

RELATED PARTY TRANSACTIONS POLICY

OF

PAYU FINANCE INDIA PRIVATE LIMITED

Authority	Details
Scope	This RPT Policy sets out the framework to be followed by PayU Finance in relation to Related Party Transactions.
Drafted by	Legal and Compliance Department
Approved by	Board of Directors

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DEFINITIONS AND INTERPRETATION

1 Definitions

“Applicable Laws” means all applicable laws, statutes, enactments, acts of central or state legislature, ordinances, rules, regulations, notifications, guidelines, directions, directives, policies, circulars, decisions and any other pronouncements issued in accordance with the Companies Act, the RBI Master Directions or any other law applicable to the jurisdiction of India by any central, state, local, or other governmental, administrative or regulatory authority exercising executive, legislative, judicial, regulatory or administrative functions.

“Arm’s Length Basis” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.¹

“Audit Committee” means a committee of the Board constituted in accordance with Applicable Laws.

“Board” means the board of Directors of PayU Finance.

“Companies Act” means the Companies Act, 2013 as amended and modified from time to time.

“Director” means a director appointed to the Board.

“Financial Accounting Team” means the financial accounting team of PayU Finance.

“Key Managerial Personnel” means any of the following employees/officers of PayU Finance:

- (i) the chief executive officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) a whole-time director;
- (iv) the chief financial officer;
- (v) every officer designated as key managerial personnel by the Board; and
- (vi) every such officer as may be required to be designated as key managerial personnel under the Companies Act or the rules made thereunder from time to time.²

“NBFC ND SI” means a systemically important non-deposit taking non-banking finance company registered with the RBI under the provisions of the RBI Act and governed as per the RBI Master Directions and other applicable notifications, circulars and regulations issued by the RBI from time.

“PayU Finance” means PayU Finance India Private Limited, a company incorporated under the Companies Act, 1956.

“RBI” means the Reserve Bank of India.

“RBI Act” means the Reserve Bank of India Act, 1934, as amended from time to time.

“RBI Master Directions” means the Non-Banking Financial Company-Systemically

¹ Explanation (b) to Section 188(1) of the Companies Act.

² Section 2(51) of the Companies Act.

Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 having reference number RBI/DNBR/2016-17/45, Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 1 September 2016, as amended from time to time.

“RPT Policy” means this Related Party Transactions policy as approved and adopted by the Board.

“Related Party” in relation to PayU Finance 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 of PayU Finance 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) a body corporate which is holding, subsidiary or an associate company of PayU Finance;
- (ix) a body corporate which is a subsidiary of PayU Finance’s holding company;
- (x) a body corporate which is an investing company or the venturer of PayU Finance;
- (xi) a director (other than an independent director) or key managerial personnel of PayU Finance’s holding company or his Relative; and
- (xii) every such party as may be required to be designated as a related party under the Companies Act or the rules made thereunder.³

“Related Party Transaction” means any transaction directly or indirectly involving any Related Party that involves transfer of resources, services or obligations between PayU Finance and a Related Party, regardless of whether a price is charged.

“Relative” with reference to any person, means anyone who is related to another, in the following manner:

- (i) members of a Hindu Undivided Family;
- (ii) husband or wife;
- (iii) father (including step-father);
- (iv) mother (including step-mother);

³ Section 2(76) of the Companies Act read with Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014.

- (v) son (including step-son);
- (vi) son's wife;
- (vii) daughter;
- (viii) daughter's husband;
- (ix) brother (including step-brother);
- (x) sister (including step –sister); and
- (xi) such other relation as may be specified under the Companies Act or the rules made thereunder.⁴

2 Interpretation

Unless defined expressly herein, all capitalised terms used in this RPT Policy shall have the meanings assigned to them under the Companies Act, RBI Master Directions, RBI Act, any notification, guideline and/or circular issued by the RBI from time to time and/or any other relevant policy or business document of PayU Finance (as the case may be).

⁴ Section 2(77) of the Companies Act read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014.

INTRODUCTION

3 Background

- 3.1 PayU Finance operates as a NBFC ND SI and is engaged *inter alia* in the business of providing products, enterprise lending and specific lending, apart from providing certain technology related services, financial services or a combination of both.
- 3.2 The RBI Master Directions require an NBFC ND SI to disclose (i) details of all material transactions with related parties in the annual report, and (ii) its related party transaction policy on its website and annual report.⁵
- 3.3 The Companies Act regulates related party transactions and *inter alia* specifies the approvals required for undertaking related party transactions, disclosures and filings to be made in relation to such transactions and the consequences of non-compliance with the requirements specified under the Companies Act.
- 3.4 In view of the above, the Board has approved and adopted this document as the RPT Policy of PayU Finance.

4 Objective

The objective of this RPT Policy is to describe the process and procedures for reviewing, approving, ratifying and reporting Related Party Transactions in compliance with the requirements specified under the Companies Act and RBI Master Directions in relation to Related Party Transactions and to ensure high standards of corporate governance while dealing with Related Parties and Related Party Transactions.

5 Overview

The RPT Policy is divided into the following parts:

- 5.1 **Part 1 (Identification of Related Party Transactions)** states the procedure to be followed by the Audit Committee for identification of Related Party Transactions;
- 5.2 **Part 2 (Approvals and Disclosure)** specifies the approvals and disclosures required to be made in relation to Related Party Transactions;
- 5.3 **Part 3 (Transactions not approved under the RPT Policy)** sets out the guidelines to be followed in case any Related Party Transaction is entered into without obtaining requisite approvals; and
- 5.4 **Part 4 (Review and Oversight)** describes the procedural aspects for implementing the RPT Policy (such as the manner and periodicity in which the RPT Policy shall be reviewed and amended by PayU Finance).

⁵ Paragraph 4.3 of Annex XVI of the RBI Master Directions

PART 1
IDENTIFICATION OF RELATED PARTY TRANSACTIONS

- 6** The Financial Accounting Team shall maintain a list of Related Parties based on disclosures made by the Directors and Key Managerial Personnel in accordance with the Companies Act.⁶

- 7** Each Director and Key Managerial Personnel of PayU Finance shall be required to provide prior notice to the Financial Accounting Team of any potential Related Party Transaction involving him/her or his/her Relative.

⁶ Sections 184(1) and 189(2) of the Companies Act.

PART 2

APPROVALS AND DISCLOSURE

8 Regulatory framework

Pursuant to the Companies Act and the RBI Master Directions, Related Party Transactions can be categorized under the following heads depending on whether approval is required:

8.1 Approval of the Audit Committee;

8.2 Approval of the Board; and

8.3 Approval of the Shareholders.

9 Audit Committee ⁷

9.1 Approval Requirements

9.1.1 Transactions requiring approval of Audit Committee

Every Related Party Transaction (and any subsequent modification to the Related Party Transaction) has to be approved by the Audit Committee.⁸

9.1.2 Exemptions

Approval of the Audit Committee is not required in case of Related Party Transactions entered into between PayU Finance and its wholly owned subsidiaries (other than Related Party Transactions requiring approval under Section 188 of the Act).⁹

9.2 Process

9.2.1 The Financial Accounting Team shall place the Related Party Transaction for approval before the Audit Committee.

9.2.2 The Audit Committee may seek such additional information as it may deem fit, with respect to the proposed Related Party Transaction.

9.2.3 Based on its analysis and provisions of the Companies Act, the Audit Committee may either proceed to grant the approval or refuse to grant the approval. Subject to the provisions of the Companies Act, the Audit Committee may also direct the relevant party to obtain approval from the Board. It may, in certain cases, also direct the relevant party to obtain approval from the shareholders in addition to the approval from the Board.

9.2.4 If the Audit Committee does not approve any of the Related Party Transactions requiring its approval, it shall make recommendations to the Board with respect to that Related Party Transaction.¹⁰

9.3 Consideration by the Audit Committee

⁷ Paragraph 70 of the RBI Master Directions.

⁸ Section 177(4)(iv) of the Companies Act.

⁹ Section 177(4)(iv) of the Companies Act and fourth proviso to Section 177(4)(iv) of the Companies Act.

¹⁰ Second proviso to Section 177(4)(iv) of the Companies Act.

9.3.1 The Audit Committee will take into account any and all factors that it deems relevant while considering the proposed Related Party Transaction. The factors to be considered by the Audit Committee may include:

- (i) nature of relationship with the Related Party;
- (ii) nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
- (iii) pricing and other commercial terms;
- (iv) whether the proposed transaction is being entered into in the ordinary course of business and on Arm's Length Basis; and
- (v) any other information as the Audit Committee may deem fit.

9.3.2 Additionally, while ascertaining whether the proposed Related Party Transaction falls within the 'ordinary course of business' or not, the Audit Committee may consider factors such as nature of the transaction, its repetitiveness, duration, monetary value and such other factors as it may deem fit.

9.4 Omnibus Approval

9.4.1 The Audit Committee may grant omnibus approval for Related Party Transactions subject to compliance of the conditions set forth under the Companies Act read with the rules made thereunder.

9.4.2 Before granting such approval, the Audit Committee should satisfy itself of the need for the omnibus approval and that such omnibus approval is in the interest of PayU Finance. Any such omnibus approval will be valid for a period not exceeding one financial year.¹¹

10 Board

10.1 Approval Requirements

10.1.1 Transactions requiring Board approval

The following Related Party Transactions, if not entered into in the ordinary course of business or on Arm's Length Basis, can be entered into only with the approval of the Board:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of or buying property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of an agent for purchase or sale of goods, materials, services or property;
- (vi) appointment of a Related Party to any office or place of profit in PayU Finance, its subsidiary or associate company;
- (vii) underwriting the subscription of any securities or derivatives thereof, of PayU

¹¹ First proviso to Section 177(4)(iv) of the Companies Act read with Rule 6A of the Companies (Meeting of Board and its Power) Rules, 2014.

Finance; and

- (viii) every such transaction requiring approval of the Board pursuant to the Companies Act or the rules made thereunder, as amended from time to time.¹²

10.1.2 Exemptions

Related Party Transactions arising out of compromises, arrangements or amalgamation under specific provisions of the Companies Act any other law in relation to companies shall not require approval from the Board and will instead be approved by the Audit Committee.¹³

10.2 Process

Approval of the Board shall be obtained at a meeting of the Board conducted in accordance with the Companies Act.

10.3 Consideration by the Board

While granting approval, the Board may consider factors such as the nature, duration of the contract; 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 other commercial terms and such other factors as it may deem fit.

11 Shareholders

11.1 Approval Requirements

11.1.1 Transactions requiring approval

The following Related Party Transactions if not entered into in the ordinary course of business or on Arm's Length Basis can be entered into only with the approval of the shareholders:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of an agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the turnover of PayU Finance;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the net worth of PayU Finance;
- (iii) leasing of property of any kind (either individually or taken together with previous transactions during the financial year) amounting to 10% or more of the turnover of PayU Finance;
- (iv) availing or rendering of any services, directly or through appointment of an agent (either individually or taken together with previous transactions during the financial year), amounting to 10% or more of the turnover of PayU

¹² Section 188(1) of the Companies Act.

¹³ MCA Notification dated 17 July 2014.

Finance;

- (v) appointment of a Related Party to any office or place of profit in PayU Finance, its subsidiary or associate company at a monthly remuneration exceeding INR 250,000;
- (vi) underwriting the subscription of any securities or derivatives thereof, of PayU Finance, at a remuneration exceeding 1% of the net worth of PayU Finance; and
- (vii) every such transaction requiring shareholders' approval pursuant to the Companies Act or the rules made thereunder.¹⁴

11.1.2 Exemptions

- (i) Related Party Transactions arising out of compromises, arrangements or amalgamation under specific provisions of the Companies Act any other law in relation to companies shall not require approval from the shareholders.¹⁵
- (ii) Related Party Transactions entered into between PayU Finance and its wholly owned subsidiary whose accounts are consolidated with PayU Finance and placed before the shareholders at the general meeting for approval will not require approval.¹⁶

11.2 Process

Approval of the shareholders, as required under the Companies Act, shall be obtained at a meeting of the shareholders conducted in accordance with the Companies Act.

11.3 Consideration by the shareholders

While granting approval, the shareholders may consider factors such as the nature of relationship with the Related Party, nature, duration of the contract; particulars of the contract or arrangement; the material terms of the contract or arrangement including the value, pricing and other commercial terms and such other factors as they may deem fit.

12 Disclosure

PayU Finance shall make all the relevant disclosures in relation to Related Party Transactions as required under Applicable Laws.

¹⁴ Rule 15 (3) of the Companies (Meeting of Board and its Powers) Rules, 2014.

¹⁵ MCA Notification dated 17 July 2014.

¹⁶ Fifth proviso to Section 188(1) of the Companies Act.

PART 3
TRANSACTIONS NOT APPROVED UNDER THE RPT POLICY

13 Related Party Transactions requiring approval but not approved

If PayU Finance becomes aware of any Related Party Transaction entered into without obtaining approval required to be obtained under the Companies Act and/or this RPT Policy, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to PayU Finance, including ratification, revision or termination of the Related Party Transaction.

14 Ratification

14.1 The following Related Party Transactions entered into without obtaining the requisite approval in accordance with the Companies Act and/or this RPT Policy, can be ratified by the Audit Committee, or the Board or as the case may be, the shareholders of PayU Finance, in a meeting, within three months from the date on which such contract was entered into:

14.1.1 Related Party Transactions (entered into by a Director or officer of PayU Finance) requiring approval of the Audit Committee and not exceeding an amount of INR 10,000,000;

14.1.2 Related Party Transactions (entered into by a Director or an employee of PayU Finance) requiring approval of the Board; and

14.1.3 Related Party Transactions (entered into by a Director or an employee of PayU Finance) requiring approval of the shareholders.¹⁷

14.2 Related Party Transactions as specified in Section 14.1 above, if not ratified by the Audit Committee, or the Board or, as the case may be, the shareholders, shall be voidable at the option of the Audit Committee, or the Board or, as the case may be, by the shareholders of PayU Finance.

14.3 If any such contract specified in Section 14.1 above is with a Related Party to any Director, or is authorised by any other Director, then the Director concerned shall indemnify PayU Finance against any loss incurred by it.¹⁸

15 Failure to comply with the provisions of the RPT Policy

PayU Finance has the right to proceed against a Director or any other employee who has entered into any Related Party Transaction in contravention of the RPT Policy for recovery of any loss sustained by it and to take any such action it may deem fit.¹⁹

¹⁷ Third Proviso to Section 177(4)(iv) and Section 188 (3) of the Companies Act.

¹⁸ Third Proviso to Section 177(4)(iv) and Section 188 (3) of the Companies Act.

¹⁹ Section 188(4) of the Companies Act.

PART 4 REVIEW AND OVERSIGHT

16 Board Approval

The Board has reviewed, approved and adopted this RPT Policy as the Related Party Transactions policy of PayU Finance.

17 Audit Committee

The Audit Committee will oversee the implementation of this RPT Policy. The Audit Committee will be responsible for monitoring Related Party Transactions as per this RPT Policy and provide necessary updates and recommendations to the Board in this regard. The Audit Committee may meet periodically at such time as required.

18 Periodicity of Review

This RPT Policy will be reviewed by the Audit Committee on an annual basis or such other time as may be deemed appropriate by the Board and/or the Audit Committee.

19 Amendments

19.1 Any amendments to this RPT Policy will be recommended by the Audit Committee and reviewed and approved by the Board.

19.2 Provisions of this RPT Policy are subject to amendment in accordance with Applicable Laws (including rules, regulations, notifications) on the subject as may be issued from time to time. In case any provisions of the RPT Policy are inconsistent with Applicable Laws, then such provisions of Applicable Laws shall prevail over the provisions hereunder and this RPT Policy shall stand amended so that it complies with Applicable Laws from the effective date of the change in Applicable Laws.

20 Publication

In accordance with Applicable Laws, this RPT Policy shall be published on PayU Finance's website and in the annual report of PayU Finance for the information of various stakeholders.²⁰

²⁰ Paragraph 4.3 of Annex XVI of the RBI Master Directions.