

APOORVA LEASING FINANCE AND INVESTMENT COMPANY LIMITED

RELATED PARTY TRANSACTIONS POLICY

1. INTRODUCTION

In accordance with Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015 every company listed on recognized stock exchange is required to formulate a policy on materiality of related party transactions and on dealing with transactions with related parties. Accordingly the board of directors of the company has adopted the below mentioned policy.

The purpose of this policy is to provide a guidance to the company for dealing with transactions involving related parties.

2. Definitions

“2013 Act” means the Companies Act, 2013 and includes the rules, orders, circulars, and notifications issued there under.

“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.

“Audit Committee” means the Audit Committee constituted by the Board of the Company in terms of the provisions of the 2013 Act and the Listing Regulations.

“Board” means the Board of Directors of the Company.

“Director” means a director appointed to the Board of the Company.

“Key Managerial Personnel or KMP” means:

- (i) the Chief Executive Officer or the Managing Director or the Manager (as defined under section 2(53) of the Companies Act 2013);
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed under the applicable statutory provisions / regulations.

“Material Related Party Transaction or MRPT” means a transaction / transactions with a Related Party which if entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten per cent.) of the annual consolidated turnover of the Company as per its last audited financial statement.

“Policy” means this Related Party Transactions Policy which has been approved by the Audit Committee and the Board of the Company.

“Related Party” means an entity who is related to the Company if:

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- (i) such entity is a related party under Section 2(76) of the 2013 Act; or
- (ii) such entity is a related party under the applicable accounting standards.

Related Party as defined under the 2013 Act with reference to a Company, means:

- (i) a Director or his Relative;
- (ii) a KMP or his Relative;
- (iii) a firm, in which a Director, Manager or his Relative is a partner;
- (iv) a private company in which a Director or Manager is a member or Director;
- (v) a public company in which a Director or Manager is a Director and holds along with his relatives, more than 2% (two per cent.) of its paid-up share capital;
- (vi) anybody corporate whose Board, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;
- (vii) any person on whose advice, directions or instructions a Director or Manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is:
 - (A) a holding, subsidiary or an associate company of such Company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed by the Central Government.

“Related Party Transaction or RPT” means any transaction directly or indirectly involving a Related Party, and involving a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

“Relative” means a relative as defined under section 2(77) of the 2013 Act and rules prescribed thereunder, and includes anyone who is related to another if they are:

- (i) members of a Hindu undivided family;
- (ii) husband and wife;
- (iii) father (including step-father);
- (iv) mother (including step-mother);
- (v) son (including step-son);
- (vi) son’s wife;
- (vii) daughter;
- (viii) daughter’s husband;
- (ix) brother (including step-brother); or
- (x) sister (including step-sister).

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3. Prior Approval of the Audit Committee

- a) Unless specified otherwise under the 2013 Act and the Listing Regulations, all RPTs shall require prior approval of the Audit Committee, whether at a meeting or by resolution by circulation or through electronic mode.
- b) The Chief Financial Officer of the Company shall prepare and present a report on all RPTs to the Audit Committee for its prior approval. The details of all RPTs shall be placed before the Audit Committee, as specified in clause 6 of this Policy.
- c) The Audit Committee may grant omnibus approval for RPTs which are regular and repetitive in nature for a maximum period of one year, and fresh approval would be required after the expiry of one year. Before granting such approval, the Audit Committee must be satisfied with the need to grant such approval and that such approval is in the interest of the Company. Such omnibus approval shall specify:
 - i. the name(s) of the Related Party;
 - ii. nature of transaction that can be entered into;
 - iii. period of transaction that can be entered into;
 - iv. maximum amount of transaction that can be entered into;
 - v. the indicative base price / current contracted price and the formula for variation in the price, if any; and
 - vi. such other conditions as the Audit Committee may deem fit.
- d) In case the need for RPTs cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant its omnibus approval for such RPTs with the condition that the value of such transaction shall not exceed INR 1 crore per transaction. On a quarterly basis, the Audit Committee shall review the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.
- e) RPTs which require shareholders' approval (as mentioned under Clause 7 below) may not be covered under the omnibus approval by the Audit Committee.
- f) At each of its meetings, the Audit Committee shall be provided with the details of each new, existing or proposed RPT, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. Any member of the Audit Committee who has a potential interest in any RPT shall abstain himself from discussion and voting on the approval of such RPT.

4. Board Approval of RPTs

Except the RPTs which are at arm's length and in the ordinary course of business, all other RPTs shall require prior approval of the Board. The Board shall review and approve the RPT by taking into consideration the factors set forth in clause 9 of this Policy and any other factor which may be relevant to such a transaction. Any Director, whether directly or indirectly interested in the RPT shall abstain from participating in the discussions during any meeting in which such a transaction is discussed and approved.

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5. Shareholders' approval of RPTs

5.1 Under the Listing Regulations

All MRPTs, even if they are at arm's length and in the ordinary course of business, shall require approval of the shareholders through resolution. All Related Parties who are party to such transaction are required to abstain from voting on such shareholder resolution.

5.2 Under the 2013 Act

Except the RPTs which are at arm's length and in the ordinary course of business, all other RPTs which are above the threshold limits specified under the 2013 Act shall require approval of the shareholders by way of a resolution. Any shareholder who is a Related Party in relation to such RPT for which the said resolution is required to be passed, shall abstain from voting on such resolution. The explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars, namely.

- (i) Name of the Related Party ;
- (ii) Name of the Director or KMP who is related, if any;
- (iii) Nature of relationship;
- (iv) Nature, material terms, monetary value and particulars of the contract or arrangement;
- and
- (v) Any other information relevant or important for the members to take a decision on the proposed resolution.

6. Items to be disclosed in the agenda of the Board meeting and the Audit Committee meeting

The following items shall be disclosed in the agenda of the Board meeting and the Audit Committee meeting at which any resolution pertaining to an RPT is proposed to be considered for their approval:

- (i) Name of the Related Party and nature of the relationship;
- (ii) The nature, duration of the contract and the particulars of the contract;
- (iii) The material terms of the contract including the value;
- (iv) Any advance paid / received for the contract or arrangement;
- (v) The manner of determining the pricing and other commercial term, both included as a part of the contract or not included as a part of the contract;
- (vi) Whether all factors relevant to the contract have been considered; and
- (vii) Any other item as it may deem fit.

7. Factors to be considered in approving RPTs

7.1 In determining whether to approve an RPT, the Board/Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- (i) terms of the RPT, where such RPT should be on arm's length basis;
- (ii) whether the RPT is in the ordinary course of business;

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- (iii) what are the business reasons for the Company to enter into the RPT and the alternatives available to the Company, if any;
- (iv) whether the RPT would affect the independence of the Directors/KMP;
- (v) possibility of the ratification of the RPT under the 2013 Act and the Listing Regulations, including the reasons for not obtaining prior approval of the Board/Audit Committee, the relevance of business urgency and whether subsequent ratification would be detrimental to the Company;
- (vi) such RPT should not lead to a conflict of interest for any Director or KMP or their Relative(s) or any other Related Party of the Company, and in this regard, the Board and Audit Committee will also consider the value of RPT, the financial position of the Related Party, the interest (direct or otherwise) in the RPT of the Director, KMP, Relative of such Director/KMP or other Related Party; and
- (vii) any other factor that the Board and Audit Committee may consider relevant.

7.2 The Audit Committee and the Board shall have the power to investigate the RPTs including seeking outside legal and professional advice on any RPT.

8. Transactions which do not require approval of the Audit Committee or shareholders

Subject to the requirements set out under the 2013 Act and the Listing Regulations, the following transactions shall not require approval of the Audit Committee or the shareholders:

- (i) any transaction that involves providing reimbursements or advances to a Director or KMP to meet expenditures in the course of his or her duties as such Director or KMP of the Company or any of its subsidiaries or associates; and
- (ii) any transaction in which the interest of Related Party 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.

9. Ratification of RPTs

Ratification of RPTs covered under the omnibus criterion may be approved by the Audit Committee/the Board in accordance with this Policy. Ratification of RPTs can also be done in accordance with the provisions of the 2013 Act.

11. Disclosure and reporting of RPTs

The Board's report to the shareholders shall contain such details of RPTs as may be statutorily required to be reported. Details of all MRPT shall be disclosed quarterly along with the compliance report on corporate governance, in accordance with the Listing Regulations.

12. Compliance with the 2013 Act and the Listing Regulations

In the event of any conflict between the provisions of this Policy and the provisions of the 2013 Act / the Listing Regulations / any other statutory enactments, rules, the provisions of the 2013 Act / the Listing Regulations / such other statutory enactments, rules shall prevail over this Policy. Any subsequent amendment in the 2013 Act and Listing Regulations shall automatically apply to this policy.