



RELATED PARTY POLICY

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SONATA FINANCE PRIVATE LIMITED

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Introduction

This Policy deals with the objective of ensuring compliance with the provisions pertaining to Related Party Transactions (RPTs) in terms of **Companies Act, 2013** (“Act”), **the Rules made thereunder** and the applicable provisions of the “**Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016**” (“**RBI Directions**”).

Definitions

“Associate Company”, in relation to another company, means a company in which that other company has significant influence, but which is not a subsidiary company of the company having such influence and includes a joint Venture company.

Explanation- For the purpose of this clause, “**significant influence**” means control of at least 20% of total share capital, or of business decisions under an agreement.

“Audit Committee” or “Committee” means “Audit Committee” constituted by the Board of Directors of the company, from time to time, under provisions of Section 177 of the Companies Act 2013 and RBI Guidelines.

“Board of Directors” or “Board” means the Board of Directors of the company, as constituted from time to time.

“Company” means Sonata Finance Private Limited.

“Independent Director” means a director of the Company, as appointed in terms of Section 149 of the Companies Act 2013.

“Key Managerial Personnel” in relation to a company, means-

- (i) The Chief Executive Officer or the Managing Director or the Manager;
- (ii) The Company Secretary;
- (iii) The Whole-time Director;
- (iv) The Chief Financial Officer; and
- (v) Such other officer of the Company as may be prescribed by the Ministry of Corporate Affairs (MCA) from time to time.

“Material Related Party Transaction” If the transaction / transactions to be entered into with the related party individually or taken together with previous transactions during a financial year, exceeds 10% of the **Annual Turnover** of Sonata Finance Private Limited as per the last audited financial statements of the Company or such limits as may be prescribed in the Companies Act, 2013 from time to time.



"Policy" means Policy on materiality of Related Party Transactions and dealing with Related Parties.

"Related Party"

(A) *As per Companies Act 2013 & Rules made thereunder,*

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which 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 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;

A director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

ix. such other person as may be prescribed;

(B) *As per the provisions of IND 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').

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.



- b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) 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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) 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.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) 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).

"Relative"

(A) As per Section 2(77) of the Companies Act 2013

"Relative" with reference to any person, means anyone who is related to another, if-

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in such manner as may be prescribed

List of relatives as per Rule 4 of the Companies (Specification of Definitions Details) Rules 2014:

A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:-

1. Father *including 'Step-Father'*
2. Mother *including 'Step-Mother'*



3. Son including 'Step-Son' , Son's wife.
4. Daughter including 'Daughter's husband'
5. Brother including 'Step-Brother'
6. Sister including 'Step-Sister'

"Related Party Transactions" A Related Party Transaction is transfer of resources, services or obligations between Sonata Finance Private Limited and a related party, regardless of whether a price is charged.

Explanation: A "transaction" with Related Party shall be construed to include single transaction or a group of transactions in a contract.

"Control" as per Companies Act 2013 & Rules made thereunder and Indian Accounting Standard 24:

(A) With reference to the provisions of the Companies Act 2013

Control shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreement or voting agreements or in any other manner.

(B) With reference to the provisions of Indian Accounting Standard 24

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

"Joint Ventures" A contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel shall be responsible for giving notice to the Company about any potential RPTs, he/she may be interested. At the time of entering into any transaction it shall be the responsibility of the Company Secretary to ensure that the transaction is not falling under the category of Related Party as per the declarations already given by the Board of Directors. The Board of directors and the KMP's shall immediately inform the Company Secretary of the "change in the interest" since the date of declaration, if any. Further the Company Secretary shall share the "declaration of interest" by the Board of Directors and the KMP's with the accounts department and the head of accounts shall be initiating the payments to any party confirming from the said declarations whether the party is falling under the category of Related Party or not.

If any transaction is identified as the Related Party Transaction, the procedure as contained in the policy shall be observed.



Approvals

I. *Approval by Audit Committee*

1. All Related Party Transactions (including any subsequent modifications thereof) shall require approval of the Audit Committee of Directors. 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/ or voting on the approval of the Related Party Transaction.

The Audit Committee of Directors may grant omnibus approval for the RPTs proposed to be entered into by the Company if the proposed related party transaction is repetitive in nature, in ordinary course of business and at Arm's Length basis

- a. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- b. 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/current contracted price and
 - iii. Such other conditions as Audit Committee may deem fit.
- c. Audit Committee shall review, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- d. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- e. Any other conditions as the Audit Committee may deem fit.

II. *Approval by Board of Directors*

Except with the consent of the Board of Directors given ***by a resolution at a meeting of the board***, Sonata Finance Private Limited shall not enter into any contract or arrangement with a related party with respect to-

- 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;
- Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and Related Party Transactions.
- Underwriting the subscription of any securities or derivatives thereof, of the company:

Provided that nothing of the above shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

{Ordinary Course of Business shall include those business which forms part of the Main Object of the Memorandum of Association of the Company}.

Explanation-

the expression “**office or place of profit**” means any office or place-

Where such office or place of profit 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;

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;

The expression “**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.

III. *Approval by Shareholders*

1. All the transactions which are specified in Section 188 of the Companies Act, 2013 and which are not in the ordinary course of business & arms length basis as well as exceed the limits specified in relevant Rules pertaining to related party transactions, shall require approval of shareholders by way of Ordinary Resolution.
2. No Member of the company shall vote on such Ordinary Resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.



Pre-requisites for entering into Potential Related Party Transactions

A. *Audit Committee / Board Level Pre-requisites*

The Company shall enter into any contract or arrangement with a related party subject to the following conditions, namely The agenda of the Board/ Audit Committee Meeting, as the case may be, at which the resolution is proposed to be moved shall disclose:

The name of the related party and nature of relationship;

The nature, duration of the contract and particulars of the contract or arrangement;

The material terms of the contract or arrangement including the value, if any;

Any advance paid or received for the contract or arrangement, if any;

The manner of determining the pricing and commercial terms, both included as part of contract and not considered as part of the contract;

Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

And other information relevant or important for the Board to take a decision on the proposed transaction.

An indicative list of details and terms of contract/arrangements to be included in the agenda papers of the meeting pertaining to the Related Party Transactions is attached as **Annexure -I**

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-

B. *Shareholders' Level Pre-requisites*

For approval of the shareholders, a notice calling the General Meeting will be sent along with the explanatory statement to the Shareholders.

The explanatory statement to be annexed to the notice of a General Meeting convened for approval of the RPTs shall contain the following particulars, namely:-

➤ Name of the Related party;



- Name of the Director or Key Managerial Personnel who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement;
- Any other information relevant or important for the members to take a decision on the proposed resolution;

Disclosure Requirements

A. *Disclosure by Board of Directors*

Every Director shall at the first Meeting of the Board in which he participates as a Director and thereafter at the first Meeting of the Board in every Financial Year or wherever there is any change in the disclosures already made, then at the first Board Meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firm, or other association of individuals which shall include the shareholding.

B. *Disclosure on Website of Sonata Finance Private Limited*

Sonata Finance Private Limited shall disclose the policy on dealing with Related Party Transactions on its website and a web-link shall be provided in the Annual Report of Sonata Finance Private Limited.

C. *Disclosure in Board's Report*

Every contract or arrangement entered into by Sonata Finance Private Limited requiring Board's and Company's subsequent approval by way of Ordinary resolution shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Consequence of Non-approval/Violation of Provisions of Related Party Transactions

- i. Where any contract or arrangement is entered into by a director or a KMP, without obtaining the consent of the Board or approval by a Ordinary resolution in the general meeting as required 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 shall be voidable at the option of the Audit Committee / Board and if the contract or arrangement is with related party to any director or a KMP, or is authorized by any other director concerned shall indemnify the company against any loss incurred by it.
- ii. Without prejudice to anything in the above para, it shall be open to the company to proceed against a director or a KMP 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.



- iii. Any director or a KMP of Sonata Finance Private Limited who had entered into or authorized the contract or arrangement in violation of the provisions of section 188 of the companies act 2013, in relation to RPTs may be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty five-thousands rupees but which may extend to five lakh rupees, or both, in case of conviction.

Annexure – I

Related Party Transactions to be placed before Audit Committee:

Sr. No.	Name of the Related Party	Nature & Duration of the contract or Arrangement	Amount (in Rs.)	Material Terms* of the Contract including price	Other Terms & Conditions of the Contract	Any other relevant information pertaining to the Contract

- * Credit period, guarantees, penalties, bonuses, interest rate (simple/compound), security, advance payments, withholding amounts, and other terms that have a bearing.