

# Arohan Financial Services Limited

## Policy on Related Party Transaction

### Version 7.0



**Prepared & Revised by:** Compliance Department

**Reviewed by:** Compliance Department and Executive Committee

**Approved by:** Board of Directors

**Reviewed by Board:** 15<sup>th</sup> March, 2016

**Second time review by Board:** 14<sup>th</sup> August, 2019

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**Fourth time review by Board:** 11<sup>th</sup> May, 2022

**Fifth time review by Board:** 12<sup>th</sup> May, 2023

**Sixth time review by Board :** 14<sup>th</sup> February, 2024

**Seventh time review by Board:** 12th February, 2025

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## 1. Purpose of this policy:

Arohan Financial Services Limited ('the Company') is governed, amongst others, by the rules and regulations framed by the Reserve Bank of India ("RBI"), the Companies Act, 2013 (the Act) and the Securities Exchange Board of India (SEBI).

The Company has always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other regulatory provisions, as may be applicable.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations, 2015) has also mandated every listed entity to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

A. Accordingly, the Company has formulated this policy on materiality of Related Party Transactions and on dealing with Related Party Transactions ("Policy"). This Policy regulates all transactions between the Company and its Related Parties (as defined below).

B. The Board of the Directors "Board" on recommendation of the Audit Committee of the Company ("Audit Committee") shall review the Policy once in three years and may amend the same from time to time.

In order to comply with these requirements and as a good corporate governance practice, this policy on Related Party Transactions is adopted for implementation by the Board of Directors of the Company.

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## 2. Scope

- A. Identifying related party and related party transactions
- B. Obtaining approvals before entering into any Related Party Transactions as per the Company Policy of Related Party Transactions, applicable Accounting Standards, the Act and the SEBI LODR Regulations, 2015.
- C. Relevant documentation supporting the related party transactions.
- D. Determining the disclosures / compliances to be adhered in relation to the related party transactions as per applicable law to related party transaction.

## 3. Definition

- 1. **“Act”** shall mean the Companies Act, 2013 and includes any amendment thereof.
- 2. **“Company”** means Arohan Financial Service Limited.
- 3. **“Key Managerial Personnel”** in relation to a company, means—
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the Company secretary;
  - (iii) the Whole-time director;
  - (iv) the Chief Financial Officer;
  - (v) 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
  - (vi) such other officer as may be prescribed;
- 4. **“Relative”** shall have the same meaning as assigned to them under the Companies Act, 2013 and Rules prescribed there under.

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5. **“Arm’s Length Transaction”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

6. **“Ordinary Course of Business”** shall mean the usual transactions, customs and practices carried on generally by the Non-Banking Financial Companies and shall include:

- i. transactions covered in the ‘main objects’ or the ‘objects incidental’ to attainment of the main objects as envisaged in the Memorandum and Articles of Association of the Company,
- ii. transactions which are usually carried on by any Non-Banking Financial Company
- iii. transactions which has been done by the Company regularly in last three (3) years,
- iv. transactions done with a related party on a similar basis as of a third party,
- v. transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money or managerial resources that generates income for the Company

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

7. **“Related Party”** shall have the same meaning as assigned to them under section 2(76) of the Companies Act, 2013 or under the applicable accounting standards and as defined in Regulation 2(1)(zb) of the SEBI LODR Regulations, 2015.

8. **“Related Party Transaction”** shall have the same meaning as assigned to them under the Companies Act, 2013 and as defined in Regulation 2(1)(zc) of the SEBI LODR Regulations, 2015.

9. **“Material Related Party Transaction”**- means a transaction with a related party if the transaction / transactions to be entered into individually or taken together

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with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

10. **“Material modification”** “Material Modification” in terms of SEBI LODR Regulations, 2015 means any modification(s) in the pricing, quantity or overall transaction value having a variance of 20% (twenty percent) or more, in the relevant previously approved related party transaction.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation and as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

**4. Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.**

## **5. Review and approval of Related Party Transactions:**

### **Approval of related party transactions**

#### **A. Audit Committee**

All the transactions which are identified as related party transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the SEBI LODR Regulations, 2015 and the provisions of the Companies Act, 2013. Only those members of the audit committee, who are independent directors, shall approve/recommend related party transactions. The

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Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

However, remuneration and sitting fees paid by the Company to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI LODR Regulations, 2015

**5.A.1-** Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors and of shareholders as discussed subsequently.

**5.A.2-** The Audit Committee may grant Omnibus Approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

i. It shall, after obtaining approval of the Board of Directors, lay down the criteria for granting the omnibus approval on annual basis in line with the Policy, which shall include the following, namely:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- (b) the maximum value per transaction which can be allowed;
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- (e) transactions which cannot be subject to the omnibus approval by the Audit

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Committee.

ii. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:

- (a) repetitiveness of the transactions (in past or in future);
- (b) justification for the need of omnibus approval.

iii. It shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.

iv. Such omnibus approval shall specify –

- a) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b) The indicative base price / current contracted price and the formula for variation in the price if any, and
- c) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 (One) Crore per transaction.

v. It shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

vi. Such omnibus approvals shall be valid for a period not exceeding 1 (one) financial year and shall require fresh approvals after the expiry of 1 (one) financial year.

vii. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

viii. Any other conditions as laid down in SEBI LODR Regulations, 2015 and the Audit Committee may deem fit.

**5.A.3-** A related party transaction entered into by the Company, which is not under

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the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.”

**5.A.4-** The Company shall provide all information as provided under Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 to the Audit Committee/ shareholders, when approval on a Related Party Transaction is sought.

4.A.1. **5.A.5-** The Audit Committee shall review the following while approving the Related Party Transactions as specified above:

- a) Whether the transaction is in the ordinary course of business and on an arms’ length basis?

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- b) The reasons for entering into the transaction and the consequences of entering into the said transaction, with an unrelated party.
- c) Whether there is any conflict of interest for any director or Key Managerial Personnel?
- d) Whether there any reputational risks are envisaged as a result of the said Related Party Transaction?
- e) Type, Material terms and particulars of the proposed transaction.
- f) Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise).
- g) Value of the proposed transaction.
- h) Tenure of the proposed transaction.
- i) The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- j) the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary: i) details of the source of funds in connection with the proposed transaction; ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments, □nature of indebtedness; □cost of funds; and □tenure; iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- k) Justification as to why the RPT is in the interest of the Company;
- l) copy of the valuation or other external party report, if any such report has been relied upon;
- m) percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- n) Any other information that may be relevant.

## **B. Board of Directors:**

(A) The following related party transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:

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- (i) Related party transactions referred by the Audit Committee;
- (ii) Related party transactions not on arm's length basis, and/or;
- (iii) Related party transactions not in the ordinary course of business.

In addition to the above, the following kinds of transactions with related parties should also be placed before the Board of Directors for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- d) Transactions meeting the materiality thresholds laid down in Clause D of the Policy, which are intended to be placed before the shareholders for approval

### **C. Approval of the Shareholders;**

5.C.1- If a related party transaction is (i) a material transaction as per Section 188 of the Act, or (ii) a material transaction as per Regulation 23 of the SEBI LODR Regulations, 2015 or (iii) A transaction exceeding the threshold limit of as approved by Board of Directors from time to time. (iv) any subsequent material modification thereto (iv) transaction not in the ordinary course of business, or (v) not at arm's length price it shall require shareholders' approval by a resolution. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction and no related party shall vote to approve such resolutions whether the entity is a related party to the particular

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transaction or not.

Further, as clarified by SEBI via circular SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 8, 2022, the shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months.

5.C.2- In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which exceeds the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014 and all material related party transactions as per Regulation 23 of the SEBI LODR Regulations, 2015 shall be placed before the shareholders for their approval.

**D. 1.** Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.

2. Transactions with a Related Party covered under Regulation 23(1) and (1A) of the SEBI LODR Regulations, 2015.

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The approval policy framework is given below:

<b>Audit Committee Approval (only those members who are Independent Directors),</b>	<b>Board approval</b>	<b>Shareholders' approval</b>
All Related Party Transactions	<p>Related Party Transactions referred by the Audit Committee for approval of the Board.</p> <p>Related Party Transactions not in the ordinary course of business and not on arm's length basis.</p>	<p>Material and subsequent material modification related party transactions not in the Ordinary Course of Business and/or not at Arm's length basis and/or exceeds the prescribed threshold limit as per the Act and as per Regulation 23 of the SEBI LODR Regulations, 2015.</p>

### **E. Reporting of related party transactions**

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the Listing Regulations and the same shall be published on the Company's website.

### **F. Adoption**

This policy shall be reviewed by the Board of Directors at least once in every 3 (three) years, updated accordingly and any changes made during the annual reviews shall be adopted by the resolution of the Board of Directors. The Policy shall be published on website of the Company and shall be disclosed in the Annual Report of the

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#### **H. Limitation and Amendment**

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

#### **I. Disclosure of the Policy**

This Policy will be uploaded on the website of the Company.

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