

RELATED PARTY TRANSACTION POLICY



Content Management

Document Control	
Title	Related Party Transaction Policy
DOC ID/ Number	BCPL/2024-04
Policy Owner	Compliance Team
Last date of update	21/02/2024
Version Number	2024_V1
Reviewed by	Whole Time Director
Approved by	Board of Directors

Version	Updates	Reviewed Date	Approved by
2024_V1	Related Party Transaction Policy	21/02/2024	Board of Directors

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Regulatory Reference:

RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17- Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 01, 2016.

Annexure

[Master Direction - NBFC-ND-SI & D Directions 2016](#)

1. Introduction & Regulatory Framework

Blacksoil Capital Private limited (herein referred to as “BCPL” or “the Company”) is a Systemically Important, Non-Deposit taking, Non-Banking Finance Company (NBFC-ND-SI) registered with RBI. It is base layer NBFC as defined under master directions Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023, RBI/DoR/2023-24/105 DoR.FIN.REC.No.45/03.10.119/2023-24 dated 19 October 2023.

Description of Debt facilities are mentioned below:

Debt to Growth	<ul style="list-style-type: none"> • High-growth companies having raised funding from institutional investors • Untapped segment having limited competition and players • Companies with limited access to traditional sources of funding • Proceeds to be utilized for capex / hardware / working capital • Raised PE/VC funding • Strong operating cashflows • Asset backed loans to companies with limited credit history to meet their working capital and growth needs for new economy businesses.
Financial Institutions	<ul style="list-style-type: none"> • Business Expansion • Accounts receivable facilities • Facility expansion • Inventory build-up • Equipment finance • Revolving credit <ul style="list-style-type: none"> • New Age Fintech Companies and Smaller traditional financial institutions and NBFCs having limited access to debt from traditional lenders. • NBFCs/Fintech with good vintage and backed with promoters with excellent credentials. • Low NPAs and strong collection efficiency • Asset Liability Management (ALM) surplus on a cumulative basis on a static pool
Supply Chain Finance	<ul style="list-style-type: none"> • Lending to growth company’s ecosystem -being vendors or customers. • Customized credit products to solve working capital, sales, and other issues for growth company’s business network. • Consumer finance • Working Capital Loans • Customized business partner loan products • Revolving credit • Co-lending with Fintech’s

Policy on Related Party Transactions will guide the Company to effectively comply with the provisions of Companies Act, 2013, Accounting standards as issued by Institute of Chartered Accountants of India, Income tax Act and such other statutes as may be put in place, in relation to Corporate Governance and Related Party Transactions.

Applicability

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”.

2. Scope & Purpose

Related Party Transaction Policy is framed as per the requirement of Section 188 and other applicable provisions of the Act and the rules framed thereunder. This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Audit Committee shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Company shall disclose details of all material transactions with related parties in the annual report.

3. Definitions

“Annual Turnover” and “Annual Consolidated Turnover” means turnover of the Company as reflected in the Audited Financial Statements of the preceding Financial Year on standalone and consolidated basis respectively;

“Arm’s length Transactions” means a transaction between two Related Parties that is conducted as if they are 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.

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

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

“Ordinary course of Business” means a transaction which is:

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

“Material Related Party Transaction” means a transaction with a Related Party in relation to -

- a. sale, purchase or supply of any goods or materials, directly or through appointment of agent exceeding 10% of the Annual Turnover of the Company or Rs. 100 crores, whichever is lower; or
- b. selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent, exceeding 10% of Net Worth of the Company or Rs. 100 crores, whichever is lower; or
- c. leasing of property of any kind exceeding 10% of the Net Worth of the Company or 10% of the Annual Turnover of the Company or Rs. 100 crore, whichever is lower; or
- d. availing or rendering of any services, directly or through appointment of agent, exceeding 10% of the Annual Turnover of the Company or Rs. 50 crore, whichever is lower, or
- e. appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2.5 lakhs; or
- f. underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the Net Worth.

“Net worth” means net worth of the Company computed in accordance with Section 2(57) of the Companies Act, 2013 based on the Audited Financial Statements of the preceding Financial Year;

“Related Party” 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; a public company in

- which a director or manager is a director and holds along with his
- v. relatives, more than 2% of its paid-up share capital;
 - vi. 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;

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;

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.

Accounting Standard:

As per 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 -

Control means:

- 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 means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

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

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

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013 and includes anyone who is related to another in any of the following manner -

- 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
 - g. daughter's husband
 - h. brother (including step-brother); or
 - i. sister (including step-sister)
-

“Transaction” with a Related Party shall be construed to include any contract or arrangement or transaction, whether single or as a group of transaction and for the purpose of applying thresholds laid down in this Policy it shall include previous transaction(s) during the financial year with the said Related Party.

4. Process Note

1. Identification of Related Parties

Every Director and Key Managerial Personnel is responsible to declare any person or entity that would be regarded as Related Party for the Company in accordance with this Policy on account of his being Director or Key Managerial Personnel of the Company.

Such declaration shall include disclosure of relative concern or interest in any company or companies or bodies corporate, firms or such other association of individuals which shall include the shareholding, directorship, membership, partnership etc.

Company Secretary shall identify other persons or entities that would be regarded as Related Parties on account of their relationship as mentioned in the definition of Related Parties on a quarterly basis based on the information available with him or at the time of entering into related party transaction after making enquiries as may be necessary.

Company Secretary shall prepare a comprehensive List of Related Parties based on the information received from Director, Key Managerial Personnel and other persons or entities identified by him. Such list circulated to all the persons having authorities to carry out any transactions so that the Policy can be adhered to.

Audit Committee may determine the procedure to be followed for declaration as well as compilation and circulation of comprehensive List of Related Parties. The Responsible person will try and ensure that notice of any potential Related Party Transaction is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed Transaction.

2. Identification of Related Party Transactions

- The Company Secretary/ Finance Team shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in definition clause above, along with their personal/company details including any revisions therein.
- The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.
- Compliance Team shall collate the information, coordinate and send the Related Party List to the concerned employees which may include Whole Time Director, Executive Directors, Business Heads, the Finance & Accounts Heads and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.
- Management shall submit to the Finance Head and Company Secretary 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.
- Based on above note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The suggested list of records and supporting documents is detailed separately in this policy.

3. Review and approvals of Related Party Transactions

I. Audit Committee's approval

All Related Party Transactions must be reported to the Audit Committee and referred for prior approval by the Committee. Where any Director is considered interested in any transaction with Related Party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Name of the Related Party and nature of relationship;
- Nature, material terms and monetary value of the contract or arrangement along with justification;
- Whether the terms of the Related Party Transaction are fair and on arms' length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Audit Committee or the Board, through the secretarial department of the Company, was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant;
- Any other information relevant or important for the members to take a decision on the proposed transaction.

The Audit Committee may make omnibus approval for related party transactions which are repetitive in nature subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company in respect of transactions which are repetitive in nature
- The Audit Committee shall satisfy itself on the need for omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall contain the name of the related party, nature and duration of the transaction, maximum amount of transaction that can be entered into, the indicative base price or current contracted price and the formula for variation in the price, if any, and such other conditions, as the Audit Committee may deem fit;

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 INR 1 crore per transaction.

Omnibus approval shall be valid for a period not exceeding 1 (One) Financial Year and shall require fresh approval after the expiry of such Financial Year;

- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- The Audit Committee shall, on half yearly basis, review the related party transactions entered into by the Company pursuant to each of the omnibus approval;

II. Approval of the Board of Directors of the Company

For the purpose of implementing the provisions under this Policy, the Board of Directors of the Company shall receive timely and sufficient information about the transactions covered under this Policy.

Upon approval by the Audit Committee, Specified Related Party Transactions or Transactions which are not in the Ordinary Course of Business and/or not on an Arm's Length basis must be referred to the Board for prior approval. Where any Director is considered interested in any transaction with Related Party, such Director shall not be present at the meeting during discussions and voting on the subject matter of the resolution relating to such transaction.

III. Approval of the Shareholders of the Company

If in the opinion of the Audit Committee and Board, the intended related party transaction is

- Material Related Party Transactions or
- Not in the Ordinary Course of Business or
- Not on an Arm's Length basis and
 - exceeding the threshold prescribed by Companies Act, 2013 and rules made thereunder.

Prior approval of the Shareholders of the Company by a Special Resolution for such related party transaction is required. However, Shareholders approval shall not be required for Material related party transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval

No member of the Company shall vote on such resolution, to approve any transaction which may be entered into by the Company, if such member is a Related Party, in the context of the Material Related Party Transaction for which the said resolution is being passed.

4. Related Party Transactions Not Approved 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 / Board.

The Committee / Board 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 Committee / Board 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 Committee / Board determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee / Board, 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 / Board has authority to modify or waive any procedural requirements of this Policy.

5. Exceptions

Approval of Audit Committee/Board of Directors/Members under this Policy shall not be required if the transaction is in the Company's ordinary course of business and the same is on an arm's length basis.

6. Role of the Board of Directors and the Audit Committee

- The Board of Directors will approve/amend the RPT Framework from time to time for RPTs. The Board of Directors will be responsible to provide overall direction and monitor the RPT regime in the Company from time to time
- The Audit Committee shall test each RPTs on materiality, arm's length and ordinary course of business. The Audit Committee will be responsible for overall monitoring and supervision of the RPT regime in the Company

5. Documentation & Disclosures

1. Registers

The Company shall keep and maintain a register, physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy apply, and such register is placed/taken note of before the meeting of the Board of directors.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary / Finance Head of the Company or any other person authorized by the Board for the purpose.

2. Records should be maintain relating to Material Related Party Transactions

- a. In case of sale, purchase or supply of any goods or materials
 - Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
 - Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
 - Quotation from un-related service provider.
 - b. In case of purchase/ sale of property
 - Valuation reports from at least 1 independent valuer to ascertain Fair Market Value.
 - Quotations from 2 independent property dealers/brokers.
 - Draft copy of agreement to sell/Draft of proposed sale deed.
 - Brief terms and conditions and justification of such transaction.
 - c. In case of leasing of property
 - Copy of lease agreement.
 - Quotations from a property dealer/ advisor in the area in which the property is located or a nearby area.
 - d. In case of availing/rendering services
 - Copy of Agreement/ MOU/ Correspondence etc.
 - Supporting documents justifying the transaction on arms' length basis.
 - e. In case of Loans/Advances given or taken
 - Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013
 - Agreements
 - Statutory approvals wherever required.
 - Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).
 - f. In case of underwriting the subscription to shares/debentures/securities etc.
 - Valuation Report, Agreements etc.
 - Documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.
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Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.

g. In case of Other transactions

- Agreements 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.

3. Disclosures:

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

- The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
- The company shall disclose the policy on dealing with Related Party Transactions on its website, the Annual Report and any other disclosures as may be required from time to time.

6. Policy Review & Amendments

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under must be approved in the manner as may be decided by the Board of Directors.

7. Appendix

Sr. No.	Abbreviation	Full Form
1	AS	Accounting Standard
2	BCPL	Blacksoil Capital Private Limited
3	CEO	Chief Executive Officer
4	DOC	Document
5	DSRA	Debt Service Reserve Account
6	G-SEC	Government Securities
7	KMP	Key Managerial Personnel
8	MOU	Memorandum of Undertaking
9	RBI	Reserve Bank of India
10	RPT	Related Party Transactions
11	SEBI	Securities Exchange Board of India