



HINDUJA LEYLAND FINANCE

# **Policy on Related Party Transactions and on Materiality of Related Party Transactions**



**Details of Versions and Approving Authority with dates**

<b>Version</b>	<b>Date of Review</b>	<b>Approved by</b>
1.0	March 26, 2026	Board of Directors

## 1. PREAMBLE

Hinduja Leyland Finance Limited (the “Company”) is committed to upholding the highest standards of professional and ethical conduct in fulfilling its responsibilities and recognizes that related party transactions can present potential or actual conflicts of interest of Directors, Key Managerial Personnel, Senior Management, etc. with the interest of the Company.

In order to ensure that the transactions entered into with related parties are in the best interests of the Company and the shareholders, the Board of Directors of the Company adopts this policy as recommended by the Audit Committee in order to determine the manner of dealing with Related Party Transactions including determination of materiality of Related Party Transactions, Material Modifications (as defined below), and setting forth the procedures under which certain transactions must be reviewed and approved as per the applicable provisions of the Companies Act, SEBI LODR Regulations as defined below and applicable RBI guidelines..

## 2. POLICY OBJECTIVES

This policy is framed as per the requirements of the Companies Act, 2013 and rules made thereunder, SEBI LODR Regulations and RBI Regulations and is designed to ensure transparency in the approval process and reporting and disclosure requirements, in terms of the applicable laws.

As the company is a registered NBFC, the company shall also comply with the requirements of applicable RBI Regulations including the Reserve Bank of India (Non-Banking Financial Companies - Credit Risk Management) Directions, 2025, as amended from time to time. The relevant policy section pertaining to the said Regulations shall form part of Part B of this policy.

### Part – A

## 3. DEFINITIONS

### 3.1 Material Related Party Transaction

#### (a) Under Companies Act,2013

Means transactions as provided in Section 188 of the Act entered into with a related party as defined under Section 2 (76) of the Act that is not in the ordinary course of business or not on an arm’s length basis and exceeds the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015.

#### (b) Under the SEBI Listing Regulations

A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds the following:

Consolidated Turnover of the Company	Threshold
(I) Up to Rs. 20,000 Crore	10% of the annual consolidated turnover of the Company.
(II) More than Rs. 20,000 Crore to upto Rs. 40,000 Crore	Rs. 2,000 Crore + 5% of the annual consolidated turnover of the listed entity above Rs. 20,000 Crore.

(III) More than Rs. 40,000 Crore	Rs.3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above Rs. 40,000 Crore or Rs. 5000 Crores, whichever is lower.
----------------------------------	---

For the purpose of computing the thresholds stated above, the annual consolidated turnover of the shall be determined based on the last audited financial statements of the Company.

However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements.

### 3.2 Material Modification

"Material Modification" to a Related Party Transaction shall mean any one or more of the following:

1. An increase over the approved limit for such a transaction, by an amount of more than Rs. 100 Crores in a financial year or ten percent (10%) of the approved limit, whichever is higher;
2. Modification of the price or value of the contract / arrangement or rate of interest (in case of a loan) by 20% or more;
3. Extending or reducing the contract period beyond/ less than approved limit;

**3.3** The terms '**Related Party**', '**Related Party Transactions**', '**Relative**', '**Arms' length transaction**', '**Omnibus Approval**' '**Related Person**' '**Specified employees**' & such other terms will carry the meaning as stated under the Companies Act, 2013, SEBI Listing Regulations, relevant RBI Directions or any other applicable Law or Regulation in force.

### 4. Identification of related party:

The Company shall identify the Related Parties as follows:

- i. Every Director and Key Managerial Personnel shall be responsible for providing to the Company, a list of his/her related parties, at the time of his/her appointment, on an annual basis and whenever there is a change in the information already submitted.
- ii. Every Subsidiary of the Company shall provide its list of Related Parties to the Company on a quarterly basis and whenever there is a change in their related parties forth with.
- iii. The Company shall review and update the list of Related Parties on a regular basis and changes, if any, shall be considered as soon as possible.

All related party transactions carried out during the quarter will be placed before the Audit Committee at least on a quarterly basis, for review and noting.

The Company shall put in place a process to assess all the potential transactions with Related Parties ahead of the transactions and seek necessary approvals from the Audit Committee/Board/shareholders as the case may be. The Chief Financial Officer (CFO) of the Company shall determine and assess whether the transaction/s constitute a Related Party Transaction and seek necessary approvals prior to entering into the transactions.

**5. Approval Process:**

Approving authority	Type of Transactions
Audit Committee (Only those members of the Audit Committee, who are independent directors, shall approve related party transactions)	All Related Party Transactions and subsequent Material Modifications.  Related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of the company is a party but company is not a party, shall require the prior approval of the audit committee of the company if the value of such transaction, exceeds the lower of the following: (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII the SEBI LODR Regulations.
Board	<ul style="list-style-type: none"> <li>• Related Party Transactions referred by the Audit Committee for approval</li> <li>• Related Party Transactions not in ordinary course of business or not on arm's length basis</li> </ul>
NOC from Debenture Trustee	All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior No-Objection Certificate from the Debenture Trustee and the Debenture Trustee shall in turn obtain No-Objection from the debenture holders who are not related with the Issuer and hold at least more than fifty per cent. of the debentures in value, on the basis of voting including e-voting, in the manner specified by SEBI.  After obtaining approval of the debenture holders, approval of the shareholders through resolution shall be obtained
Shareholders (all the shareholders of the Company who are related parties cannot vote to approve the transaction)	<ul style="list-style-type: none"> <li>• Material Related Party Transactions</li> <li>• Subsequent material modifications to the approved related party transactions</li> <li>• Related Party Transactions not in ordinary course of business or not on arm's length basis and exceed the threshold as specified in Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2015</li> </ul>

**Note:**

Where any member of Audit Committee / Director is interested in any contract or arrangement with a Related Party, such member / Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## **6. Omnibus approval**

### **Criteria and the need for granting omnibus approval by the Audit Committee:**

The Audit Committee may, in the best interests of the Company and to ensure smooth operations, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company, which are routine and repetitive in nature and incidental to the general operations of the Company, subject to such criteria/conditions as it may deem fit, after taking into account the justification for needing an omnibus approval.

Such approval shall specify the details as required under the Companies Act, SEBI LODR Regulations, RBI Directions or any notifications/circulars/Industry Standards issued thereunder, as amended from time to time.

- (b) The Audit Committee may specify any additional conditions for such determination, as it may deem fit.
- (c) The Audit Committee may also consider and grant omnibus approval for unforeseen transactions, subject to their value not exceeding Rs. 1 crore per transaction.
- (d) The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to such omnibus approvals, on a quarterly basis.
- (e) Such omnibus approvals shall be valid for a maximum period of one year

## **7. Ratification of Related Party Transactions**

The independent directors of the Audit Committee, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of regulation 23 of the SEBI Listing Regulations;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of this regulation;
- (v) any other condition as specified by the Audit Committee.  
Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

## **8. Related Party Transactions not approved under this Policy**

1. 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 Audit Committee. The Audit Committee shall consider all 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 Audit Committee under this Policy and shall take any such action it deems appropriate.

2. In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its approval, the Audit 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 Audit Committee has authority to modify or waive any procedural requirements of this Policy.
3. As per Section 188(3) of the Companies Act, 2013 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 under 188 (1) 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 a related party to any director, or is authorised by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.

#### **9. Disclosure:**

- a) The Policy shall be disclosed in the Company's website.
- b) Company shall disclose, in the Board's report, transactions which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- c) The Company shall make necessary disclosures as per the requirements under the Companies Act, SEBI LODR Regulations, RBI Directions and Indian Accounting Standards, as the case may be, within the prescribed timelines.

#### **Part B**

In addition to the provisions of the Companies Act, 2013 and the Rules made thereunder and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the Company shall also comply with Reserve Bank of India (Non-Banking Financial Companies - Credit Risk Management) Directions, 2025 on lending to related parties,

#### **10. Definitions:**

- i. Promoter' shall have the same meaning as assigned to it under Section 2(69) of the Companies Act, 2013.
- ii. Related Party' with respect to a NBFC shall mean a related person, or any of the following entities:
  - a) where a related person is a partner, manager, KMP, director or a promoter; or
  - b) where a related person is a shareholder with more than ten per cent of paid-up equity share capital; or
  - c) where a related person is having control, whether singly or jointly with another person; or
  - d) where a related person controls more than twenty per cent of voting rights on account of ownership or through a voting agreement or through any other arrangement; or
  - e) where a related person has the power to nominate a director to its Board; or
  - f) which is accustomed to act on the advice, direction, or instruction of a related person; or
  - g) where a related person is a guarantor or a surety; or
  - h) where a related person is a trustee or an author or a beneficiary and where the entity is in the form of a private trust; or
  - i) which is related to the related person as a subsidiary or a parent company or a holding company or an associate or a joint venture.

Provided that nothing sub-clause (e) above shall apply in cases where the authority to nominate a director arises exclusively from a lending or financing arrangement.

Provided further that nothing in sub-clause (f) above shall apply to the advice, directions or instructions given in a professional capacity.

iii. Related Person' with respect to a NBFC shall mean a person, and the relatives of such a person, where the person:

1. is either a promoter, or a director, or a KMP of the NBFC; or
2. owns more than five per cent of paid-up equity share capital of the NBFC or can, either singly or jointly, exercise more than five per cent of the voting rights of the NBFC on account of either ownership or voting agreement or through shareholders' agreement or through any other arrangement; or
3. can, through an agreement with the NBFC, nominate a director to its Board; or
4. is either singly or jointly, in control of the NBFC.

All other terms used in this policy and appearing in the Reserve Bank of India (Non-Banking Financial Companies - Credit Risk Management) Directions, 2025 shall have the same meaning assigned to the said Directions.

#### **11. Provisions in the Credit Policy**

1. The Board of Directors shall have the overall responsibility of ensuring that suitable mechanisms are put in place for implementation of the policy on lending to related parties by the NBFC.
2. The credit policy (hereinafter called the policy) of a NBFC, as required in terms of the extant directions, shall contain specific provisions relating to 'lending to related parties' in accordance with the provisions of these Directions. The policy shall prescribe, inter alia, additional safeguards to address the risks emanating from lending to related parties.
3. The policy shall also have specific provisions for lending to 'Specified employees' of the NBFC and their relatives.
4. Further, the policy shall, as a part of the whistleblowing mechanism, encourage employees to communicate confidentially and without the risk of reprisal, legitimate concerns about irregular, unethical, or questionable loans to related parties; and eliminate quid pro quo arrangements, if any.
5. The policy shall specify aggregate limits for loans towards related parties. Within this aggregate limit, there shall be sub-limits for loans to a single related party and a group of related parties. These limits shall be within the extant prudential exposure limits prescribed by the Reserve Bank.

#### **12. Materiality Threshold**

Credit Facilities to related parties can be extended by an NBFC in terms of their credit policy and after following due process stated in Part A of this policy. However, such loans, including personal loans to directors or a KMP, shall be subject to a materiality threshold as per the credit policy, which shall not be higher than INR 5 crores for middle-layer NBFC or as may be increased or amended from time to time.

Materiality thresholds may vary for different categories of loans to related parties and borrowers subject to ceilings prescribed above.

All loans above the prescribed materiality threshold (in this Part B) shall be sanctioned by the Board of the NBFC.

### **13. Recusal of Interested Parties**

Directors, KMP, or Specified employees shall recuse themselves from deliberations and decision on loan proposals, or contracts and arrangements, involving themselves or their related parties. Such recusal shall also extend to deliberations and decisions relating to any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, enforcement of security, implementation of resolution plans, etc.

### **14. Monitoring of Loans to Related Parties**

1. The Company shall put in place a suitable mechanism for maintaining and periodically updating the list of all the related persons, and the related parties thereof, as well as the loans sanctioned by the bank to such related persons and related parties.
2. Credit facilities sanctioned to 'specified employees' and their relatives shall be reported to the Board on an annual basis.
3. Periodic reviews shall be conducted at quarterly or shorter intervals by internal auditors to check, inter alia, whether guidelines and procedures in relation to loans to related parties are being adhered to or not.
4. Any deviation from the policy relating to lending to related parties and reasons therefor shall be reported to the Audit Committee of the Board.
5. Any product, entity or structure formed with the objective of circumventing these requirements through various means, such as reciprocal lending or quid pro quo arrangements, and identified as such by the auditors of the NBFC or by the supervisory authority and investigating agencies shall always be treated as lending to related party

## **Part C**

### **15. Effect of subsequent enactment/or amendment /or change of listing regulation or other applicable law, in this policy:**

This policy shall be deemed modified / or amended to the extent necessary to give effect to any subsequent enactment/ or amendment/ or change in the listing regulations, RBI Regulations and other applicable law effective from the date of applicability of any such change.

### **16. Power to amend the policy**

The Board of Directors reserves the power to review and amend this policy from time to time as and when necessary.

The policy shall be reviewed by the Audit Committee and the Board of Directors at least once in every three years.

\*\*\*\*\*