



## POLICY ON LOANS AND ADVANCES TO DIRECTORS AND SENIOR OFFICERS



**INDIA FINSEC LIMITED**



## 1. Introduction:

In compliance with the Regulatory Framework for NBFCs introduced by the Reserve Bank of India ('RBI'), a Master Circular was issued on Scale Based Regulation (SBR) - A Revised Regulatory Framework for NBFCs. The said circular apart from the other scale based regulations provided for certain regulatory restriction on the loans extended by NBFCs to their directors, senior officers and relatives thereof. As per the said circular our company is categorized as NBFC- Base Layer and accordingly the regulations as applicable for NBFC- Base layer shall be complied with.

In accordance with the above the "Board of Directors" ("Board") of India Finsec Limited ("the Company") has formulated a Policy on grant of loans to directors, senior officers and relatives of directors and to entities where directors or their relatives have major shareholding.

## 2. Purpose

This policy is being brought in place in terms of para 3.2.3(c) of the circular DOR.CRE.REC.No.60/03.10.001/2021-22 on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued on October 22, 2021 and further notified under circular DOR.CRE.REC.No.25/03.10.001/2022-23 on Loans and Advances – Regulatory Restrictions – NBFCs issued on April 19, 2022 by Reserve Bank of India.

## 3. Definitions

- i) "Act" shall mean Companies Act, 2013 and the Rules framed thereunder including amendments, re-enactments, modifications, notifications, circulars and orders from time to time.
- ii) "Audit Committee" shall means Audit committee of the company as constituted from time to time.
- iii) "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.
- iv) "Board of Directors" or "Board" means the Board of Directors of the company, as constituted from time to time.
- v) "Company" means India Finsec Limited.
- vi) "Managing Director" as per clause (54) of Section 2 of the Companies Act, 2013, means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.
- vii) "Senior Officer" shall have the same meaning as assigned to "Senior Management" under Section 178 of the Companies Act, 2013 which shall mean personnel of the company who are members of its core



- viii) management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.
- ix) **“Employee”** means those employees who are on the payroll of the company.
- x) **“Major shareholder”** shall mean a person holding 10 % or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is lower.
- xi) **“Control”** as per Clause (27) of Section 2 of the Companies Act, 2013, shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.
- xii) **“Relative”** shall mean the term as defined under relevant applicable section of the Companies Act, 2013 read with the Companies (Specification of definitions details) Rules, 2014.
- xiii) **“Related Party”** shall mean a Related Party shall have the same meaning as defined under Section 2(76) of the Act and the Rules made thereunder and the applicable Accounting Standards.
- xiv) **“Key Managerial Personnel” (KMP) means:**
- Chief Executive Officer or Managing Director or the manager;
  - Company Secretary;
  - the Whole Time Director;
  - Chief Financial Officer;
  - 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
  - Such other officer as may be prescribed, from time to time

#### **4. Applicability**

This Policy applies to Directors, Senior Officers and relatives of Directors and to entities where directors or their relatives have major shareholding. It provides a framework for governance and reporting of loans and advances to KMP's, Directors and its Related Parties.

#### **5. Regulatory Restrictions on Loans and Advances**

##### **Loans and advances to Directors**

Unless sanctioned by the Board of Directors, loans and advances aggregating to Rs. 2 Crores (Rupees Two Crores) subject to the provisions of the Companies Act, 2013 and above shall not be granted to-



- (i) its Directors (including the Chairman/ Managing Director, if any) or relatives of the directors;
- (ii) any firm in which any of the Directors of the Company or their relatives are interested as a partner, manager, employee or guarantor; and
- (iii) any company in which any of the Directors of the Company, or their relatives are interested as a major shareholder, director, manager, employee or guarantor.

ROI- The rate of interest chargeable from the director or Senior officers (including their relatives) shall be equal to the average cost of funds (being the financial cost at which the funds are raised by the company) during the financial year previous to the year in which the loan is being given.

Provided that Director or his/her relatives shall be deemed to be interested in a Company, being the subsidiary or holding company, if they are major shareholder or in control of the respective holding or subsidiary company.

Provided that the Director who is directly or indirectly concerned or interested in any proposal shall disclose the nature of their interest to the Board of Directors when any such proposal is discussed. Such interested directors shall recuse themselves from the meeting, subject to their presence being required by the other directors for the purpose of eliciting information and the Director so required to be present shall not vote on any such proposal. In all other cases, approval of Audit Committee shall be required.

#### **Loans and advances to Key Managerial Personnel (except directors) and Senior Officers of the Company**

Loan and advances to Key Managerial Personnel (except directors) and Senior officials shall be approved by the Managing Director of the company.

The terms and conditions of Loan and advances to Key Managerial Personnel (except directors) and Senior officials are:

- The amount cannot be exceeding Rs. 5 Lacs only for approval purpose.
- The maximum eligible amount of employee is 4 times of monthly net salary excluding incentive.
- ROI- The rate of interest chargeable from the KMP or Senior officers (including their relatives) shall be equal to the average cost of funds (being the financial cost at which the funds are raised by the company) during the financial year previous to the year in which the loan is being given.
- Job stability requires minimum of 1 Years.
- Compulsory deduction of EMI from salary.
- At the time of exiting organization, the same loan to be closed before relieving.
- All proposals of loan to KMP decision should be discuss in the Audit Committee.

The above conditions can be added/ modified or withdrawn on the sole discretion of Managing Director subject to the norms of industry.

Further any credit facility exceed the amount of Rs. 1 Lacs shall be placed before board for approval.



### **Loans and advances to other employees of the Company**

Loan and advances to other Employees shall be approved by the Managing Director of the company.

The terms and conditions of Loan and advances to other employees are:

- The amount cannot be exceeding Rs. 2 Lacs only for approval purpose.
- The maximum eligible amount of employee is 3 times of monthly net salary excluding incentive.
- ROI- The rate of interest chargeable from the director or Senior officers (including their relatives) shall be equal to the average cost of funds (being the financial cost at which the funds are raised by the company) during the financial year previous to the year in which the loan is being given.
- Job stability requires minimum of 1 Years.
- Compulsory deduction of EMI from salary.
- At the time of exiting organization, the same loan to be closed before relieving.
- All proposals of loan to KMP decision should be discuss in the Audit Committee.

The above conditions can be added/ modified or withdrawn on the sole discretion of Managing Director subject to the norms of industry.

Further any credit facility exceed the amount of Rs. 1 Lacs shall be placed before board for approval.

### **6. Provisions of Companies Act, 2013**

The policy, in addition to the foregoing provisions, shall also cover the provisions of the Companies Act 2013 with regard to Loans & Advances to the Directors. In compliance with the provisions of Section 185 of the Companies Act, 2013, the company shall not either directly or indirectly, advance any loan, to any of its directors or to any other person in whom the director is interested or give any guarantee or provide any security in connection with any loan taken by him or such other person.

The expression —“to any other person in whom director is interested” shall mean and include :

- (a) any director of the lending company, or of a company which is its holding company or any partner or relative of any such director;
- (b) any firm in which any such director or relative is a partner;
- (c) any private company of which any such director is a director or member;
- (d) any body corporate at a general meeting of which not less than twenty-five per cent. of the total voting power may be exercised or controlled by any such director, or by two or more such directors, together; or



(e) any body corporate, the Board of directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the Board, or of any director or directors, of the lending company.

However, giving of any loan to a Managing or Whole-time director :

(i) as a part of the conditions of service extended by the company to all its employees; or

(ii) pursuant to any scheme approved by the members by a special resolution shall be exempted .

## **7. Others**

(i) The Company shall obtain a declaration from the borrower giving details of the relationship of the borrower with the directors/ senior officers of the Company for loans and advances. The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.

(ii) These guidelines shall be duly brought to the notice of all directors & placed before the board of directors of the Company.

(iii) The Company shall disclose in its Annual Financial Statement, aggregate amount of such sanctioned loans and advances in the format as annexed (Annexure A) to this policy

The above norms shall equally apply to awarding of contracts to the directors their relatives or the senior officials.

## **8. Review of Policy**

The Board shall review and amend this policy as and when required.

If at any point a conflict of interpretation / information between the policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.



**Annexure-A**  
**Loans to Directors, Senior Officers and relatives of Directors**

**(₹ crore)**

	<b>Current Year</b>	<b>Previous Year</b>
Directors and their relatives		
Entities associated with directors and their relatives		
Senior Officers and their relatives		

**The Board Considered and Approved the Policy on 04.05.2024**

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