

Related Party Transactions Policy

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Related Party Transactions Policy

Preamble

The Board of Directors (hereinafter referred to as the “Board”) of Pahal Financial Services Private Limited (hereinafter referred to as the “PF SPL”), have adopted the following Policy and procedures with regard to related party transactions. The Audit Committee shall review and may amend this Policy from time to time. This Policy will be applicable to PF SPL and shall regulate the transactions between PF SPL and its related parties based on the applicable laws and regulations applicable on PF SPL.

Objective

The objective of this policy is to set out:

- (a) the materiality of thresholds for related party transactions and
- (b) the manner of dealing with the transaction between PF SPL and its related parties based on the section 188 of the Companies Act, 2013 and any other laws and regulations as may be applicable to PF SPL.

Definition

- (a) “**Act**” means the Companies Act, 2013 and rules made thereunder;
- (b) “**Arm’s Length Transaction**” shall have the meaning as described to it under Section 188 of the Act;
- (c) “**Audit Committee**” means Committee of Board of Directors of PF SPL;
- (d) “**Board**” means Board of Directors of PF SPL;
- (e) “**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 2(51) of the Act;
- (f) “**Listing Agreement**” means the Listing Agreement entered into by the Company with the respective Stock Exchanges in India, in which debentures of PF SPL are listed;
- (g) “**Material Related Party Transaction**” shall mean and includes:
 - 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 rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
 - 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
 - Transactions which exceed the threshold limits as defined under Section 188 of Act read

with rules made thereunder.

- (h) **“Ordinary Course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association.
- (i) **“Related Party(ies)”** means a person or an entity as defined under, section 2(76) of the Act read with rule 3 of the Companies (Specification of definition details) Rules, 2014; Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (j) **“Relative”** shall have the meaning described to it under, Section 2(77) of the Act and Rule 4 of the Companies (Specification of definitions details) Rules, 2014; Regulation 2(1)(zd) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- (k) **“Transaction(s)”** shall be construed to include a single transaction or a group of transactions arising out of a contract or arrangement entered into between PFSP and the Related Party.

Policy

The Audit Committee shall review and approve all Related Party Transactions proposed to be entered into by the PFSP in conformity with this Policy.

The Audit Committee may, however, grant omnibus approval in the case of frequent/regular/repetitive Transactions which are in the normal course of business of the PFSP.

In order to ensure the independence of the decision of the Audit Committee with respect to Related Party Transactions, in the event any member of the Audit Committee has a potential interest in any Related Party Transaction, such member shall not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction.

It shall be the responsibility of the director and PFSP to file the requisite form(s) as mandated under the Act or the relevant rules, containing the particulars of the Related Party Transactions before the prescribed authority.

Identification of Related Party Transaction

Every director, at the first meeting of the Board in which he participates in capacity as a director and thereafter at the first meeting of the Board in every financial year, or in the event of change in the disclosures already made by the director, shall disclose his concern or interest, in any company(ies) or body corporate, firms, or other association of individuals which shall include the shareholding, in such manner as prescribed. Each director, who either directly or indirectly, is concerned or interested in a contract or a proposed contract or arrangement shall disclose the nature of his concern or interest, as provided in the Act, at the meeting of Board in which the contract or arrangement is

discussed and shall not participate in such meeting. Each director who is not concerned or interested at the time of entering such contract or arrangement but becomes interested or concerned after the contract or arrangement is entered into shall disclose his concern or interest forthwith or at the first Board meeting held after he became so concerned or interested.

Further, it shall be the responsibility of every director or Key Managerial Personnel to disclose to PFSP, within 30 days of appointment, the details as prescribed in the above mentioned sub-clause, which relate to his concern or interest in other associations, which are required to be recorded in the register(s) to be maintained by PFSP.

Approval of Related Party Transactions by the Audit Committee

PFSP shall not enter into any contract or arrangement with a Related Party without the prior approval of the Audit Committee or ratification. However in case of frequent/regular/repetitive Transactions which are in the normal course of business of PFSP, the Audit Committee may grant standing pre-approval/omnibus approval, subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy.
- ii. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of PFSP.
- iii. The Audit Committee shall review on quarterly basis, the details of Related Party Transactions entered into by PFSP pursuant to each of the omnibus approval granted.
- iv. the omnibus approval shall specify:
 - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into.
 - the indicative base price / current contracted price and the formula for variation in the price if any, and
 - such other conditions as the audit committee may deem fit.

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

- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Such Transactions which have been granted omnibus approval shall be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific Transaction unless the price, value or material terms of the contract or arrangement have been varied/amended. Any proposed variations/amendments to these factors shall require prior approval of the Audit Committee.

Approval of Related Party Transaction by the Board:

All kinds of Related Party Transactions as specified under Section 188 of the Act and transactions which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

Approval of Related Party Transactions by Shareholders

In the event the Transaction is not in ordinary course of business and not on arm's length price and exceeds the limits specified in the Act read with rules made thereunder and Listing Agreement, PF SPL, along with the approval of the Board, also seek approval of the shareholders through resolution. In case the member of PF SPL is a Related Party in the concerned Transaction, such member shall abstain from voting on such resolution.

Transactions which have not been granted approval

In the event, any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting 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 or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Disclosure

Appropriate disclosures as required under the Act and the Listing Agreement if any shall be made in the Annual Return, Board's Report and to the Stock Exchanges, if applicable. PF SPL shall disclose the Policy on its website and the web-link shall be provided in the Annual Report.

Amendment/Modification/Addition

In case there are any amendments, modifications, additions, etc. in the Act, or the relevant rules, or the Listing Agreement, as a result of which this Policy is required to be amended, in such event the

proposed changes in the Policy shall be placed before the Audit Committee and the Board for their review and approval.

Upon the approval of the changes in the Policy, the Board/ Audit Committee shall provide suitable directions/guidelines to implement the amended Policy. Further if any contracts/arrangements pertaining to Related Party Transactions that are approved by the Audit Committee before such amendment/modification/addition, then transactions arising out of the same would not be required to be evaluated again at the time of execution of such contracts/arrangements, provided that the price, value or material terms of the contract or arrangement have not been varied / amended.

Penalty

The Audit Committee/ Board may proceed against the director or the employee of PFSP, who had entered into or authorised the contract or arrangement in contravention of the provisions, for recovery of any loss sustained by result of such contract or arrangement in such manner, it may deem fit and proper. Without prejudice to the above, if any director or any employee contravenes the provisions relating to Related Party Transactions laid down in the Act, such director or employee shall be liable for penalty and other conditions stipulated under the specified provisions of the Act.

Scope

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

Amendment

The Board of Directors on its own or on recommendation of Audit Committee, can amend this Policy in whole or in part, as and when required deemed fit.