



ASHIKA CREDIT CAPITAL LIMITED

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RELATED PARTY TRANSACTION POLICY

1. Preamble

The Board of Directors (the “Board”) of Ashika Credit Capital Limited (the “Company” or “ASHIKA”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

The Audit Committee shall review, approve and ratify significant related party transactions, submitted to it by Management, approve and / or recommend for Board and / or shareholders’ approval thereon. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and also provides for materiality of related party transactions..

2. Purpose

This policy is framed pursuant to the Section 188 of the Companies Act, 2013 and as per requirement of revised Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Director’s Report about particulars of contracts or arrangements with related parties referred to in sub- Section (1) of Section 188 of Companies Act, 2013 in the prescribed form. In addition, the Audit Committee and the Board have to review any Related Party Transactions involving Independent Directors as part of the annual determination of their Independence as provided under Section 149 of Companies Act, 2013.

As per revised clause 49 of Listing Agreement, the Company shall formulate a policy on materiality of related party transactions and also on dealing with transactions pertaining to related parties. This policy also intends to ensure the proper approval and reporting of transactions by the Company and any of its Directors whether independent and non-independent, Senior Managerial Personnel or certain entities or persons related to them.

3. Definitions

a) “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

b) “**Board**” means Board of Directors of the Company

c) “**Key Managerial Personnel**” means

- (i) Managing Director, or Chief Executive Officer or manager
- (ii) the whole- time director;
- (iii) Company Secretary; and
- (iv) Chief Financial Officer

d) “Ordinary course of business” would have the meaning as defined by the Institute of Chartered Accountants of India, Companies Act 2013, and as per the guidelines and judicial and other pronouncements, as applicable from time to time.

e) “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.

f) “Material Related Party Transaction” means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the company.

g) “Policy” means Related Party Transaction Policy.

h) “Related Party” means an entity shall be considered as related to the company as mentioned under section 2(76) of Companies Act 2013

- (i) a director other than an independent director or his relative;
- (ii) a key managerial personnel 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 or his relative 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 two per cent of its paid-up share capital
- (vi) anybody corporate whose Board of Directors, 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 holding, subsidiary or an associate company of such company; or
 - ❖ a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Such other persons as may be prescribed – Director or Key Managerial Personnel of the holding company or his relative, shall be deemed to be related party.
- (x) Related party under applicable Accounting Standards .

i) “Related Party Transaction” means transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

- **As per Clause 49 of Listing Agreement:** any transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

- **As per Sec 188 of Companies Act 2013 (Specified transactions)**

- 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 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; and
- g) Underwriting the subscription of any securities or derivatives thereof, of the company

j) **"Relative"** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if -

- ❖ members of a Hindu undivided family ;
- ❖ Spouse
- ❖ Father (including step-father)
- ❖ Mother (including step-mother)
- ❖ Son (including step-son)
- ❖ Son's wife
- ❖ Daughter
- ❖ Daughter's husband
- ❖ Brother (including step-brother)
- ❖ Sister (including step-sister)

4.1. Identification of Potential Related Party Transactions :

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or their relatives , including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction and refer to Audit Committee for prior approval or for granting an omnibus approval. Any subsequent modification of transactions of the company with related parties will also require approval of Audit Committee.

4.2 Prohibitions related to Related Party Transactions :

All Related Party Transactions shall require prior approval of Audit Committee. The committee may even grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to fulfillment of condition as mentioned under clause 49 of Listing Agreement.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

4.3 Review and Approval of Related Party Transactions :

Approval of Audit Committee :

Related Party Transactions will be referred to the secretary of the Audit Committee for review, approval or ratification in accordance with provisions of the Companies Act and Rules made there under, Clause 49 of the Listing Agreement and this Policy. Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

Approval of the Board:

Prior consent of the Board by way of a Resolution is required for all Specified Related Party Transactions. No director who is interested in any such contract or arrangement shall be present at the meeting during discussions on the subject matter of the resolution proposed for Board Approval.

Approval by the shareholders:

All material Related Party Transactions and transactions mention in Section 188(1) of Companies Act, 2013 will require approval of the shareholders through special resolution and the related parties will have to abstain from voting on such resolutions. No member who is a related party shall vote on special resolutions stated above.

Any Specified Transactions which are in the ordinary course of business of a company and on arm's length basis do not require any Board Approval or Shareholder's Approval.

Specified Transactions which are (1) in the ordinary course of business of a company but are not on arm's length basis; or (2) not in the ordinary course of business of a company (irrespective of whether on arm's length basis or not) require Board Approval as well as Shareholder's Approval.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ❖ Whether the Related Party Transaction would affect the independence of an independent director;
- ❖ The commercial reasonableness of the terms of related party transaction

- ❖ The materiality of Related party Transaction.
- ❖ The extent of the Related Party's interest in the Related Party Transaction;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such transaction subject to the value not exceeding Rs 1 crore. Further, such omnibus approval shall be valid for 1 year only and will require fresh approval after one year . The committee shall review at least on a quarterly basis , the details of such RTP entered into by the company pursuant to each of the omnibus approval given.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- ❖ Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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.
- ❖ 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.

5. Decision regarding transaction in ordinary course of business and on arm's length basis :

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the

ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

6. Disclosures:

If a company enters into any Specified Transactions then such contracts or arrangements shall be referred to in the Board's report to the shareholders along with a justification for entering into such contract or arrangement

The agenda of the Board meeting at which such resolution is proposed shall contain relevant disclosures as required under the Companies Act 2013 and listing Agreement . Further, the Statement to be annexed to the notice of a general meeting convened pursuant to section 101 of Companies Act 2013 should contain the relevant particulars as may be required.

Details of all material transactions with related parties will be disclosed quarterly to the Stock Exchange along with the compliance report on Corporate Governance. The Company will disclose this policy on its website and a web link thereon shall be disclosed in the Annual Report.

5. Related Party Transactions not approved under this Policy

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 matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the company at www.ashikagroup.com.