

PROFECTUS CAPITAL PRIVATE LIMITED

POLICY ON RELATED PARTY TRANSACTION

1. INTRODUCTION:

The Board of Directors of Profectus Capital Private Limited ("the Company") have adopted the Policy on Related Party Transaction ("Policy") with regard to arrangement, contracts or transactions with related parties under the applicable provisions of the Companies Act, 2013 read with the rules framed thereunder and as amended from time to time 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").

2. PURPOSE:

This Policy is framed pursuant to the requirement of the Act and Rules made thereof and intends to ensure the management of conflict of interest vis-a-vis establishing the mechanism for proper approval and reporting of related party transactions.

The Policy aims at observance of regulatory norms as specified under the Act and set forth herein the procedures for related party transactions that must be reviewed and approved or ratified by the competent authority as the case may be

The Audit Committee will periodically review this Policy and may recommend amendments to the Board from time to time as it deems appropriate.

3. DEFINITIONS:

- ❖ "Act" means the Companies Act, 2013 (Act No. 18 of 2013) or any previous thereof and includes any Rules and Regulations framed thereunder.
- ❖ "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;
- ❖ "Associate" means an enterprise in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company and the term "Associate Company" shall be interpreted accordingly. For the purpose of this definition, "Significant Influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement.
- ❖ "Audit Committee" or "Committee" means Committee of Board of Directors of the Company constituted under provisions of the Act;
- ❖ "Board" means Board of Directors of the Company;
- ❖ "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 as may be prescribed

- ❖ "Policy" means Policy on Related Party Transactions;
- ❖ "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 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 two per cent 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 body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (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.*
 - (ix) such other person as may be prescribed;
- ❖ "Related Party Transaction ("RPT")" means any transactions directly or indirectly with Related Parties and it also includes transactions as specified under clause (a) to (g) of sub-section (1) of Section 188 of the Act;
- ❖ "Relative" means relative as defined under Section 2(77) of the Act and includes anyone who is related to another in any of the following manner:-
 - They are members of a Hindu Undivided Family ;
 - They are husband and wife ;
 - Father (including step-father)
 - Mother (including step-mother)
 - Son (including step-son)
 - Son's wife
 - Daughter
 - Daughter's husband
 - Brother(including step-brother); or
 - Sister (including step-sister)

Any other term not defined herein shall have the same meaning as defined in the Act and other applicable law.

4. IDENTIFICATION OF RELATED PARTIES & POTENTIAL RELATED PARTIES TRANSACTIONS:

The Company shall identify related parties as defined under the Policy with respect to the given specific transactions. The list of related parties needs to be updated periodically.

The Secretarial and Finance Team shall maintain a database of Company's Related parties containing details of names of entities and basis of relation based on the definition of Related Party and update the same on regular intervals. The Secretarial team shall update the list of Related Parties to the Finance team upon receipt of disclosures from the Directors, Key Managerial Personnel of the Company and Holding Company. The List would accordingly be updated in the system

The database shall be reviewed on half yearly basis jointly by the Finance Team and Secretarial Team of the Company.

Each director and Key Managerial Personnel of the Company is responsible for providing notice to the Audit Committee of any potential RPT involving him/her or his/her relative, including any additional information about the transaction that the Audit Committee may request.

❖ BROAD PARAMETERS TO ASSESS THE TRANSACTIONS ON 'ORDINARY COURSE OF BUSINESS'

The Act uses the term "Ordinary Course of Business", however, the same is not defined under the Act or Rules made there under. The ordinary meaning of the expression 'in the ordinary course of business' in dictionaries is 'part of doing regular business; the regular or customary condition or course of things; as things usually happen'. The Company shall adopt a reasonable approach / methodology to demonstrate 'Ordinary Course of Business'.

To decide whether an activity which is carried on by the business is in the 'ordinary course of business', the following factors may be considered:

- Whether the activity is covered in the objects clause of the Memorandum of Association
- Whether the activity is in furtherance of the business
- Whether the activity is normal or otherwise routine for the particular business (i.e. activities like advertising, staff training, etc.)
- Whether the activity is repetitive/frequent
- Whether the income, if any, earned from such activity/transaction is treated as business income in the company's books of account
- Whether the transactions are common in the particular industry
- Whether there is any historical practice to conduct such activities
- The financial scale of the activity with regard to the operations of the business
- Revenue generated by the activity
- Resources committed to the activity

❖ BROAD PARAMETERS TO ASSESS ARM'S LENGTH TRANSACTIONS:

For transactions between two related parties to be considered to be at arm's length pricing, the transaction should be conducted between the two parties as if the parties were unrelated, so that there is no conflict of interest. i.e. arm's length pricing is the condition or the fact that the two related parties transact as independent (un-related) parties and on an equal footing from one or more of the following aspects viz. nature of goods / services, risk assumed, assets / resources employed, key terms / covenants.

In the absence of any guidelines on Arm's Length Pricing in the Act, the Company shall adopt reasonable approach / methodology to demonstrate Arm's Length Pricing for the specified RPT identified, which shall, inter alia, shall include, the nature of the transaction, description of functions to be performed, risks to be assumed and assets to be employed, key terms / special terms in the arrangement forming part of a composite transaction.

5. PROCESS OF APPROVAL OF TRANSACTIONS:

❖ APPROVAL OF AUDIT COMMITTEE

- All RPT or any subsequent modifications to RPT of the Company with Related Parties shall require approval of the Audit Committee. The Audit Committee may grant omnibus approval for the related party transaction which are repetitive in nature and are in the ordinary course of business and are at arm's length, subject to compliance of the conditions set forth under the Act read with the rules made thereunder and other applicable law. The Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.
- Any member of the Audit Committee who has a potential interest in any RPT will abstain from discussion and voting on the approval of the RPT.
- The Audit Committee shall review on half yearly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval granted as stated above.

❖ Prior approval of Board of Directors

- All transactions with related parties which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval of the Board of Directors, in terms of Section 188 of the Act.
- In the above context, where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present during the discussions and vote on the subject matter of the resolution relating to such contract or arrangement.

❖ Prior approval of Shareholders

- Transaction with related parties which are either not in the ordinary course of business or not on 'arm's length basis and exceeds the threshold under section 188 of the Act shall require prior approval of the shareholders through an ordinary resolution.

6. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit 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 Committee has authority to modify or waive any procedural requirements of this Policy.

7. AMENDMENT IN APPLICABLE LAW:

Any subsequent amendment in the Act or any other applicable law in this regard, shall automatically apply to this Policy. Accordingly, this policy shall be duly revised to incorporate any amendments.

8. IMPLEMENTATION:

This Policy shall be communicated to all Directors, Key Managerial Personnel and concerned persons of the Company and the same shall be effective immediately on approval by the Board of Directors.
