

RELATED PARTY TRANSACTION POLICY

(Approved in the Board Meeting dated: 13th November, 2014)

1. Preamble

The Board of Directors (the “Board”) of Sahara Housingfina Corporation Limited (the “Company” or “SHCL”), has on the basis of the recommendation of the Audit Committee adopted this policy which defines and lays down the procedures with regard to Related Party Transactions. The Audit Committee shall review and may propose amendments to this policy as may be required.

This policy shall become effective from 1st December, 2014. This policy is to regulate transactions between the Company and its Related Parties, based on the laws and regulations applicable to the Company.

2. Objective

This policy is framed as per requirements of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. The provisions of Companies Act, 2013 also requires approval of Audit Committee/Board/Shareholders, for various Related Party Transactions. The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policies relating thereto.

The Related Party Transaction Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

2.1 Definitions

- a) “**Arms Length Transaction**” means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.
- b) “**Audit Committee/Committee**” means Committee of Board of Directors of the Company constituted under the provisions of Listing Agreement and Companies Act, 2013.
- c) “**Board**” means Board of Directors of the Company.
- d) “**Control**” means control as defined in Section 2 (27) of the Companies Act, 2013 and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- e) “**Key Managerial Personnel**” (as defined in Section 2(51) of the Companies Act, 2013), in relation to the Company, means –
 - i. Chief Executive Officer or the Managing Director or the Manager
 - ii. Company Secretary
 - iii. Whole Time Director
 - iv. Chief Financial Officer and
 - v. Such other officer as may be prescribed by the Government.

- f) **“Policy”** means Related Party Transaction Policy.
- g) **“Material Related Party Transactions”** means transaction/transactions with the related party to be entered into individually or taken together with previous transactions 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.”
- h) **“Related Party”** as defined under revised Clause 49 of the Listing Agreement is as under –

An entity shall be considered as related to the Company if :

- (i) Such entity is a related party under section 2 (76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable accounting standards.

Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party as —

- (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 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; [Except advice, directions or instructions given in a professional capacity]
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act. [Except advice, directions or instructions given in a professional capacity]
- (viii) Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.
- (ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.
- i) **“Relative” as per section 2 (77) of the Companies Act, 2013**, with reference to any person, shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:-

- (i) Father, includes step-father.
 - (ii) Mother, includes step-mother.
 - (iii) Son, includes step-son
 - (iv) Son's wife.
 - (v) Daughter.
 - (vi) Daughter's husband.
 - (vii) Brother, includes step-brother.
 - (viii) Sister, includes step-sister.
 - (ix) Are members of a Hindu Undivided Family
 - (x) They are Husband or wife.
- j) **“Related Party Transactions”** as defined under revised Clause 49 of the Listing Agreement means to include transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.”

Section 188 of the Companies Act, 2013, pertaining to the contracts or arrangements that can be entered into with related party are as follows:

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying, property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

Transactions that, require previous approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/ arrangements as follows :

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1. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
2. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
3. Leasing of property of any kind exceeding ten per cent of the net worth of the company or ten percent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;
4. Availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013.

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

k) “Collectively the Related Party Transaction shall constitute the above.”

- 1) **“Senior Management Personnel”** shall mean personnel of the company who are members of its core management team excluding Board of Directors. Normally, this shall comprise all members of management one level below the Executive Directors, including all functional heads and all employees at Vice President Position and above.

3. Terms of the Policy

- All the Related Party Transactions proposed to be entered shall require prior approval of the Audit Committee including the transactions to be entered in the ordinary course of business. The Audit Committee shall accordingly recommend the Related Party Transaction for the approval of Board of Directors/ Shareholders as per the terms of this policy.
- All the Related Party Transactions prescribed under Section 188 of Companies Act, 2013 and within the threshold limits prescribed under rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, shall alongwith the Audit Committee Approval shall also require approval of the Board of Directors.
- All the Material Related Party Transactions and Related Party Transactions, exceeding the threshold limits prescribed under rule 15 sub rule(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 shall require prior approval of

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the Audit Committee, Board of Directors and Shareholders of the
Company by way of Special Resolution.

- However, Related Party Transactions which are either not at arm's length or not undertaken in the ordinary course of business shall require the prior approval of the Audit Committee, Board of Directors and the Shareholders by way of special resolution in order to allow the Company to enter into arrangements/transactions/contracts with related party of the Company as per the prescribed provisions of Companies Act, 2013 alongwith the rules made thereunder and the Listing Agreement.

4. Procedures

4.1 Identification of Related Party Transactions

Each Director, Key Managerial Personnel and Senior Management Personnel shall be required to disclose to the Audit Committee any potential Related Party Transaction(s) proposed to be entered into by them or their relatives.

4.2 Review and approval of Related Party Transactions

(A).

- Audit Committee shall review all the potential Related Party Transactions, to ensure that a conflict of interest does not exist and evaluate it from the perspective of Arms' Length Pricing.
- Audit Committee shall have all the rights to call for information/documents in order to understand the scope of the proposed related party transactions and devise an effective control system for the verification of supporting documents.
- The Audit Committee shall be provided with the following information and details pertaining to each proposed related party transactions/ contracts –
 1. The name of the related party and nature of relationship;
 2. The nature, duration of the transaction / contract or arrangement and particulars of the transaction/ contract or arrangement;
 3. The material terms of the transaction/contract or arrangement including the value and / or the maximum amount for which the same is proposed to be entered into ;
 4. Any advance paid or received for the transaction / contract or arrangement, if any;
 5. The manner of determining the pricing and other commercial terms, both included as part of transaction / contract and not considered as part of the same;

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6. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered.
 7. The rationale for not considering the relevant factors; and
 8. Any other information relevant or important for the Audit/ Board to take a decision on the proposed transaction.
- The Audit Committee shall while reviewing the Related Party Transaction, consider all the relevant information/ facts submitted to it, including but not limited to the (a) Commercial or business reasonableness of the terms of the subject transaction so as to analyse that transaction is on an arm's length basis, (b) availability and / or the opportunity cost of the alternate transactions (c) materiality and interest (direct/ indirect) of the related party in the subject transaction, (d) actual or apparent conflict of interest of the Related Party, (e) If the Related party is an Independent Director then the Audit Committee shall also consider the impact of the said Related Party Transaction on the Director's independence.
 - Upon completion of its review of the transaction, the Audit Committee may determine to permit or to prohibit the Related Party Transaction. The Audit Committee shall also have the right to suggest any modification(s) in the proposed related party transaction.
 - The Audit Committee, if consider it appropriate, can also propose modification/s in the approved related party transaction subsequently.

(B). Omnibus Approval of Related Party Transactions

The Audit Committee may grant omnibus approval, pertaining to the transactions in the ordinary course of business, transactions for support service/ sharing of services with Associates Companies, Sub Lease of Office Premises or Office Sharing arrangement with Associate Companies or any other transactions or arrangements as it may deem appropriate, being proposed to be entered into on Arms Length basis, subject to the following conditions :

- a) The Audit Committee shall grant omnibus approval in line with this policy 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 or criteria's, as the Audit Committee may deem fit;

However, 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.

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- d) Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions 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.

(C). In case the Audit Committee determines that the Related Party Transaction requires the approval of the Board of Directors or Shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction before the Board of Directors for its approval alongwith all the relevant information/ documents pertaining to the same.

(D). The Board shall review the same and shall have the authority to call for such additional information as it may deem appropriate and may approve with or without modification(s) or reject the proposed related party transaction as per the terms of this policy and other applicable regulatory provisions.

(E). In case, the Board determines that Related Party Transaction requires the approval of the shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the shareholders for its approval alongwith all the relevant information/ documents pertaining to the same, as per the appropriate regulatory provisions.

4 Disclosures

- Every Director of a Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—
 - (a) With a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
 - (b) With a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

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- The related party transaction entered into with the related party/ies shall be disclosed in the Director Report / Annual Report as per the disclosure requirement of the Companies Act, 2013 and clause 49 of the Listing Agreement.
- Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the Related Party Transaction, but may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussions of the Related Party Transaction.
- The particulars of all the Related Party Transaction entered into with the approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangements in which Directors are interested, maintained by the Company as per the provisions of the Companies Act, 2013.
- All entities falling under the definition of related parties shall abstain from voting (at the Board Meeting or at Annual General Meeting or by passing of resolution through Postal Ballot), irrespective of whether the entity is a party to the particular transaction/contract / arrangement or not.

5. Ratification

- Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders(respective authority/ies) may be ratified, subject to the applicable provisions of the Companies Act, 2013 and the Listing Agreement, if post review of the said transaction / contract, the appropriate authority is satisfied, that the said Related Party Transaction is not detrimental to the interest of the Company, however, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).
- If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.
- However the Related Party transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provisions of the Companies Act, 2013 and Listing Agreement, shall apply.
