

Habitat Micro Build India Housing Finance Company Private Limited



Policy on Related Party Transaction

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Policy on Related Party Transaction

1. INTENT

In keeping with the guidelines of National Housing Bank, the company has formulated this policy which shall come into force from 1st January, 2020.

2. SCOPE AND PURPOSE

The Companies Act, 2013 ('the Act'), the Rules framed thereunder and Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016, contain detailed provisions on Related Party Transactions.

This Policy has been framed as per the requirements of the Guidelines and is intended to ensure proper approval and reporting of the transactions between the Company and its Related Parties. This Policy also ensures adequate systems and procedures to address potential conflict of interest and compliance with the provisions of the Act.

The Board recognizes that certain transactions present a heightened risk of conflict of interest or the perception thereof. Therefore, any dealings with a Related Party must be conducted in such a way that no preferential treatment is given and adequate disclosures and/or permissions are made/ sought as required by Applicable Laws as defined herein below and as per the applicable policies of the Company.

3. OBJECTIVE

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. This policy seeks to serve the following objectives.

- i) To regulate and control related party transactions as intended under Companies' Act/NHB Directions.
- ii) To ensure that there is a proper system of approval for related party transactions.
- iii) To ensure disclosure of the related party transactions entered between the company and its related parties.
- iv) To ensure transparency regarding such transactions; and
- v) To improve corporate governance by providing required disclosures of related party transactions.

4. DEFINITIONS

4.1 "Applicable Laws" means the Companies Act, 2013, the rules made thereunder, Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016, Accounting Standards issued by the Institute of Chartered

Accountant of India or any other legislative authority entrusted with the task of issuing such accounting standards and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions, as may be in effect from time to time.

- 4.2 **“Arm’s length transaction”** means transaction between two related or affiliated parties that is conducted as if they were unrelated so that there is no conflict of interest.
- 4.3 **“Audit Committee or The Audit Committee”** means the audit committee constituted by the Board under the provision of Section 177 of the Companies Act, 2013 and as per the directions of NHB.
- 4.4 **“Board or The Board”** refers to the board of directors of the company.
- 4.5 **“Company or The Company”** means Habitat Micro Build India Housing Finance Company Private Limited.
- 4.6 **“Company Secretary”** means a Company Secretary as defined in clause (c) of sub section (1) of Section 2 of the Company Secretaries Act, 1980 duly appointed by the Company to perform various act.
- 4.7 **“Key Managerial Personnel”** shall have the same meaning as assigned to it under Section 2 (51) of the Companies Act, 2013.
- 4.8 **“Material Related Party Transactions”** mean such Related Party Transaction(s) to be entered into individually or taken together with previous Related Party Transaction(s) during a financial year, which exceeds the threshold limits as specified under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.
- 4.9 **“NHB Direction”** means Housing Finance Companies - Corporate Governance (National Housing Bank) Directions, 2016 issued by the National Housing Bank including any amendment thereof.
- 4.10 **“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. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 4.11 **“Relative(s)”** shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013.
- 4.12 **“Related Party”** means any person who is
- i) a related party under Section 2(76) of the Companies Act, 2013 read with rules issued thereunder;
 - ii) a related party under the applicable accounting standards; and
 - iii) any other person or entity covered under Applicable Laws

4.13 “**Related Party Transaction(s)**” means any transaction with any Related Party that are subject to the provisions of Applicable Laws and shall inter-alia include the following:

- i) purchases or sales of goods or materials (finished or unfinished);
- ii) purchases or sales of property of any kind;
- iii) rendering or receiving of services;
- iv) leasing of property of any kind;
- v) appointment of any agent for purchase or sale of goods, materials, services or properties;
- vi) appointment of such related party to any office or place of profit in the Company, or its subsidiary or associate company;
- vii) Such other transactions as per Applicable Law;

Notwithstanding the foregoing, the following shall not be deemed to be a Related Party Transactions:

- i) Any transaction that involves providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its holding Company, 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.
- iii) Any other exception which is in consistent with the Applicable Laws, including any rules or regulations made thereunder.

All terms not defined herein shall take their meaning from the Applicable Laws.

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

5.1 APPROVAL OF AUDIT COMMITTEE

5.1.1 The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions. While considering the Related Party Transactions, the following information shall be presented to the Committee:

- i) the name of the Related Party and the basis on which such person or entity is a Related Party;
- ii) the Related Party’s interest in the transactions, including the Related Party’s position or relationship with, or ownership of, any entity that has an interest in the transactions;
- iii) the approximate monetary value of the transactions of the Related Party’s interest in the transactions;
- iv) general descriptions of the transactions, including material terms and conditions, if any;

- v) in the case of lease or other transactions, providing for periodic payments or instalments, the aggregate amount of all periodic payments or instalments to be made;
- vi) in case of loan, the aggregate amount of loan and the rate/ amount of interest payable on such loan;
- vii) in case of guarantees issued, the aggregate amount of guarantees and commissions, if any, to be payable on such guarantees;
- viii) an assessment of whether the transactions are on terms that are capable with the terms available to the unrelated parties or to the employee generally; and
- ix) any other material information regarding the transactions or the Related Party's interest in the transactions.

The transactions shall be approved only if it is determined by the Committee that such transactions are:

- i) in the best interest of the Company and its shareholders;
- ii) to be entered by the Company on terms that are comparable to those that would be obtained in arm's length transactions with unrelated parties; and
- iii) In the ordinary course of business.

5.1.2 No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to which such member or any of his/her relative is a Related Party.

5.1.3 If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.

5.1.4 If any additional Related Party Transactions is proposed to be entered into subsequent to the Committee's approval, management shall present such transactions to the Committee for approval before entering into such transactions.

5.1.5 A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as required in the Act.

5.1.6 For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to certain transactions based on the criteria as decided by the Committee from time to time.

5.1.7 Extent and manner of disclosures that can be made to the Audit Committee at the time of seeking omnibus approval;

- i) All the transaction placed for omnibus approval shall be in the ordinary course of business;
- ii) All the transaction shall be at Arms' length basis;
- iii) Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought;
- iv) Contractual terms offered by/to third parties for similar transactions; and

v) Contractual terms with such Related Parties, for instance, floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.

5.1.8 The Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to certain criteria/conditions as required under Companies Rules, 2014 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for one financial year.

5.1.9 Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

5.1.10 Audit Committee shall not grant omnibus approval for following transactions:

- i) Transactions which are not in ordinary course of business or not on arm's length basis;
- ii) Transactions in respect of selling or disposing of the undertaking of the Company;
- iii) Transactions which are not in the interest of the Company; and
- iv) Such other transactions specified under Applicable Law from time to time.

5.1.11 If a Related Party Transaction is of ongoing nature, the Audit Committee / Board may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Audit Committee of the Board, on at least an annual basis, shall review and assess on-going relationships with such Related Party to ensure that they are in compliance with the Act and rules made thereunder, Corporate Governance Direction issued by NHB and this Policy and that the Related Party Transaction remains appropriate.

5.1.12 If any related party transactions which are not approved come to the notice of the company, the same has to be placed before the Audit Committee for review. The Audit Committee will examine the same and make its recommendation to the Board.

5.2 APPROVAL OF BOARD AND SHAREHOLDERS

5.2.1 If a related party transactions is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under Section 188 of the Companies Act, 2013, it shall require Board's and/or Shareholders' approval by a resolution. In such a case, any director/ member who is a related party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving related party transaction.

5.2.2 A transaction not approved but recommended by the Audit Committee, 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

5.2.3 Any related party transactions which are not approved come to the notice of the company, the Board will take a view and evaluate all options which are available, with due consideration of the recommendations given by the Audit Committee. The options may include any of the following:-

- i) Ratification/ approval
- ii) Revision
- iii) Termination of the Related Party Transactions

6. REGISTER AND DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Companies Act, 2013 with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

The Company shall keep a register for Related Party Transaction and update the register, as required by Companies Act, 2013, giving separately the particulars of all contracts or arrangements with any Related Party.

7. REVIEW OF THE POLICY

This policy shall be reviewed by the Audit Committee and Board Members on yearly basis. Any changes or modification in the policy shall be presented to the Board for their approval as recommended by the Audit Committee.

8. COMPLIANCE RESPONSIBILITY

Compliance of this policy shall be the responsibility of Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.