

Related Party Transactions Policy

[Disclosure as required under Housing Finance Companies – Corporate Governance
(National Housing Bank) Directions, 2016]

1. Brief Background:

Security Exchange Board of India (SEBI) vide its circular No.CIR/CFD/POLICY CELL/2/2014 dated 17 April 2014, read with circular No.CIR/CFD/POLICY CELL/7/2014 dated 15 September 2014 has amended clause 35B and 49 of the listing agreement and SEBI (Listing Obligations & Disclosure Requirement) Regulations, 2015 (Listing Regulations) came into existence w.e.f. December 01, 2015. In terms of the said circular, it is mandatory for the listed entities to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Can Fin Homes Limited is a public limited company incorporated on 29/10/1987 under the Companies Act, 1956 (Corporate Identity Number L85110KA1987PLC008699). The equity shares of the Company are listed on BSE Limited and the National Stock Exchange of India Limited and as such the provisions of the listing agreements entered into by the Company with the said stock exchanges (hereinafter collectively referred to as the 'Listing Agreements') for equity shares, are applicable and binding on it.

2. Objective of the Policy

The policy is framed as per requirements of the Listing Agreements entered into by the Company with the Stock Exchanges and intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions shall be appropriate only, if they are in the best interest of the Company and its shareholders.

3. Scope of the Policy

3.1. During the course of its business, the Company enters into transactions with various entities. Some of the transactions were deemed to be 'Related Party Transactions' as per the Accounting Standard on Related Party Disclosures (AS 18), as notified by the Companies (Accounting Standards) Rules, 2006 and such transactions were duly disclosed in the Annual Reports of the Company. The policy shall be applicable to the transactions made with:

- a) Board of Directors and their relatives;
- b) Key management Personnel (KMP) of the Company and their relatives; and
- c) Related parties, as defined under section 2 (76) of the Companies Act 2013 and as amended from time to time and the rules specified in the listing agreement.

3.2. The parties are considered to be related, if, one party has ability to control the other party or exercise significant influence over the other party, directly or indirectly,

in making financial and/or operating decisions. The description of the related parties shall be as per applicable provisions of Companies Act, 2013, Listing Regulations and Accounting Standards.

4. Transactions are considered as related party transactions:

4.1. Following types of the transactions considered as related party as per section 188 of Companies Act 2013:

- (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.

4.2. Types of the transactions considered as related party as per listing agreement:

Transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, whether single transaction or group of transactions.

4.2. Types of the transactions considered as related party as per AS-18, Accounting Standard-18 of 2006:

- (a) Purchases or sales of goods (finished or unfinished);
- (b) Purchases or sales of fixed assets;
- (c) Rendering or receiving of services;
- (d) Agency arrangements;
- (e) Leasing or hire purchase arrangements;
- (f) Transfer of research and development;
- (g) License agreements;
- (h) Finance (including loans and equity contributions in cash or in kind);
- (i) Guarantees and Collaterals; and
- (j) Management contracts including for deputation of employees.

4.3. In addition to the above, following transactions between the related parties shall also be considered as related party transactions:

- (a) Borrowings
- (b) Deposit
- (c) Placement of deposits
- (d) Advances
- (e) Investments
- (f) Non-funded commitments
- (g) Leasing/HP arrangements availed
- (h) Leasing/HP arrangements provided
- (i) Purchase of fixed assets
- (j) Sale of fixed assets
- (k) Interest paid
- (l) Interest received

5. Identification of potential related party transactions

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or the Audit Committee, any potential Related Party Transaction involving him or



her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The notice of any such potential Related Party Transaction should be given to the Board/Audit Committee well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

6. Process for ascertaining related party

The Accounts Dept. shall prepare a list of related party on the basis of information collected from the related parties as on 31st of March every year and as and when any person or entity becomes related party, in terms of this policy and declarations received. The related party list shall be updated whenever necessary and shall be reviewed at periodical intervals.

The internal Auditors/Statutory Auditor are required to verify the process of ascertaining the related parties and their correct recording/listing in register of Contracts/ arrangement etc. as well as their classification regarding whether they are on arm's length basis.

The list of the related parties shall be circulated among the branches and any transactions with the related parties shall be carried out as per the Related Party Transaction policy.

7. Approval of Related Party Transaction:

7.1. Approval of Related party transactions by Audit Committee of the Board: All related Party Transactions proposed to be entered into by the Company shall require prior approval of Audit Committee except those transactions exempted by the committee through omnibus specific approval. All "Material" related party transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions. However, this shall not be applicable in the following cases.

- (a) Transactions entered into between two government companies;
- (b) 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.

7.2. Approval of the Board of Directors: All the contracts/ arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits, which are not in the ordinary course of business of the Company or on an arm's length basis shall along with the approval of the Audit Committee also require approval of the Board of Directors of the Company.

7.3. Approval of Shareholder: All the Material Related Party Transactions and Related Party Transactions exceeding the threshold limits, whether or not in the ordinary course of business of the Company or on an arm's length basis, shall require prior approval of the Audit Committee, the Board and the shareholders of the Company by way of Special Resolution and the related parties shall abstain from voting in such resolution.

7.4. Omnibus approval by the Audit Committee:

7.4.1. In case of certain frequent/ repetitive/ regular transactions with Related Parties which are in the ordinary course of business of the Company (including transactions for support services/sharing of services with Subsidiary/Associate Companies), the Audit Committee may consider grant of an omnibus approval for such Related Party Transactions proposed to be entered into by the Company, subject to the following conditions:



- a. The Audit Committee shall lay down the criteria for granting such omnibus approval in line with this Policy.
- b. It shall satisfy itself that the need for such omnibus approval and that such approval is in the business interest of the Company.
- c. Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price or 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;

7.4.2. Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore (Rupees One Crore only) per transaction.

7.4.3. The details of such transactions viz. actually entered into/ executed by the Company shall be tabled at the next meeting of the Audit Committee for its ratification.

7.4.5. Such omnibus approval shall be valid for a period not exceeding 1 (one) year and shall require fresh approval after the expiry of 1 (one) year from the date of the original approval granted by the Audit Committee, from time to time.

7.4.6. In terms of the provisions of the Listing Agreements, the Audit Committee shall review the statement containing significant Related Party Transactions. The threshold limit for determining significant Related Party Transactions will be the same as applicable for Material Related Party Transactions under the Listing Agreements, as amended from time to time.

8. Procedure of seeking approval of Related Party Transaction

As and when any transaction is contemplated with any Related Party, the concerned office entertaining the request shall submit to the Accounts Dept. RO, the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. The Accounts Department at RO shall appropriately take it up for necessary prior approvals from the Audit Committee at its next scheduled meeting and convey back the decision to the originator.

If the proposed transaction is not in ordinary course of business but at arm's length basis, then the branch/office shall give a detailed note with justification to Accounts Department RO, for entering such transaction along with details of proposed transaction with draft agreement/MoU/other supporting documents. Based on the note the Accounts Department at RO, shall escalate the matter for necessary approvals of the Audit Committee/Board/Share Holders as may be applicable.

The Accounts Department at RO, shall present to the Audit Committee the following information, to the extent relevant, with respect to actual or potential related Party Transaction.

- a) A General Description of the transactions
- b) The name of the related party and the basis on which such party is a related party.
- c) The related party interest in the transaction(s)
- d) The approximate rupee value
- e) In case of lease or other transaction providing for periodic payments or installments, the aggregate amount of all period payments of installments expected to be made.
- f) In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.



- g) Any other material information regarding the transaction(s) or the related party's interest in the transactions

9. Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will reclude himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all, relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- a. Any transaction that involves providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. 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.

10. 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 shall be reviewed by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

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

11. Disclosures

11.1. The Company shall keep a register in the prescribed form giving the full particulars of contracts or arrangements in respect of all RPTs approved by the Audit Committee, and the gist of such contracts/RPTs shall be placed before the Board periodically.



11.2. Necessary disclosures shall be made in the Annual Financial Statements as required under AS 18 and applicable guidelines. Further, as required under Listing Agreement, necessary details of all materially significant related party transactions which may have potential conflict with the interests of the Company at large, shall also be also given in Report on Corporate Governance section in Annual Report.

11.3. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.

11.4. The Company shall disclose the policy on dealing with related party transactions on its website and a web link thereto shall be provided in the Annual Report.

12. Records relating to Related Party/Supporting documents

All disclosures, supporting documents shall be preserved for a period of eight years from the end of the financial year to which it relates and shall be kept in the custody of the Accounts Dept. and any other person authorized by the Board for the purpose.

Agreement or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate shall also be preserved for a period of 8 years from the end of the financial year to which it relates and shall be kept in the custody of the Board and/or any other person authorized by the Board for the Purpose.

13. Interpretation

In any circumstances 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 procedure until such time as these policies and procedures are changed to confirm to the law, rule, regulation or standard.

14. Secrecy Provisions

In terms of paragraph 5 of Accounting Standard 18, the disclosure requirements do not apply in circumstances when providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of statute, by regulator or similar competent authority. In terms of Paragraph 6 of Accounting Standard 18, in case a statute or SEBI prohibits the Company from disclosing certain information which is required to be disclosed, non-disclosure of such information would not be deemed as non-compliance with the requirements of Accounting Standard 18. It is clear from the above that on account of the judicially recognized common law duty of the Company to maintain the confidentiality of the customer details, they need not make such disclosures. In view of the above, where the disclosures under the Accounting Standards are not aggregated disclosures in respect of any category of related party i.e., where there is only one entity in any category of related party, Company need not disclose any details pertaining to that related party other than the relationship with that related party.

15. Review of Related Party Transaction Policy.

The Related Party Transaction Policy is a part of Corporate Governance Policy. Therefore, the same has to be reviewed at periodical intervals by the Board as per the Transactions.

