



## **Edel Finance Company Limited**

# **RELATED PARTY TRANSACTIONS POLICY**

# Edel Finance Company Limited

## Introduction

In accordance with the provisions of Regulation 23 of the Listing Regulations, every listed entity is required to adopt a Related Party Transactions Policy ("the Policy").

The Related Party Transactions Policy governs the transactions with the Related Parties keeping in view the potential or actual conflict of interest which may arise upon the transactions entered into by the Company and whether such transactions are consistent with the interest of the Company and its members.

## Objective/Purpose

The Policy is framed in accordance with the provisions of Regulation 23 of the Listing Regulations.

Related Party Transactions shall be entered into by the Company, in accordance with the Policy.

## Definitions

The Related Party shall be as defined under the Companies Act, 2013 and the Rules framed thereunder and the applicable Accounting Standards.

**Relative:** - A person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

Member of the Hindu Undivided Family

Spouse

Father

Mother

Son

Son's

wife

Daught

er

Daughter's husband

Brother

Sister

**Key Managerial Personnel (KMP) shall mean:-**

- a) The Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
- b) The Company Secretary;
- c) The Chief Financial Officer; and
- d) Such other person as may be specified as KMP from time to time.

**Subsidiary:** “Subsidiary” means a subsidiary as defined under the Companies Act, 2013.

**Associate Company** “Associate Company” means a Company as defined under the Companies Act, 2013.\_

**“Related Party Transactions”** means all transactions as per Regulation 2(1) (zc) of the SEBI Listing Regulations as may be amended from time to time.

**“Material Related Party Transactions”** is considered ‘material’ under the SEBI Listing Regulations, as may be amended from time to time, or any transaction/transactions 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 rupees one thousand crore or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

Provided that, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the Annual Consolidated Turnover of the Company as per the last audited financial statements of the Company.

**“Material Modifications”** is defined as any change pursuant to the amendments/revisions/modifications to the approved terms of the Related Party Transactions which has an estimated downside financial impact of 5% or more of the turnover of the Company in the immediately preceding financial year, on the Company’s returns.

## **Review & Approval of the Related Party Transactions**

The Audit Committee (the Committee) of the Board shall review and, if considered appropriate, approve the Related Party Transactions and subsequent Material Modifications. While considering the Related Party Transactions, the following information (or such other information as may be specified from time to time) shall be presented to the Committee:

- i. Type, material terms and particulars of the proposed transaction;
- ii. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- iii. Tenure of the proposed transaction (particular tenure shall be specified);
- iv. Value of the proposed transaction;
- v. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- vi. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - a) details of the source of funds in connection with the proposed transaction;
  - b) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure.
  - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
  - d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT; and
  - e) Justification as to why the RPT is in the interest of the listed entity;
- vii. A copy of the valuation or other external party report, if any such report has been relied upon;
- viii. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis; and
- ix. Any other information that may be relevant.

The transactions shall be approved only if it is determined by the Committee that such transactions are:

- i. In the best interests of the Company and its shareholders;
- ii. To be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated parties; and
- iii. In the ordinary course of the business of the Company.

"Ordinary course of business for this purpose will cover the businesses of the Company and usual transactions, customs and practices of a business and would include activities to be carried out incidental to or to facilitate the business of the Company and is usual or customary to the Company and/or providing the necessary support (financial or otherwise) to the subsidiaries.

- a. No member of the Committee shall participate in the review, consideration or approval of any Related Party Transactions with respect to which such member or any of his/her relative is a Related Party.
- b. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, the Committee shall be presented with the updated information for its approval.

If any additional Related Party Transactions is proposed to be entered into subsequent to the Committee's approval, management shall present such transactions to the Committee for approval.

### **Approval of the Board and the Shareholders**

The approval of the Board and the shareholders shall be obtained as and when applicable, provided however that the approval shall not be required where the transaction is between the Company and the Wholly Owned Subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board and/or Shareholders, under section 177 and section 188 of the Companies Act 2013 and/or Regulation 23 of the Listing Regulations, as the case may be:

- i. Any transaction that involves the providing of compensation to a Director or KMP in connection with his/her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

### **Omnibus Approval of the Audit Committee**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- i. The Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify:-
  - a. The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - b. The indicative base price / current contracted price and the formula for variation in the price if any, and
  - c. 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.

- i. The Committee shall review the details of the Related Party Transactions entered into by the Company from time to time;
- ii. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- iii. Shareholders' approval taken for Material Related party Transactions requiring omnibus approval, at (i) the annual general meeting of the Company shall for a period of 15 months and is to be taken at every annual general meeting; and (ii) the general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year

### **Related Party Transactions not approved under the Policy**

In the event of entering into a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider 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.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 Committee has authority to modify or waive any procedural requirements as specified in the Policy.

### **Related Party Transactions not previously approved**

Where any contract or arrangement is entered into by a Director or any other employee of the Company with a Related Party, without obtaining the necessary approvals and if such transaction is not ratified by the Committee, Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract/arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

The Company may proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the Policy for recovery of any loss sustained by the Company as a result of such contract or arrangement and shall take any such action, it may deem fit.

### **Review**

This Policy is framed in accordance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy shall be reviewed by the Audit Committee once in three years and when any changes are required to be made in the Policy. Any changes or modification in the Policy as recommended by the Committee shall be presented to the Board for their approval.