish Thakkar, Director	October 31, 2023
Version 2	Company Secretary of Avanti Microfinance Private Limited	Mr. Manish Thakkar, Director	December 16, 2024

Document Classification: **Public**

Table of Contents

1. Introduction.....	2
2. Objective	2
3. Identification of Related Party Transaction.....	2
4. Disclosure and Reporting Requirements.....	4
4.1 Regulatory Disclosures	4
4.2 Accounting standard related disclosures	6
5. Approval for Related Party Transactions.....	7
5.1 Procedure for Seeking Approval of Related Party Transactions.....	7
6. Confidentiality Obligations.....	8
7. Related Party Transactions without the prior approval under this Policy	8
8. Record Keeping.....	9
9. Policy Review and Updates.....	9
10. Regulatory References.....	9
Annexure 1 - Definitions.....	10

1. Introduction

Avanti Microfinance Private Limited (“Company”) shall be governed Companies Act and Rules made thereunder and Ind AS – 24 issued by the ICAI 2013, Income Tax Act 1961. In view of the above guidelines, the policy on Related Party Transactions (“RPT”) for reviewing, approving and ratifying RPT and providing disclosures with respect to the above transactions is being approved by the Board.

This policy seeks to define a mechanism to handle RPT in order to ensure the transparency and substantive and procedural fairness of such transactions. The RPT can present a potential or actual conflict of interest which may be against the best interest of the Company.

This policy seeks to provide guidance on identification of related parties and the proper conduct and documentation of all related party transactions.

2. Objective

The key objectives of this policy are as under:

- 2.1 Ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.
- 2.2 Identify outstanding balances, including commitments, between an entity and its related parties.
- 2.3 Determine the disclosures to be made about those items.
- 2.4 Ensure that the Company’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.
- 2.5 Govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and to comply with the statutory provisions in this regard.

3. Identification of Related Party Transaction

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, Company shall not enter into any contract or arrangement with a related party with respect to:

- 3.1 sale, purchase or supply of any goods or materials;

- 3.2 selling or otherwise disposing of, or buying, property of any kind;
- 3.3 leasing of property of any kind;
- 3.4 availing or rendering of any services;
- 3.5 appointment of any agent for purchase or sale of goods, materials, services or property;
- 3.6 such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- 3.7 underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that no contract or arrangement, in the case of a Company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as mentioned under rule 15 of The Companies (Meetings of Board and its Powers) Rules, 2014 of Companies Act, 2013 (amended from time to time), shall be entered into except with the prior approval of the Company by a resolution from shareholders of the Company.

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information:

- (i) Names of his / her Relatives;
- (ii) Partnership firms in which he / she or his / her Relative is a partner;
- (iii) Private Companies in which he/ she is a member or Director;
- (iv) Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid-up share capital;
- (v) Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- (vi) Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every promoter, director and key managerial personnel ("KMP") of the Company and its subsidiaries/Joint venture shall:

- a) at the time of appointment;
- b) periodically- as required by the Company;
- c) whenever there is any change in the information already submitted;

provide requisite information about his / her Relatives and all firms, entities, body corporates, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board may reasonably request.

4. Disclosure and Reporting Requirements

4.1 Regulatory Disclosures

The policy on Related Party Transactions will be displayed on the Company’s website and also in the Annual Report.

The details of all material transactions with related parties will be disclosed in the annual report.

The name and nature of the related party relationship will be disclosed by the Company, irrespective of whether there have been transactions, where control exists. Control would normally exist in case of a parent-subsidary relationship. The disclosures may be limited to aggregate for each of the above-related party categories and as indicated in the format below:

Items/ Related Party	Parent (as per ownership control)	Subsidiaries	Associates/Joint Ventures	Key Management Personnel	Relatives of Key Management Personnel	Total
Borrowings						
Investments						
sale, purchase or supply of any goods or materials						
Purchase of fixed/other assets						

selling or otherwise disposing of, or buying, property/assets of any kind						
leasing of property of any kind						
Interest paid						
Interest received						
availing or Rendering of services						
appointment of any agent for purchase or sale of goods, materials, services or property						
such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company						
Receiving of services						

underwriting the subscription of any securities or derivatives thereof, of the company						
Management contracts						

Note: Where there is only one entity in any category of related party, the Company need not disclose any details pertaining to that related party other than the relationship with that related party.

4.2 Accounting standard related disclosures

Relationships between the parent and its subsidiaries will be disclosed irrespective of whether there have been transactions between them. The Company will disclose the name of its parent and, if different, the ultimate controlling party. If neither the Company's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so will also be disclosed.

The Company will disclose key management personnel compensation in total and for each of the following categories:

- (i) short-term employee benefits;
- (ii) post-employment benefits;
- (iii) other long-term benefits;
- (iv) termination benefits; and
- (v) share-based payment.

If the Company has had related party transactions during the periods covered by the financial statements, it will disclose the nature of the related party relationships as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures include:

- (i) the amount of the transactions;
- (ii) the amount of outstanding balances, including commitments, and:
 - (a) their terms and conditions, including whether they are secured, and
 - (b) the nature of the consideration to be provided in settlement; and
 - (c) details of any guarantees given or received;
- (iii) provisions for doubtful debts related to the amount of outstanding balances; and
- (iv) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The disclosures will be made separately for each of the following categories:

- (i) the parent;
- (ii) entities with joint control or significant influence over the entity;
- (iii) subsidiaries;
- (iv) associates;
- (v) joint ventures in which the entity is a venturer;
- (vi) key management personnel of the entity or its parent; and
- (vii) other related parties

5. Approval for Related Party Transactions

5.1 Procedure for Seeking Approval of Related Party Transactions

Approval of Related Party Transactions

A. Board of Directors

All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Board. The Board shall consider all relevant factors while deliberating the Related Party Transactions for its approval

- (i) Any director who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (a) not in the ordinary course of business, or (b) not at arm's length price, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.
- (ii) In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (a) not in the ordinary course of business, or (b) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

B. Shareholders

- (i) If a Related Party Transaction is (a) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, then such RPT and any subsequent material modification thereto, shall require shareholders' approval by a resolution. In such a case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on

resolution passed for approving such Related Party Transaction.

- C. The provisions of Companies Act, 2013 shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- D. 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 Company would obtain post facto approval from the Board and/or shareholders as required under applicable laws/ regulations. In case the Company is not able to take such prior approval from, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.
- E. **Reporting of Related Party Transactions**
Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

6. Confidentiality Obligations

Related party disclosure requirements as laid down as per Ind AS - 24 do not apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing the NBFC prohibits the company from disclosing certain information which is required to be disclosed as per the above-referred standard, disclosure of such information is not warranted.

7. Related Party Transactions without the prior approval 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 will be reviewed by the Board. The Board needs to consider all the relevant facts and circumstances regarding the Related Party Transaction and evaluate all options available to the company, including ratification, revision or termination of the Related Party Transaction.

The Board will also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Board under this Policy and will take any such action it deems appropriate.

In any case, where the Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Board, as appropriate, may direct additional actions including,

but not limited to, immediate discontinuation of the transaction, seeking approval of the shareholders, payment of compensation for the loss suffered by the related party, etc.

In connection with any review of a Related Party Transaction, the Board has the final authority to modify or waive any procedural requirements of this Policy.

8. Record Keeping

All documentation pertaining to the Related Party Disclosure including declaration from directors, registers maintained by the Secretarial Department and such other records and evidence will be maintained for a period of 8 years or such other period as specified by any other law in force, whichever is higher.

9. Policy Review and Updates

The board-approved policy will be reviewed as and when required or at least annually to incorporate regulatory updates and changes, if any.

The implementation of this policy shall be monitored and reviewed periodically by the Board of the Company.

This Policy comes into effect from the date of Board Approval.

10. Regulatory References

The policy is framed based on the following Regulatory References:

- (i) Section 188 of Companies Act, 2013. (Applicable for every company)
- (ii) Indian Accounting Standard (Ind AS 24) – Related Party Disclosures
- (iii) Point 4 (4.3) of Annex XXII and Section I- Point 2 of Annex VII of Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023

Annexure 1 - Definitions

Key Term	Explanation
“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.
“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 of the company having such influence and includes a joint venture company. Explanation of significant influence “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.
“Board”	Means the Board of Directors of NBFC
“Control”	As per Ind AS 24, <i>Control</i> is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
“Joint Control”	As per Ind AS 24, is the contractually agreed sharing of control over an economic activity.
“Joint Venture”	Means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control
“Key Managerial Personnel”	Means Key Managerial Personnel as defined under the Companies Act, 2013, viz The Managing Director or the Chief Executive Officer or the manager; The Company Secretary; The whole-time director; The Chief Financial Officer; such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board. As per Ind AS 24, <i>Key management personnel</i> are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
“Office or place of profit”	Means any office or place 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

	<p>above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;</p> <p>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.</p>
<p>“Related Party”</p>	<p>An entity shall be considered as related to the Company if: a. Such entity is a related party under Section 2 (76) of the Companies Act, 2013 which is as under;</p> <p>Related Party with reference to a company, means—</p> <ul style="list-style-type: none"> a director or his relative; a key managerial personnel or his relative; a firm, in which a director, manager or his relative is a partner; a private company in which a director or manager or his relative is a member or director; a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital; 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; any person on whose advice, directions or instructions a director or manager is accustomed to act: <p>Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;</p> <p>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; such other person as may be prescribed;</p> <p>OR</p> <p>Under the Indian Accounting Standard (Ind AS) – 24: A <i>related party</i> is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).</p> <p>A person or a close member of that person’s family is related to a reporting entity if that person:</p> <ul style="list-style-type: none"> has control or joint control over the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. <p>An entity is related to a reporting entity if any of the following conditions applies:</p> <ul style="list-style-type: none"> The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is

	<p>related to the others).</p> <p>One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).</p> <p>Both entities are joint ventures of the same third party.</p> <p>One entity is a joint venture of a third entity and the other entity is an associate of the third entity.</p> <p>The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.</p> <p>The entity is controlled or jointly controlled by a person identified in (a). A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).</p>
<p>“Related Party Transaction”</p>	<p>Means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –</p> <ul style="list-style-type: none"> Sale, purchase or supply of any goods or materials; Selling or otherwise disposing of or buying property of any kind; Leasing of property of any kind; Availing or rendering of any services; Appointment of any agent for the purchase or sale of goods, materials, services or property; Related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; underwriting the subscription of any securities or derivatives thereof, of the company; Financing (including loans and equity contributions in cash or kind); Providing or obtaining guarantees and collaterals; and Deputation of employees. (The above is an indicative list and not an exhaustive one). <p>As per Ind AS 24, a related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>
<p>“Relative”</p>	<p>Means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –</p> <ul style="list-style-type: none"> Members of a Hindu undivided family; Husband or wife; Father (including step-father); Mother (including step-mother); Son (including step-son); Son's wife;

	Daughter; Daughter's husband; Brother (including step-brother); or Sister (including step-sister).
--	---