



## Policy on dealing with Related Party Transactions

(As approved by the Board of Directors on Nov 4, 2015)

The Board of Directors (the “Board”) of Royal Orchid Hotels Limited (the “Company”) has adopted this Policy on Related Party Transactions (“the Policy”), as required in terms of the Listing Agreement

### 1. PURPOSE

The Board has adopted this Policy to ensure that any transaction with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. The Objective of this policy is to determine the “Materiality of Related Party Transaction” and to provide the Governance Framework to the Company.

### 2. DEFINITIONS

1. “**Applicable Law**” means the Companies Act, 2013 and the Rules made thereunder, the Listing Agreement and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

2. “**Compliance Officer**” means an officer of the Company as appointed by the Board.

3. “**Key Managerial Personnel**” means

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

4. “**Material Related Party Transactions**” means such Transactions entered into individually or taken together with previous Related Party Transaction during a Financial Year, exceeds 10% (ten percent only) of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company with Related Party.

5. “**Relative(s)**” shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement. Accordingly “Relative” with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) They are related to another in the following manner:
  - a. Father (including step-father)
  - b. Mother ( including step-mother)
  - c. Son ( including step-son)



## ROYAL ORCHID HOTELS LIMITED

- d. Son's wife
- e. Daughter
- f. Daughter's husband
- g. Brother ( including step-brother)
- h. Sister (including step-sister)

6. **"Related Party"** means related party as defined in Clause 49 of the Listing Agreement which is as follows :

A 'related party' is a person or entity that is related to the company. An entity shall be considered as related to the Company if:

(a) such entity is a related party under Section 2 (76) of the Companies Act, 2013 with reference to a company, means:

- (i) a 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 :
- (viii) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (ix) any company which is –
  - (A) a holding, subsidiary or an associate company of such company ; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary ;
- (x) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company; or

(b) Such entity is a related party under the applicable accounting standards.

7. **"Related Party Transaction"** means any transaction directly or indirectly involving any Related Party that are subject to the provisions of Applicable Law and shall include the following:

- a. Purchase of raw materials, finished goods and fixed assets
- b. Sales of finished goods
- c. Management Fees
- d. Consulting service
- e. Business Support service



- f. Rent paid/received
- g. inter corporate loans and Interest income thereon
- h. Guarantees given to subsidiaries
- i. Any other transaction as construed as related party transaction under the Act.

### **3. GOVERNANCE FRAMEWORK**

- a. All Related Party transactions shall require prior approval of the Audit Committee. Transactions with wholly owned Subsidiaries are exempted from this requirement.
- b. Audit Committee may grant omnibus approval for Related Party transactions proposed to be entered into by the Company subject to the conditions mentioned in the Regulations. Audit Committee shall review, on a quarterly basis, the details of Related Party transactions entered into by the Company pursuant to the omnibus approval. Such omnibus approvals shall be valid for a period not exceeding one year.
- c. Any member of the Audit Committee who has a potential interest in any Related Party transaction will abstain from discussion and voting on the approval of the Related Party transaction.
- d. In the event such contract(s) or arrangement(s) is not in the ordinary course of business or not at arm's length, the Company shall comply with the provisions of the applicable regulations and obtain approval of the Board of Directors or its Shareholders, as applicable.

### **4. MATERIALITY OF RELATED PARTY TRANSACTION**

A transaction with a Related Party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover as per the last audited financial statements or transactions exceeding certain thresholds, as specified under the Companies Act, 2013.

### **5. PROCEDURES FOR REVIEW AND APPROVAL**

(a) All Related Party Transactions or changes therein must be reported to the Compliance Officer, who shall refer same for prior approval by the Audit Committee in accordance with this Policy.

(b) If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / General Meeting, if required, within 3 months of entering in the Related Party Transaction. If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not ratified within 3 months such Transactions shall be voidable.

(c) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the

director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.

(d) If a Related Party Transaction is an ongoing transaction, the Board / Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board / Audit Committee, at least on an annual basis, shall review and assess the ongoing relationships with the Related Party to ensure that they are in compliance with the Act and rules made there under, the Listing Agreement and this Policy and that the Related Party Transaction remains appropriate.

(f) In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

(g) Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy.

## **6. DISCLOSURES**

(a) The Company is required to disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

(b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement to the Audit Committee.

(c) Every related party transaction, which is required to be approved by the Board/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.

(c) The Company shall keep one or more registers giving separately the particulars of all t with any related party.

## **7. POLICY REVIEW**

This Policy shall be subject to review as may be deemed necessary by the Audit Committee/Board of Directors and in accordance with any Regulatory Amendments.

This policy shall be effective from the date when the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 become effective.

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