

RELATED PARTY TRANSACTIONS (RPT)

POLICY OF

SAKTHI FINANCE LIMITED

(As adopted by Board on 14 th November 2014)

Sakthi Finance's Policy on Related Party Transactions (RPT)

1 PREFACE

- 1.1 Sakthi Finance Limited or the Company ("SFL" or "the Company") believes in the conduct of its affairs in a fair and transparent manner by adopting the highest standards of professionalism, transparency, honesty and integrity.
- 1.2 Section 188 of the Companies Act 2013 dealing with Related Party Transactions (RPT) has become operational from 1st April 2014.

Further, the amended Clause 49 of the Listing Agreement has also come into effect from 1st October 2014. Clause 49 VII (C) of the Listing Agreement provides that a listed Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

- 1.3 Company understands the importance of stake holder's confidence and trust in the Company. In order to preserve it with transparency and to ensure that there is no conflict of interest causing any apprehension in the minds of its stakeholders, the Board of Directors of the Company, acting upon the recommendations of its Audit Committee ("the Committee"), has proposed to adopt a policy and procedures with respect to Related Party Transactions ("**RPT Policy**") of the Company.
- 1.4 The Related Party Policy will be placed on the Company's website at **www.sakthifinance.com**.

2 PRIMARY OBJECTIVE

- 2.1 The primary objective of the policy is not only to be in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act and other applicable laws of the country. Further, as per revised Clause 49(VII) (C) of the Equity Listing Agreement, a policy needs to be formulated to deal with Related Party Transactions including a policy on material Related Party Transactions. This policy, therefore, lays down the mechanism to deal with Related Party Transactions.

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3 DEFINITIONS

For the purpose of this policy:

- 3.1 **“Act”** means the Companies Act 2013.
- 3.2. **“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.
- 3.3. **“Listing Agreement”** means the Equity Listing Agreement entered into by the Company with the respective Stock Exchanges in which the company's shares are listed.
- 3.4 **“Material Related Party Transactions”** would mean contracts or arrangements as prescribed under Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 and transactions as mentioned under the proviso to sub-clause (C) of Clause 49(VII) of the Listing Agreement requiring shareholders' approval.
- 3.5 **“Related Party”** is a party as defined in sub-section (76) of Section 2 of the Act or a related party as per Accounting Standards.
- 3.6 **“Related Party Transaction”** or **“RPT”** means transactions as given under clause (a) to (g) sub-section (1) of Section 188 of the Companies Act 2013 and as defined in sub-clause (A) of Clause 49(VII) of the Listing Agreement. These include sale, purchase, leasing or supply of goods or property, availing / rendering of any services, appointment of agents for any of the above and underwriting of securities.

4 APPROVAL OF TRANSACTIONS BY AUDIT COMMITTEE

- 4.1 All RPT's shall require prior approval of Audit Committee of the Company with effect from 1st October 2014 irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPT's.
- 4.2 The Audit Committee shall consider the following while determining prior approval to an RPT:
 - 4.2.1 Nature of relationship with related party;

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- 4.2.2 Nature, material terms, monetary values and particulars of the contract or arrangement;
- 4.2.3. Method and manner of determining the pricing and other commercial terms;
- 4.2.4 Whether the transaction is at arm's length; and
- 4.2.5 Any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.
- 4.2.6 The Audit Committee can grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:
 - 4.2.6.1 Transactions which are repetitive in nature or at regular intervals
 - 4.2.6.2 Transactions are in arms length basis and are in the ordinary course of business.
 - 4.2.6.3 Such approval should be in the best interest of the Company.
 - 4.2.6.4 Details of related parties, nature of transactions, period of transaction and the maximum amount of transactions are to be specified.
 - 4.2.6.5 The indicative base price/current contracted price and the formula for variation in price, if any, should be specified.
 - 4.2.6.6. The aggregate transaction value per annum should be not more than Rs.100 lakhs.
 - 4.2.6.7 The omnibus approval should be for a period not more than one year.
 - 4.2.6.8 Details of RPTs are to be reviewed on quarterly basis.

5 APPROVAL OF TRANSACTIONS BY BOARD

- 5.1 The Board will approve all RPT's which are not on arm's length basis or which are not in the ordinary course of business and which are within the threshold limit as specified in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules 2014.

6 APPROVAL OF TRANSACTIONS BY BOARD AND MEMBERS

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- 6.1 All Material Related Party Transactions which are within the scope of Section 188 (1) of the Companies Act 2013 read with Rule 15(3) would require approval of the members, based on the recommendation of the Board, through special resolution passed at the general meeting. None of the parties concerned or having interest in the transaction, directly or indirectly, shall vote on the resolution relating such transaction.

7 DISCLOSURE BY INTERESTED DIRECTORS

- 7.1 Every Director and Key Managerial Personnel (KMP) of the Company shall disclose his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals, by giving a notice in writing.
- 7.2 Every Director and KMP of the company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement being discussed at the meeting of the Board, such Director /KMP shall disclose his concern or interest at the meeting of the Board in which such contract or arrangement is discussed and shall not participate in such meeting.

8 OTHER DISCLOSURES

- 8.1 Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board's Report.

9 REVIEW OF THE POLICY

- 9.1. The RPT Policy will be reviewed from time to time as and when necessary in tune with the regulatory requirements.