



RELATED PARTY TRANSACTIONS POLICY

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SONATA FINANCE PRIVATE LIMITED

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Introduction

The objective of the Policy is to ensure 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**").

Scope of the Policy

- A. Identifying related party and related party transactions
- B. Obtaining approvals before entering into any Related Party Transactions as per the Company Policy of Related Party Transactions, applicable Accounting Standards, the Companies Act, 2013.
- C. Relevant documentation supporting the related party transactions.
- D. Determining the disclosures / compliances to be adhered to in relation to the related party transactions as per applicable law.

Definitions

"**Act**" shall mean the Companies Act, 2013 and includes any amendment thereof.

"**Arm's Length Transaction**" means a transaction between two related parties that is conducted as if they are 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 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-

- (a) "**significant influence**" means control of at least 20% of total voting power or control of or participation in business decisions under an agreement;
- (b) the expression "**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;

"**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 Directions.

"**Board of Directors**" or "**Board**" in relation to a company, means the collective body of the directors of the company;

"**Company**" means Sonata Finance Private Limited.

"**Independent Director**" means an independent director referred to in sub-section (6) 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;
- (v) 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; and
- (vi) 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/Networth** 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.

"Office or place of profit" means any office or place-

- i. 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;
- ii. 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;

"Ordinary Course of Business" shall mean the usual transactions, customs and practices carried on generally by the Non-Banking Financial Companies and shall include:

- i. transactions covered in the 'main objects' or the 'objects incidental' to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company,
- iv. transactions done with a related party on a similar basis as of a third party,
- v. transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

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

"Related Party"

(A) As per section 2 (76) of the Companies Act 2013 & Rules made thereunder,

- i. a director or his relative;
- ii. 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 or his relative 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 (v) 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 venturer of the company;"

Explanation—For the purpose of this clause, "the investing company or the venturer 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.

- d) a director (other than an independent 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.;

(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'*
4. Son's wife
5. Daughter
6. Daughter's husband
7. Brother *including 'Step-Brother'*
8. Sister *including 'Step-Sister'*

"Related Party Transactions (RPT)" shall have the same meaning as assigned to them under the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

It shall include the 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 control is the contractually agreed sharing of control over an economic activity.

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.

Procedure For Approval Related Party Transaction

APPROVAL MECHANISM AS PER THE ACT

- Section 177- approval of audit committee
- Section 188-approval of the Board within the prescribed threshold limits
- Section 188-approval of shareholders once the threshold limits are crossed

I. Approval by Audit Committee

1. All Related Party Transactions including any subsequent modifications thereof shall require approval of the Audit Committee of Directors in the manner specified under the provisions of the Act.

2. 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.

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

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

(1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely: -

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- (a) repetitiveness of the transactions (in past or in future);
- (b) justification for the need of omnibus approval.

(3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

(4) The omnibus approval shall contain or indicate the following: -

- (a) name of the related parties;
- (b) nature and duration of the transaction;
- (c) maximum amount of transaction that can be entered into;
- (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and

- (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

(7) Any other conditions as the Audit Committee may deem fit.”.

Provided that in case of transaction, other than transactions referred to in section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

II. Approval by Board of Directors

Approval of board of directors will be required for every non-material RPTs.

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, 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;
- 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.

III. Approval by Shareholders

1. If a related party transaction is (i) a material transaction as per Section 188 and Sub-rule 3 of Rule 15 of the Companies (Meetings of Board and its Power Rules) 2014 of the Act

(ii) any subsequent material modification thereto (iii) transaction not in the ordinary course of business, or (iv) not at arm's length price it shall require shareholders' approval by a resolution.

2. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction

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 as provided under Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014, namely:-

- i. the agenda of the Board/ Audit Committee Meeting, as the case may be, at which the resolution is proposed to be moved shall disclose-
 - a) The name of the related party and nature of relationship;
 - b) The nature, duration of the contract and particulars of the contract or arrangement;
 - c) The material terms of the contract or arrangement including the value, if any;
 - d) Any advance paid or received for the contract or arrangement, if any;
 - e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - f) 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
 - g) 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. Shareholder 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 transaction involving any amount not exceeding one crore rupees is entered into by a director or employee of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the company against any loss incurred by it:
- ii. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a 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 was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with related party to any director, or is authorized by any other director,



the directors concerned shall indemnify the company against any loss incurred by it.

- iii. Without prejudice to anything in the above para, it shall be open to the company to proceed against a director or 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.
- iv. Any director or any other employee 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 Act, in relation to RPTs shall be liable to a penalty of twenty-five lakh rupees

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.