

Policy on Related Party Transactions and Material Subsidiary

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (Act) read with Rules framed there under and clause 49 of the listing agreement (as amended by SEBI circulars dated April 17, 2014 and September 15, 2014), Ashiana Housing Limited (AHL or the company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above AHL has framed this policy on Related Party Transactions (Policy). This policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the policy as and when required subject to the approval of the Board.

Objective of the policy:

The objective of this policy is to set out the manner of dealing with the transactions between the company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the company.

Definitions:

1. **“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.
2. **“Ordinary Course of Business”:** Means a transaction which is:
 - Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time; or
 - Historical practice with a pattern of frequency; or
 - Common commercial practice; or
 - Meets any other parameters/ criteria as decided by the Board/ Audit Committee.
3. **“Material Related Party Transaction”:** This will be understood and construed in accordance with the provisions of section 188 and Rules made there under and on the lines of clause 49 of the Listing Agreement.
4. **“Relative”:** In relation to a related party shall have the same meaning as in section 2(77) of the Act.

5. **“Related Party”**: Shall have the same meaning as in section 2(76) of the Act and as given in clause 49 of the Listing Agreement.

Reference and reliance may be placed on the clarification issued by the Ministry of Corporate Affairs, SEBI and any other authorities from time to time on the interpretation of the term “Related Party”.

6. **“Related Party Transactions”**: Means all transactions between the company on one hand and one or more related party on the other hand including contract, arrangements and transactions as envisaged in section 188 (1) of the Act, and / or clause 49 of the Listing Agreement.
7. **“Key Managerial Personnel”**: 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; and
 - (v) such other officer as may be prescribed;
8. **“Board of Directors”**: Means the collective body of the Directors of the company.
9. **“Audit Committee”**: Means the Audit Committee constituted by the Board of Directors of the company in accordance with section 177 of the Act and the clause 49;
10. **“CEO, CFO, Company Secretary, Managing Director, Whole Time Director”**: Shall have the same meaning as defined in the Companies Act, 2013.
11. **“Transaction”**: Shall be construed to include single transaction or a group of transactions in a contract.

Materiality threshold:

The Materiality Threshold shall be such Related Party transactions for which approval of the shareholder’s of the company will be required. The transactions for which shareholders approval will be required shall be understood and interpreted as prescribed in section 188 read with Rules and clarifications, notifications, circulars issued by the Ministry of Corporate Affairs from time to time and the Listing Agreement as amended from time to time.

Manner of dealing with Related Party Transactions:

Identification of related parties: Related parties are identified on the basis of definition and explanation provided in the Companies Act read with Rules.

Procedure for approval of related party transactions:

a) Approval by the Audit Committee:

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction 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) 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 Rs. 1 crore per transaction.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

However, if there is no omnibus approval from the audit committee then all the transactions which do not cross the materiality threshold limit will require approval of the audit committee.

b) Approval of the Board of Directors:

As per the provisions of section 188 of the Act, all kinds of transactions which do not exceed the Materiality Threshold (hence not requiring shareholders approval) specified in this policy shall require approval of the Board of Directors of the company only after the same have been approved by the Audit Committee.

c) Approval of Shareholders:

All those Related Party Transactions which qualify the materiality threshold criteria specified in this policy shall require approval of the shareholders.

d) Disclosure of Related Party transactions:

Disclosure requirements of the Related Party Transactions shall be governed by the Companies Act read with Rules, and any Circular, Notification, Clarification issued by the Ministry of Corporate Affairs issued from time to time, and the Listing Agreement executed with stock exchanges as amended from time to time.

Related Party Transactions Not Approved Under the Policy:

In the event the company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to its consummation. In such a case the matter shall be reviewed by the Audit Committee. After considering all the relevant facts and circumstances regarding such transaction the Audit Committee shall evaluate all options available to it including ratification, revision or termination of such transaction.

Material Subsidiary

For the purpose of this clause, a subsidiary company shall be considered as material if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.