

RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

- A. Securities Exchange Board of India (“SEBI”) has mandated every listed company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions (“Policy”). Shalibhadra Finance Limited (“the Company”) is governed, by the rules and regulations framed by SEBI.
- B. Accordingly the Company has formulated this Policy in compliance with the requirements of the regulations framed by SEBI. This Policy regulates all transactions between the Company and its Related Parties (as defined below). It provides a framework for governance and reporting of Related Party Transactions including material transactions.
- C. The Audit Committee will review the Policy periodically and may amend the same from time to time and propose the same to the Board for its approval.

2. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“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 or Committee” means the Audit Committee of the Company.

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

“Key Managerial Personnel” means Key Managerial Personnel of the Company.

“Control” includes 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;

“Related Party” means related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and as per Listing Regulations as amended from time to time.

“Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- a. Sale, purchase or supply of any goods or materials;
- b. Selling or otherwise disposing of, or buying property of any kind;
- c. Leasing of property of any kind;
- d. Availing or rendering of any services;
- e. Appointment of any agent for the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. F i n a n c i n g (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

(The above is an indicative list and not an exhaustive one).

“Relative” means a relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and includes anyone who is related in any of the following manner:

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter (step-daughter is not included);
- h. D a u g h t e r ' s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 and the Rules made thereunder or the Listing Regulations, whichever is stricter, from time to time.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

4. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel will be responsible for providing a declaration disclosing his/ her interest as specified under sub section (1) of Section 184 of the Companies Act, 2013 in Form MBP-1, to the Company Secretary on an annual basis. Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the disclosures already made, immediately on him / her becoming aware of such changes in same form.

Company Secretary shall collect the information provided in relation to Related Party(s), update the register of Contracts or Arrangements as specified under sub section (1) of Section 189 of the Companies Act, 2013 in Form MBP-4 "Part B".

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

I. AuditCommittee

- a. All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- b. Any member of the Committee who has a potential interest in any related party transaction shall abstain himself 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 or of shareholders as discussed subsequently.
- c. The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23 and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- d. The omnibus approval shall specify:
 - (i) The name(s) of the related party, nature of transaction i.e. in the ordinary course of the Company's business and are on an arm's length basis, period of transaction, maximum amount of transactions that shall be entered into,

- (ii) The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction;
- (iv) The indicative base price / current contracted price and the formula for variation in the price if any; and
- (v) Such other conditions as the audit committee may deem fit

Provided that Audit committee is authorized to grant an omnibus approval for transactions which are not foreseeable or not expected at the time of the above approval, however, the value of such transaction should not exceed Rupees 15 crores.

- e. Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.
- f. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

II. Board of Directors

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price,

the Board will consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

III. Shareholders

If a related party transaction is

- (i) a material related party transaction, or
- (ii) not in the ordinary course of business, or not at arm's length price and

(iii) exceeds certain thresholds prescribed under the Companies Act, 2013

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.

IV. Reporting of related party transactions

- a. Every contract or arrangement, which is required to be approved by the 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 Company Secretary and Chief Financial Officer shall be responsible for such disclosures. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

6. APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

7. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations / Companies Act, 2013 or statutory enactments, 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.