

**POLICY ON GRANT OF LOANS TO DIRECTORS, SENIOR OFFICERS AND
RELATIVES OF DIRECTORS AND OTHER RELATED PARTIES**

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POLICY ON GRANT OF LOANS TO DIRECTORS, SENIOR OFFICERS AND RELATIVES OF DIRECTORS AND OTHER RELATED PARTIES OF GILADA FINANCE AND INVESTMENTS LIMITED [HEREINAFTER “THE POLICY”]

1. OBJECTIVE OF THE POLICY:

The Objective of the policy is to lay down a framework to comply with the regulatory restrictions on loans and advances to the Directors, senior officers and their relatives and interested firms or companies in accordance with Reserve Bank of India guidelines through circular on Scale Based Regulation issued on 22nd October, 2021 and subsequent detailed guidelines issued vide circular dated 19th April, 2022 and applicable provisions of the Companies Act, 2013.

2. REFERENCES:

S.No.	Document Number
1.	RBI circular on Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs issued on October 22, 2021
2.	RBI circular cum guidelines on Loans and Advances – Regulatory Restrictions – NBFCs dated 19th April, 2022
3.	Companies Act Provisions

3. APPLICABILITY:

This policy shall be applicable on grant of loans to Directors, senior officers and relatives of directors and to entities where directors or their relatives are partner, director, manager, employee, guarantor or major shareholder.

4. DEFINITIONS:

For the purpose of this policy:

- a) The term “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.

- b) The term “relative” as per Clause (77) of Section 2 of the Companies Act, 2013, with reference to any person, means anyone who is related to another, if—
 - (i) they are members of a Hindu Undivided Family;
 - (ii) they are husband and wife; or
 - (iii) one person is related to the other in such manner as may be prescribed;
- c) The term “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.
- d) The term “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 management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.
- e) The term ‘loans and advances’ will not include loans or advances against –
 - Government securities
 - Life insurance policies
 - Fixed deposits
 - Stocks and shares
 - Housing loans, car advances, etc., if any, granted to an employee of the Company under any scheme applicable generally to employees.

Provided that Company’s interest/lien is appropriately marked with legal enforceability.

- f) The term ““related party”” as per Clause (76) of Section 2 of the Companies Act, 2013, means-
 - a director or his relative;
 - a key managerial personnel or his relative;
 - a firm, in which a director, manager or his relative is a partner;
 - a private company in which a director or manager 1[or his relative] is a member or director;
 - a public company in which a director or manager 2[and holds] is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
 - 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;
 - any person on whose advice, directions or instructions a director or manager is accustomed to act.

5. LOANS AND ADVANCES TO DIRECTORS

- ❖ Unless sanctioned by the Board of Directors, the Company shall not grant any loans and advances aggregating Rupees Five crores and above to –

- (i) its Directors (including the Chairman/ Managing Director) or relatives of the Directors;
 - (ii) any firm in which any of their directors or their relatives are interested as a partner, manager, employee or guarantor; and
 - (iii) any company in which any of their directors, or their relatives are interested as a major shareholder, director, manager, employee or guarantor.
- ❖ 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 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
 - ❖ The proposals for credit facilities of an amount being less than Rupees Five crore, to the borrowers shall be sanctioned by the Managing Director of the Company under powers vested by board. All the proposals approved by the Managing Director shall be reported to the Board of Directors on quarterly basis.
 - ❖ The Company shall disclose in the Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per the prescribed format as may be applicable.

6. LOANS AND ADVANCES TO SENIOR OFFICERS:

- ❖ Loans and advances sanctioned to senior officers shall be reported to the Board.
- ❖ No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

7. DECLARATION FROM THE BORROWER AND DISCLOSURES:

In respect of granting of Loans and advances to the Directors, senior officer or their relatives as stated under para 5 and 6 above:

- a) 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 aggregating Rupees Five crore and above. The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.

- b) These guidelines shall be duly brought to the notice of all directors.
- c) Company shall disclose in the Annual Financial Statement, aggregate amount of such sanctioned loans and advances as per template provided in the Appendix A to this Policy.

The terms and conditions for loans to the Directors, senior officer or their relatives are covered as Annexure-B.

8. REVIEW OF THE POLICY:

This policy shall be reviewed and modified by Company as and when may be required and placed before the Board for approval. Further, in case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended accordingly. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

APPENDIX: A

Loans to Directors, Senior Officers and relatives of Directors

(₹ Crore)

	Current Year	Previous Year
Directors and their relatives	-	-
Entities associated with directors & their relatives	-	-
Senior Officers and their relatives	-	-

APPENDIX: B

Terms and conditions

Loans to Directors, Senior Officers and relatives of Directors and other related parties of the Company shall be granted as per the following terms and conditions.

- 1. Purpose** – as defined in the existing loan policy of the company duly approved by board of directors
- 2. Rate of Interest** – The rate of interest chargeable from the Directors, Senior officers (including their relatives) and other related parties, shall be equal to the cost of funds (being the average financial cost at which the funds are raised by the company) plus additional 2.5% p.a.