

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

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## 1. Introduction

With a view to develop a strong and resilient financial system, the Reserve Bank of India (RBI) vide notification RBI/2021-22/112 bearing Ref. No. DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 had prescribed a Scale Based Regulation (SBR)- A Revised Regulatory Framework for NBFCs.

The SBR approach renders the regulation and supervision of the NBFCs to be a function of their size, activity and perceived riskiness. These regulations came into effect from October 01, 2022.

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 the company is categorized as NBFC- Base Layer and accordingly the regulations applicable for NBFC- Base layer shall be complied with.

In accordance with the above the “Board of Directors” (“Board”) of Aeroflex Finance Private 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. Definitions

- i) **“Board of Directors” or “Board”** in relation to a company, means the collective body of the directors of the company;
- ii) **“Company”** means Aeroflex Finance Private Limited.
- iii) **“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.
- iv) **“Employee”** means those employees who are on the payroll of the company.
- v) **“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.

- vi) **“Base Layer”** shall comprise of (a) non-deposit taking NBFCs below the asset size of ₹1000 crore and (b) NBFCs undertaking the following activities- (i) NBFC-Peer to Peer Lending Platform (NBFC-P2P), (ii) NBFC-Account Aggregator (NBFC-AA), (iii) Non-Operative Financial Holding Company (NOFHC) and (iv) NBFCs not availing public funds and not having any customer interface<sup>1</sup>.
- vii) **“Relative”** as per Clause (77) of Section 2 of the Companies Act, 2013, "relative", 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;
- viii) **“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.

### 3. Thresholds for Board Approval

#### Loans and advances to Directors

Unless sanctioned by the Board of Directors, the Company shall not grant any loans and advances aggregating Rupees One crore and above to –

- (i) its directors (including the Chairman/ Managing Director/Whole time 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 a 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 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 One crore, to the borrowers shall be sanctioned by the Company under powers vested by board.

In case any of the Board member is interested in the proposal for grant of loan, he /she shall rescue himself/ herself from the discussion over the said agenda and the remaining members forming the quorum shall consider the proposal.

### **Loans and advances to Senior Officers**

The Company shall abide by the following when granting loans and advances to their senior officers:

- i) Loans and advances sanctioned to senior officers of the NBFC exceeding Rs. 50 lakhs shall be reported to the Board on a quarterly basis.
- ii) No senior officer 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 highersanctioning authority under the delegation of powers.

The above norms relating to grant of loans and advances shall equally apply to awarding of contracts to the directors, their relatives or the senior officials.

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

The policy, in addition to the foregoing provisions, also covers 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) anybody 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, nothing under the section 185 of Companies Act 2013 as mentioned above shall apply to 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.

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

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