

POLICY ON RELATED PARTY TRANSACTIONS

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Policy on Related Party Transaction

1. Background

The Board of Directors (the “Board”) of RattanIndia Finance Private Limited (the “Company”) acting upon the recommendation of its Audit Committee has adopted the following Policy (the “Policy”) and procedures with regard to Related Party Transactions (“RPT”). This Policy is framed in compliance with the requirement to such effect as laid down under Para 4.3 to Notification No. RBI/DNBR/2016-17/45 dated September 1, 2016 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“Directions”) issued by the Reserve Bank of India (“RBI”).

2. Objective

The objective of this Policy and procedure is to ensure that transactions between the Company and its related parties are based on principles of transparency and arm’s length pricing. This Policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

3. Definitions

“Act”	:	Means the Companies Act, 2013, the Rules framed thereunder as amended from time to time;
“Applicable Law”	:	shall mean the Act and any other applicable laws, that is to say, any enactment, legislation, statute, law, regulation, directive, guideline, policy, requirement or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration having the force of law of any of the foregoing, by any governmental authority having jurisdiction over the matter in question, whether in effect as on the date of this Policy or thereafter, in any jurisdiction;
“Audit Committee”	:	means audit committee constituted by the Board in compliance with the applicable provisions;
“Board”	:	means the board of directors of the Company;
“Company”	:	means RattanIndia Finance Private Limited;
Compliance Officer	:	means the person nominated as such , in compliance with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking

		Company (Reserve Bank) Directions, 2016
“Director”	:	means a member of the Board;
“Directions”	:	shall refer to Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
“Key Managerial Personnel”	:	means: <ul style="list-style-type: none"> (i) the Chief Executive Officer or the managing director or the manager; (ii) the company secretary; (iii) whole-time director; (iv) the Chief Financial Officer
“Material Related Party Transactions”		means such Related Party Transaction or Transactions to be entered into either individually or taken together with the previous transactions during a financial year, value whereof exceeds the thresholds as mentioned in Rule 15 of Companies (Meeting and Powers of Board) Rules, 2014, computed on the basis of audited financial statement of the preceding financial year or such other threshold as may be laid down from time to time by Applicable Law.
“Policy”	:	shall mean Policy on Related Party Transactions of RattanIndia Finance Private Limited as amended from time to time;
“RBI”	:	shall refer to Reserve Bank of India;
“Relative(s)”		shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder.
“Related Party”	:	shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013.as may be amended from time to time;
“Related Party Transaction” or “RPT”	:	shall have the same meaning ascribed to under Section 188 of the Companies Act, 2013 as may be amended from time to time;

4. Scope and Purpose

The Act contains detailed provisions on Related Party Transactions. This Policy on transactions with Related Parties has been framed as per the requirements of the Act and the Directions and is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties.

The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore, any dealings with a related party must be conducted in such a way that no preferential treatment is given and adequate disclosures and/or permissions are made/ sought as required by law and as per the applicable policies of the Company.

In view of the above, pursuant to the review and recommendations of the Audit Committee of Directors at its meeting held on January 5, 2018, the Board of Directors of the Company (“Board”) approved this Policy at its meeting held on January 5, 2018 on matters relating to transactions with Related Party, as set out below:

5. Policy Statement

- (a) Subject to the following provisions, all the Related Party Transactions proposed to be entered into by the Company shall require the prior approval of the Audit Committee, including those transactions proposed to be entered in the ordinary course of its business, with the exception of transactions not at an arms’ length, which shall be approved by the Board of Directors (“Board” for the sake of brevity). For Related Party Transactions that are not in ordinary course of business but not on arm’s length basis, the Audit Committee shall recommend the transaction for approval of the Board.
- (b) All the contracts/ arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 (Refer *Annexure I* for the prescribed thresholds), which are not in the ordinary course of business of the Company and not at an arm’s length basis shall, in addition to the approval of the prior approval of the Audit Committee, also require prior approval of the Board.
- (c) Related Party Transactions that are not on arm’s length basis, even if in the ordinary course of business, shall not be approved by Audit Committee and shall be recommended to the Board for appropriate action.
- (d) All the Material Related Party Transactions i.e. all transactions which are for amounts equal to or exceeding the threshold limits as prescribed under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall in addition to the prior approvals of the Audit Committee and the Board, also require the prior approval of the shareholders of the Company by way of an Ordinary Resolution and the related parties interested in such transaction shall abstain from voting in such resolution.

The aforementioned requirement of shareholder’s approval shall not apply if:

- (i) the transaction is in the ordinary course of business and at an arms’ length
or

- (ii) a transaction that is entered into with wholly owned subsidiaries of the Company whose accounts are consolidated with the accounts of the Company.
- (g) It is clarified that all such Related Party Transactions, which are in the ordinary course of business and also on an arm's length basis, will only require the approval of the Audit Committee.
- (h) The Audit Committee shall mandatorily review the statement of all related party transactions submitted by management.
- (i) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that a Related Party Transaction would require the approval of the Board and the same has not been obtained, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
- (j) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Law, the Board shall ensure that the same be put up for approval by the shareholders of the Company.
- (k) If approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.
- (l) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction
- (m) In any case where either the Audit Committee / Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification after determining following:
 - (i) that the Related Party Transaction requiring ratification is on terms no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances; and
 - (ii) the extent of the Related Person's interest in the transaction.

- (n) If a Related Party Transaction will be on-going, the Board / Audit Committee may establish guidelines for the Company's management to follow in its on-going dealings with the Related Party. Thereafter, the Board, on at least an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Applicable Laws and this Policy and that the Related Party Transaction remains appropriate.
- (o) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.
- (p) In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- (q) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

5.1. Identification of Related Party and Related Party Transactions

A. The Compliance Officer shall at all times:

- (i) Identify and keep on record Company's Related Parties, along with their personal/company details.
- (ii) The Compliance Officer shall identify such managers, departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such listed Related Parties.
- (iii) The Compliance Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified in (b) above.
- (iv) The record of Related Parties and the Designated Employees identified shall be updated whenever necessary and shall be reviewed by the Audit Committee from time to time.
- (v) With regard to non-material Transactions, internal systems may be created to ensure that the Designated Employees approving the transactions are not related to the contracting parties and alternative approving authorities are put in place.

B. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (a) Any transaction that involves the payment of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, 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.
- (b) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
- (c) Reimbursement of pre-incorporation expenses incurred by a Related Party as approved by the Board of Directors.
- (d) 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) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and must be approved in advance by the Audit Committee.

5.2. Omnibus Approval by the Audit Committee

- (a) For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals based on the following:
 - (i) Frequency of the transactions in the last [3] years;
 - (ii) Volumes of transactions undertaken with such Related Party. The maximum value of the transactions, per transaction or in aggregate, per related party, shall not exceed the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, in case the Related Party Transactions.
- (b) Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval in a manner so as to enable effective decision making :
 - (i) Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought.
 - (ii) Contractual terms offered by third parties for similar transactions
 - (iii) Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.

(c) Such omnibus approval shall specify the following:

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- (ii) the indicative base price or current contracted price and the formula for variation in the price, if any;
- (iii) The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
- (iv) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction .

(d) The transactions for which omnibus approval of the Audit Committee has already been sought will not require approval of the Audit Committee for each transaction entered into pursuant to the same.

(e) Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.

(f) Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:

- (i) Transactions which are not in ordinary course of business or not on arm's length basis;
- (ii) Transactions in respect of selling or disposing of the undertaking of the Company;
- (iii) Transactions which are not in the interest of the Company;
- (iv) Such other transactions specified under Applicable Law from time to time.

(g) Where the Audit Committee has granted omnibus approval for certain transactions, the transactions will be put for review before the Audit Committee in every financial year.

(h) Where the Audit Committee has granted omnibus approval, the said approval shall be valid for one financial year and a fresh approval will be taken after the expiry of such financial year.

6. Determination of 'Ordinary Course of Business'

A transaction shall be deemed to be “in the Ordinary Course of Business” of the Company, if:

- A. Any of the following conditions are met:
- a. The transaction, including, but not limited to sale or purchase of goods or property, or acquiring or providing of services, conveying or accepting leases, transfer of any resources, hiring of any executives or other staff, providing or availing of any guarantees or collaterals, or receiving or providing any financial assistance, or issue, transfer, acquisition of any securities, is in the normal routine of the Company’s business; or
 - b. The transaction is in the nature of reimbursements, received or provided, from or to any related party, whether with or without any mark-up towards overheads, and is considered to be congenial for collective procurement or use of any facilities, resources, assets or services and subsequent allocation of the costs or revenues thereof to such related party in an appropriate manner;

AND

- B. The transaction is not
- a. an exceptional or extra ordinary activity as per applicable accounting standards or financial reporting requirements;
 - b. Any sale or disposal or any undertaking of the Company, as defined in explanation (i) to clause (a) of sub-section (1) of section 180 of Companies Act, 2013.

6.1 In order to decide whether or not a contract or arrangement is being entered by the Company is in its ordinary course, the Company shall consider whether such contract/ arrangement is germane to attainment of the main objects as set out in its Memorandum of Association.

6.2 The Company may also consider whether the transaction contemplated under the proposed contract or arrangement is either similar to contracts or arrangements which have been undertaken in the past, or, in the event that such transaction is being undertaken for the first time, whether the Company intends to carry out similar transactions in the future.

These are not exhaustive criteria and the Audit Committee may assess transactions, considering its specific nature and circumstances.

7. Determination of ‘Arms’ length nature’ of a Related Party Transaction

7.1 The following illustrative tests may be used by the Audit Committee for ascertaining arm's length nature of contracts / arrangements that may be entered into by the Company with related parties, or any modification, variation, extension or termination thereof: -

- (a) The contracts/ arrangements are entered into with Related Parties, are at such prices/ discounts/ premiums and on such terms which are offered to unrelated parties of similar category/ profile.
- (b) The contracts/ arrangements have been commercially negotiated.
- (c) The pricing is arrived at as per the rule/guidelines that may be issued by or acceptable for the purpose of Ministry of Corporate Affairs, Government of India/ Income Tax Act, 1961, as applicable to any of the contract/ arrangements contemplated under the Companies Act, 2013, and the Rules framed thereunder.
- (d) The terms of contract/arrangement other than pricing are generally on a basis similar to those as may be applicable for similar category of goods and services or similar category/ profile of counterparties.
- (e) Such other criteria as may be issued under Applicable Law.

7.2 Further, in order to determine the optimum arm's length price, the Corporation may also apply the most appropriate method from any of the following methods as prescribed under Section 92C (1) of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules, 1962 –

- a. Comparable Uncontrolled Price method (CUP method)
- b. Resale Price Method
- c. Cost Plus Method
- d. Profit Split Method
- e. Transactional Net Margin Method
- f. Other Method as prescribed by the Central Board of Direct Taxes

8. Disclosures

- (a) Each Director and Key Managerial Personnel shall disclose to the Board, any interest that he or his relative or any entity in which he may be concerned or interested, may have in a transaction or proposed transaction by the Company, that is or is likely to be a Related Party Transaction.

Such notice shall be in the form of annual and periodic notices to the in terms of the provisions of Section 184 of the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time. The Company is required to disclose

Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting, in the following manner:

1. All Material Related Party Transactions; and
 2. All Related Party Transactions not entered into at arm's length basis
- (b) The Company shall keep one or more registers as specified under Applicable Law giving separately the particulars of all contracts or arrangements with any related party.

9. Governing Clause:

This guideline will be governed by the applicable provisions of the Act and the Rule framed thereunder as may be in force at the relevant point in time and shall be deemed to have been appropriately modified with every applicable amendment in the aforesaid provisions and rules, from time to time.

10. Limitation

In the event of any conflict between the provisions of this Policy and of the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy.