



Arman Financial Services Limited

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

1. SCOPE

1.1. Related party transactions (“RPT”) 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 the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Arman Financial Services Limited (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Further, Regulation 23 of Listing Regulations requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, the Company 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.

2. OBJECTIVE

- 2.1. Company is committed to upholding high standards of corporate governance and recognizes that any transactions with parties which are related to the Board members or Senior Management can present a risk of actual or apparent conflicts of interest.
- 2.2. Taking this into consideration, objective of this Policy is to lay down requisite process framework and approval mechanism for dealing with material related party transactions.

3. DEFINITIONS

For this Policy, following terms shall have the meanings ascribed to them as under:

- 3.1. “Act” means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- 3.2. “Arm’s length basis” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 3.3. “Board” means Board of Directors of the Company.
- 3.4. “Company” means Arman Financial Services Limited.
- 3.5. “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 2011.
- 3.6. “Key Managerial Personnel” (KMP) means the Key Managerial Personnel of the company in terms of the Act.



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- 3.7. “Listing Regulations”** means the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.
- 3.8. “Material Related Party Transactions”** means a transaction with a related party if the transaction / transactions 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 of the Company and transactions involving payments to a related party with respect to brand usage or royalty if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 3.9. “Related Party”** means a Related Party as defined under the Act read with the Listing Regulations or under applicable Accounting Standards.
- 3.10. “Related Party transactions (RPTs)”** means transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- 3.11. “Relatives”** means a relative as defined under the Act.
- 3.12. “Subsidiary”** means subsidiary as defined under the Act.

4. POLICY

- 4.1.** In order to ensure transparency and procedural fairness of Related Party Transactions (RPTs), as also to ensure compliance with provisions of the Act and Listing Regulations, Board of Directors (the “Board”) of the Company lays down this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (the “Policy”).

5. PROCEDURE OF DEALING WITH RPTs

5.1. Disclosure by Directors:

Every Director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his / her concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.



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5.2. Review and approval mechanism of Related Party Transaction:

5.2.1. Audit Committee

All the RPTs regardless of whether they are in ordinary course of business or on arm's length or not, should be pre-approved by the Audit Committee before entering into such transaction. The Audit committee shall consider the following factors while deliberating the RPTs for its approval:

- Name of party and details explaining nature of relationship;
- Duration of the contract and particulars of the contract and arrangement;
- Nature of transaction and material terms thereof including the value, if any;
- Manner of determining the pricing to ascertain whether the same is on arm's length;
- Business rationale for entering into such transaction;
- Any other information relevant or important to take a decision on the proposed transaction.

Any member of the Committee who has a potential interest in any RPT will remain abstain from discussion and voting on the approval of the RPT.

The Audit Committee may grant omnibus approval for RPTs 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 RPTs 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 the name/s of the related party, name of the Director having interest, period of transaction, nature of transaction and maximum amount of transaction that can be entered into;

Provided that where the need for RPT 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 (Rupee One Crore) per transaction.

- d) Audit Committee shall review, on a quarterly basis, details of RPTs entered into by the Company pursuant to the omnibus approvals given;
- e) Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.



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5.2.2. Board of Directors

All Material RPTs, transactions which are not in the ordinary course of business or not at the arm's length price, shall be placed before the Board for obtaining its approval. Where approval of Board of Directors is required for any RPT or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances. Any member of the Board who has any interest in any RPT will remain abstain from discussion and voting on the approval of the RPT.

5.2.3. Shareholder approval

All material RPTs and RPTs which are not in the ordinary course of business or not on arm's length basis, shall require approval of the Shareholders as per the provisions of Companies Act 2013. If any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such RPT irrespective of whether the entity is a party to the particular transaction or not.

5.2.4. Transactions which do not require approval

Notwithstanding the foregoing, the following RPTs shall not require any approval.

- a) Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) 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.
- c) Transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the company's accounts and placed before the shareholders at the general meeting for approval.

5.2.5. RPTs not approved under this Policy

If any RPT is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the RPT, to the extent permissible under the law. In connection with review of any RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.



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5.2.6. Disclosure

- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall disclose the policy on dealing with RPTs on its website.
- Make such other disclosures as may be required under applicable laws.

6. MONITORING & REVIEW

- 6.1.** The Board may monitor, review and amend the Policy from time to time as also whenever necessitated due to amendments to the Act, Listing Regulations or any other Regulations. Any subsequent amendment / modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.
- 6.2.** This policy (including the thresholds) shall be reviewed by the Board of Directors once in three years and / or and when required and updated accordingly.
