

SUBSIDIARY & RELATED PARTY TRANSACTIONS POLICY

1. PREAMBLE

Companies Act, 2013 specifically address the Related Party Transactions (RPTs) approval and reporting procedure under section 188 read with applicable Rules under the Act. Under other sections also reporting and disclosure requirements have been provided for RPTs. In line with Companies Act, 2013, SEBI vide Circulars dated April 17, 2014 and September 15, 2014; have amended clause 49 of the Listing Agreement, which has become effective from 1st October, 2014. Inter-alia the amended clause 49 mandates the listed companies to frame Policy to determine material subsidiaries and Policy on materiality of related party transactions and also on dealing with related party transactions.

All words and expressions used in this Policy shall have the same meaning as assigned to them in the Companies Act, 2013, Rules made there under and/ or Clause 49 of the Listing Agreements, as amended, from time to time.

2. POLICY OBJECTIVES

- to determine material subsidiary
- to determine materiality of related party transactions.
- To deal with related party transactions.
- to outline the Reporting, Approvals, Disclosures and Compliance framework for related party transactions and material subsidiary companies.

3. DEFINITIONS

- **“Audit Committee” means “Audit Committee”** constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and The Companies Act, 2013.
- **“Board of Director” or “Board”** means the Board of Directors of Kquality Credit & Leasing Limited, as constituted from time to time. **“Company”** means a company incorporated under the Companies Act, 2013 or under any previous company law.
- All other words, terms and phrases referred and not defined herein, shall have the same meaning as defined under Companies Act, 2013 and Clause 49 of the Listing Agreement (as amended vide circulars dated April 17, 2014 & September 15, 2014 and effective from 1st Oct, 2014).

4. POLICY FOR DETERMINATION OF AND DEALING WITH ‘MATERIAL’ SUBSIDIARY

The Company will follow the criteria indicated in the clause 49 of the Listing Agreement to determine the ‘material’ subsidiary. Accordingly, a subsidiary shall be considered as ‘material subsidiary’ if the investment of the Company in that subsidiary exceeds 20% of consolidated net worth of the Company as per the audited balance sheet of the previous financial year or if the subsidiary has generated 20% of the consolidated income of the Company during the previous financial year.

One Independent Director of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company.

The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company on an annual basis.

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The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company on an half yearly basis.

The management shall on a half yearly basis bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.

The management shall present to the Audit Committee annually the list of such subsidiaries together with the details of the materiality defined herein. The Audit Committee shall review the same and make suitable recommendations to the Board including recommendation for appointment of Independent Director in the Material Non-Listed Indian Subsidiary.

5. DISPOSAL OF MATERIAL SUBSIDIARY

The Company, without the prior approval of the members by Special Resolution, shall not:

- dispose shares in Material Subsidiaries that reduces its shareholding (either on its own or together with other subsidiaries) to less than 50%; or
- ceases the exercise of control over the Subsidiary; or
- sell, dispose or lease the assets amounting to more than twenty percent of the assets of the material subsidiary

6. POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS (RPTs)

Under this Policy, the Company is framing the Policy to determine, which transactions with the related parties are to be considered as 'Material Related Party Transactions'. For this purpose, the Company will follow the criteria indicated in Clause 49 of the Listing Agreement. Accordingly, a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

The term 'Significant Related Party Transactions' as referred in clause 49 would mean the 'Material Related Party Transactions' as defined above.

All new material RPTs shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

All existing material related party contracts or arrangements, which are likely to continue beyond March 31, 2015, shall be placed for approval of the shareholders in the first general meeting subsequent to October 1, 2014.

Unless exempted specifically under any provisions of Companies Act 2013 and clause 49 of the Listing Agreement, all new RPTs shall require prior approval of Audit Committee and Audit Committee will also consider and decide about the other requisite applicable approvals like approval from shareholders. If required, Audit Committee will take external expert advice in deciding so.

As per clause 49 of the Listing Agreement, transactions between Company and wholly owned subsidiary will not be subject to approval of Audit Committee on fulfilling the conditions mentioned there in.

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Each Director and Key Managerial Personal is responsible for providing notice to the Company Secretary of any potential RPT involving him or other party, which comes in the ambit of Related Party connected to him as defined under section 2(76) of the Companies Act, 2013 read with Accounting Standard 18. The notice will also have any additional information about the transaction that the Audit Committee may reasonably require. The Audit Committee will determine the requisite applicable approvals for the transaction.

Notwithstanding the forgoing, the following RPTs shall not require approval of Audit Committee, Board or Shareholders:

- Any transaction that involves the providing of compensation to a director or key managerial personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party e.g. Dividend.

In the event the Company becomes aware of any RPT that is not in compliant with the applicable provisions and as per this Policy, the matter shall be reviewed by the Committee. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Committee under this Policy, and shall take such action as it deems appropriate in compliance of law including, but not limited to, immediate discontinuation or rescission of the Transaction and reporting such instance for appropriate disclosure.

7. AMENDMENT

In case of any subsequent changes in the Companies Act, 2013, Listing Agreement or any other applicable rules or regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy with effect from their enforcement and the Policy would be modified in due course to make it consistent with the amended laws. Any changes or modification on the Policy would be approved by the Board of Directors of the Company.