



RELATED PARTY TRANSACTIONS POLICY

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1. 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. In terms of the said circular and as per Reg.23 of SEBI (LODR) Regulation, 2015, 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 including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

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. In addition to the above SEBI (Listing Obligations & Disclosure Requirement) Regulations, 2015 and amendments thereto is also applicable to the Company.

2. Objective

The policy is framed as per requirements of Regulation 23 of SEBI(LODR) Regulations, 2015 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

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 Indian Accounting Standard on Related Party Disclosures (IND AS 24), as notified by the Companies (Indian Accounting Standards) Rules, 2015. Such transactions were duly disclosed in the Annual Reports of the Company. The policy shall be applicable to the transactions made with:

- Board of Directors and their relatives;
- Key management Personnel (KMP) of the Company and their relatives; and
- Related parties, as defined under section 2 (76) of the Companies Act 2013 and as amended from time to time and the Regulation 2(1)(zb) of SEBI(LODR) Regulations, 2015.

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 is furnished in "Appendix-1 – Definitions of various terms used in the policy".

4. Transactions are considered as related party transactions

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

- 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 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.

Types of the transactions considered as related party as per Reg.2(1)(zc) of SEBI(LODR) Regulations, 2015 and IND AS-24, of the Companies (Indian Accounting Standards) Rules, 2015.

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 in a contract.

Types of the transactions considered as related party as per **INDAS 24** :

- a. Purchases or sales of goods (finished or unfinished);
- b. Purchases or sales of **property and other assets**;
- c. Rendering or receiving of services;
- d. Leases;**
- e. Transfer of research and development;
- f. **Transfer under** license agreements;
- g. **Transfer under** finance **agreements** (including loans and equity contributions in cash or in kind);
- h. **Provisions of Guarantees** and Collaterals; and
- i. Settlement of liabilities on behalf of the entity**
- j. Management contracts including deputation for employees.

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

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 no related party shall vote to approve such resolutions. However, this shall not be applicable in the following cases. Transactions entered into between two government companies;

- (a) 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.

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.

Approval of Shareholder: All the Material Related Party Transactions (as per Reg.23 of SEBI(LODR) Regulations, 2015) 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 no related party shall vote to approve such resolution. The shareholders' approval shall not be required in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

In the following cases the prior approval of the Company by a resolution is required whenever a company is entering into a transaction, and such transaction is contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the 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

Omnibus approval by the Audit Committee:

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 and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee 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;

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.

The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

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.

In terms of Schedule II Part C Para B point 2 of SEBI(LODR) Regulations, 2015, 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 Explanation to Reg.23(1) of SEBI(LODR) Regulations, 2015, 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 recuse himself or herself and abstain from discussion and shall not vote to approve the relevant 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

The Company shall keep a register in the prescribed form (Annexure 3) 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. Necessary disclosures shall be made in the Annual Financial Statements as required under AS 18 and IND AS-24 and RBI guidelines (Annexure 2). Further, as required under Para A of Schedule V of SEBI(LODR) Regulations, 2015 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.

As per Point 2A of Para A of Schedule V of SEBI(LODR) regulations, 2015 disclosures of transactions of the Company with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.

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

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.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

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.

Annexure 1 – Definitions

a. Arm's Length Transaction

Explanation Section 188(1)(b) of the Companies Act, 2013 defines an “arm’s length transaction” to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

b. Associate Company

A. Companies Act, 2013

In terms of Section 2(6) of the Companies Act, 2013 “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.

“significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“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.

B. Listing Agreement SEBI(LODR) Regulations, 2015

As per Reg.2(1)(b) of SEBI(LODR) Regulations, 2015 “associate” shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

c. Audit Committee

The term “Audit Committee” means the committee of Board of Directors the Company constituted in accordance with the provisions of Reg. 18 of SEBI(LODR) Regulations, 2015, Companies Act, 2013 and Rules made thereunder.

d. Material Related Party Transaction

In terms of Explanation to Reg.23(1) of SEBI(LODR) Regulations,2015, a transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

In terms Reg.23(1A) of SEBI(LODR) Regulations,2015 notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

e. Related Party

A. Companies Act, 2013:

The term Related Party has been defined under Section 2(76) of the Companies Act, 2013 as follows-

Related Party with reference to a company means –

- (i) a Director or his relative;
- (ii) a Key Managerial Personnel or his relative;
- (iii) a firm, in which a Director, Manager or his relative is a partner;
- (iv) a private company in which a Director or Manager is a member or director;

- (v) 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;
 - (vi) 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;
 - (vii) any person on whose advice, directions or instructions a Director or Manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - (viii) 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;
 - c. an investing company or the venture of the Company
- Explanation- For the purpose of this clause, "the investing company or the venture of a Company" means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.
- (ix) such other person as may be prescribed

Rule 3 of the Companies (Specification of definitions details) Rules, 2014, provides that a Director or Key Managerial Personnel of the holding company or his relative with reference to a company shall also be deemed to be a related party.

B. SEBI(LODR) Regulations, 2015

The term Related Party has been defined under Regulation 2(1)(zb) of SEBI(LODR) Regulations, 2015 as follows:

"related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

C. Accounting Standard:

As per Standard 10.1 of Accounting Standard 18 (AS 18) pertaining to Related Party Disclosures notified by the Companies (Accounting Standards) Rules, 2006, a Related Party is defined as follows -

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

In view of the above definition, AS 18 further defines the terms 'control' and 'significant influence' as follows -

f. Control

- a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Significant Influence –Participation in the financial and/or operating policy decisions of an

enterprise, but not control of those policies.

As per Accounting Standard 'AS-24' a "related Party" 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')

g. Related Party Transaction

Reg.2(1)(zc) of SEBI(LODR) Regulations, 2015 Clause 49(VII)(A) of the Listing Agreements defines a "Related Party Transaction" means to be a transfer of resources, services or obligations between a 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.

h. Relative

In terms of Section 2(77) of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014 a person is said to be a relative of another, if -

- a. They are members of a Hindu undivided family;
- b. They are husband and wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).
