



## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**

### **1. PREAMBLE**

This Policy has been formulated in accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**Listing Regulations**”) and has been approved by the Board of the Company pursuant to a resolution dated [●].

In order to ensure transparency in Related Party Transactions (as defined below), avoidance of conflict of interest with the stakeholders and timely identification, approval, disclosure and reporting of transaction between the Company and its Related Parties (as defined below) in compliance with applicable laws, including the Act and the Listing Regulations, the Board, acting upon recommendation of the Audit Committee, has adopted this policy.

The Audit Committee will review and amend this Policy, as and when required, subject to the approval of the Board and this Policy will be effective from the date of listing of the equity shares of the Company on BSE Limited and National Stock Exchange of India Limited.

#### **Effective Date:**

This Code will be effective from the date of listing of the equity shares of the Company on BSE Limited and on National Stock Exchange of India Limited

### **2. OBJECTIVE**

The objectives of this Policy are to set forth below:

- a. Identification of the Related Parties;
- b. The materiality threshold for Related Party Transactions; and
- c. The manner of dealing with the transaction between the Company and its Related Parties based on the Act, the Listing Regulations and any other laws and regulations as may be applicable to the Company.

### 3. DEFINITIONS

- "Act" means the Companies Act, 2013 and the rules framed there under and any amendments thereto.
- "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.
- "Audit Committee" shall mean the audit committee of the Board constituted by the Board in accordance with Section 177 of the Act and Regulation 18 of the Listing Regulations.
- "Board" shall mean the board of directors of the Company.
- The words "This Company", "The Company", "Company" wherever they occur in this policy shall mean "BHARAT HOTELS LIMITED".
- "Compliance Officer" means "Company Secretary" of the Company.
- "Key Managerial Personnel" (KMP) means:
  - (a) the Chief Executive Officer or the Managing Director or the Manager in their absence, a whole-time director;
  - (b) the Company Secretary;
  - (c) the Chief Financial Officer; and
  - (d) such other officer as may be prescribed under the Act.
- "Material Related Party Transaction" means a transaction/contract with a Related Party where the transaction(s) to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company as mentioned in Explanation to Regulation 23(1) of the Listing Regulation.
- "Materiality Threshold" means limits for Related Party Transactions beyond which the shareholders' approval will be required as specified in the Act and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, and amendments thereto.
- "Ordinary Course of Business" shall mean activities that are normal, regular, frequent and incidental to the business of the Company.
- "Policy" shall mean this policy on materiality of related party transactions adopted by the Board;
- "Related Party" shall have the same meaning as assigned to such term in Section 2(76) of the Act and/ or Regulation 2(zb) of the Listing Regulations, and any amendments thereto.

- "Related Party Transaction" or "RPT" means all transaction(s) between the Company on one hand and one or more Related Party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Regulations 2(zc) and 23 of the Listing Regulations.
- "Relative" shall have the same meaning as assigned to such term in Section 2(77) of the Act.
- "Secretarial team" shall mean the secretarial department of the Company.

#### **4. IDENTIFICATION AND MONITORING OF RELATED PARTIES**

##### **4.1 PROCESS FOR IDENTIFICATION OF RELATED PARTIES**

The Secretarial and Finance departments shall identify all Related Parties for the Company based on disclosures received from the Directors/ KMPs, corporate and investment structure and other supporting documents/ information.

The names of all Related Parties identified shall be consolidated, as a Related Party Reference List (hereafter the "**Reference List**") and this Reference List, as amended from time to time, shall be progressively shared with all Business Heads (Unit General Manager or higher)/ Functional Heads of the Company for compliance at their end.

##### **4.2 PROCESS FOR MONITORING RELATED PARTIES**

The Directors and KMPs are mandated to promptly communicate to the Secretarial team any changes in the initial disclosure submitted by them. The Secretarial team shall update the Reference List based on intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

All Business Heads would be required to proactively ensure that RPTs are entered in accordance with this Policy and provide self-certified compliance certificates to the Company Secretary on a periodic basis that may be placed before the Audit Committee.

#### **5. IDENTIFICATION, REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

Prior to entering into any RPT whatsoever, the Business/ Functional Heads shall refer to the latest Reference List circulated by the Secretarial and Finance team to assess whether the party with whom the transaction is proposed to be entered into is a "Related Party".

If the party is identified as a Related Party, the Business/ Functional Heads would need to seek prior approval of the Audit Committee for undertaking such RPT through the Secretarial/ Finance team other than those with wholly owned subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval).

Following information should be provided to seek such approvals:

- Name of the Related Party
- Confirmation that the transaction proposed is in the Ordinary Course of Business
- Confirmation that the transaction proposed is at Arm's Length basis
- Underlying assumption/justification for confirming that the transactions proposed is on an Arms Length Basis
- Commercial consideration

The Secretarial team will facilitate clarifications on the list of Related Parties and status on approval from the Audit Committee in respect of RPTs.

The Finance member will provide guidance on whether they believe the transactions is at arm's length based on information provided.

The Secretarial team on receipt of a request for an Audit Committee approval in respect of a RPT shall arrange to obtain such approval.

Any member of the Audit Committee, who has a potential interest in any particular RPT, shall abstain from discussion and voting on the approval of that particular RPT.

## **6. OMNIBUS APPROVAL BY AUDIT COMMITTEE**

Audit committee may grant omnibus approval for Related Party Transactions proposed to be entered into subject to the following conditions, namely:

- a. the Audit Committee shall lay down the criteria for granting the omnibus approval, which shall include the following:
  - i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus approval route in a year;
  - ii. the maximum value per transaction which can be allowed;
  - iii. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - iv. review, at such intervals as the Audit Committee may deem fit, Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made; and
  - v. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:

- i. repetitiveness of the transactions (in past or in future);and
  - ii. justification for the need of omnibus approval.
- c. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company;
- d. The omnibus approval shall contain or indicate the following:
- i. name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into;
  - ii. the indicative base price / current contracted price and the formula for variation in the price, if any; and
  - iii. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- e. 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. One Crore for each** category of transaction.
- f. the Audit Committee shall review, periodically, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.
- g. Omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals of the Audit Committee after the expiry of such financial year;
- h. Omnibus approval shall not be made for transactions in respect of selling or disposing of any undertaking of the Company.

**7. PROCESS FOR MATERIAL RELATED PARTY TRANSACTIONS OR RELATED PARTY TRANSACTIONS WHICH ARE NOT IN THE ORDINARY COURSE AND NOT AT ARM'S LENGTH**

Following type of Related Party Transactions shall be referred to the Board along with the justification for entering into such contract or arrangement for its approval:

- (i) Material Related Party Transaction; or
- (ii) Related Party Transaction within the thresholds specified in section 188 of the Act which are not in the Ordinary Course of Business; or
- (iii) Related Party Transaction within the thresholds specified in section 188 of the Act which is not an Arm's Length Transaction.

Any member of the Board who has any interest in a Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction in which he/she has an interest.

However, if the proposed RPT is classified as outside the Ordinary Course of Business and/ or is not an Arm's Length Transaction, and meets the Materiality Threshold, prior approval of the shareholders shall be obtained through resolution. A member, interested in any way in the RPT, shall abstain from voting on the resolution for such RPT.

If the proposed RPT is classified as a Material Related Party Transaction, prior Board approval should be obtained and thereafter, approval of the shareholders shall also be required through resolution. In accordance with the Listing Regulations, all Related Parties are required to abstain from voting on Related Party Transactions, including voting at the shareholders' meeting, irrespective of whether the entity is a party to the particular transaction or not.

The requirement for voting on Related Party Transactions will not apply for wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **8. Related Party Transactions not approved under this Policy**

- 8.1 In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.
- 8.2 In cases where the Board and / or shareholders' approval is required, and a Related Party Transaction is entered into by a director or any other employee, without obtaining such consent of the Board or approval by resolution in a 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 RPT was entered into, such contract or arrangement shall be voidable at the option of the Board.
- 8.3 In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has commenced without approval, the Audit 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 Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- 8.4 Any director or other employee of the Company who has entered into or authorized any arrangement, transaction or contract in violation of this Policy, the Act, the Listing Regulations or any other applicable law or regulation, may be subject to such disciplinary proceedings as the Board may decide and penal consequences as prescribed under applicable law.

## **9. Disclosure**

The details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and Board meeting. The Audit Committee shall review, periodically, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, if any.

The details of RPTs, which are not in the Ordinary Course of Business and/ or not an Arm's Length Transaction, shall be disclosed in the Board's report along with a justification for entering into such transactions.

The details of material RPTs shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges, where the securities of the Company are listed.

## **10. Disclosure**

This Policy shall be disclosed in the annual report of the Company and posted on the website of the Company, if required under the Companies Act, 2013 and rules thereunder, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, and any other regulatory requirements.

## **11. Amendment**

The Board in consultation with the Audit Committee will review this Policy from time to time based on the Related Party Transactions and make suitable modifications, as may be necessary.

**DATE:** 12-02-2018