

CINDRELLA HOTELS LIMITED

Policy on Related Party Transactions and Materiality

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1. Introduction

The Board of Directors of Cindrella Hotels Ltd (“**The Company**”) has adopted the Policy on Related Party Transactions and Materiality (“**Policy**”) and procedures with regard to Related Party Transactions (“**RPT**”), in line with the requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), Section 177(4)(iv) and Section 188 of the Companies Act, 2013 read with Rules made thereunder (“**the Act**”), as amended from time to time, the Companying Regulation Act 1949, RBI guidelines and Accounting Standards as applicable.

The objective of this policy and procedure is to ensure that transactions between the **Company** and its related parties are based on principles of transparency and arm’s length pricing. This policy seeks to provide guidance on identification of related parties and the proper conduct and documentation of all related party transactions. Likewise, this policy also aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties. Any term not defined in the policy shall have meaning as defined in the Act or SEBI Listing Regulations or other applicable statutes.

2. Objective

The key objectives of this policy are as under

- i) Ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its related parties in compliance with the applicable laws and regulations as applicable and amended from time to time.
- ii) Identify outstanding balances, including commitments, between the Company and its related parties.
- iii) Determine the disclosures to be made about those items.
- iv) Govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and to comply with the statutory provisions in this regard.

3. Applicability

The policy document applies to reporting of related party relationships and transactions between the reporting enterprise i.e., the Company and its related parties.

4. Definitions

“**Arms Length Transaction**” shall mean a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Related Party**” shall mean a person or entity that is related to the Company as defined under Section 2(76) of the Companies Act, 2013 or under Regulation 2(1)(zb) of the SEBI Listing Regulations as maybe amended from time to time.

“**Material Modification of Related Party Transaction**” shall mean:

- A variation in the value of the transaction/contract as originally approved, by 10% or more;
- Variation in the tenure of the contract by 20% or more of the original tenure, or continuation of the contract or arrangement beyond the tenure originally agreed upon, except for completion of any residual performances;
- The terms of the contract cease to be on arms’ length;

Provided that following shall not be termed as **Material Modification of Related Party Transaction**:

- Modifications which may be mandated pursuant to change in law;
- Modifications pursuant to and in accordance with the pre-defined terms of the approved transaction/ contract, whether with or without mutual consent of parties, as the case may be;
- Modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.);
- Modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties; and
- Modifications uniformly affected for similar transactions with unrelated parties;

“Material Related Party Transaction” shall have the same meaning as defined under Regulation 23(1) of the SEBI Listing Regulations. The Company shall consider a transaction with a related party shall be considered as 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 ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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.

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

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend; subdivision or consolidation of securities;
 - ii. issuance of securities by way of a rights issue or a bonus issue; and
 - iii. buy-back of securities.
- c) acceptance of fixed deposits by the Company at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the prescribed format.

“Turnover” means ‘Total Income’ of the Company i.e. total of Income from Operation and other income.

5. Identification of Related Party Transaction

Directors and the Key Managerial Personnel (“KMP”) shall be responsible to inform the Company Secretary and/or Secretarial Department on appointment and then immediately as & when any change occurs in relationships with related party as defined under Section 2(76) of the Companies Act 2013 and SEBI Listing Regulations, as applicable viz. relatives, directorships, holdings, interests and/ or controls etc.

The Company Secretary and/or Secretarial Department shall prepare and maintain the database of Related Parties on the basis of aforesaid information/declaration including any revisions therein.

Auditors shall verify the process of ascertaining the Related Parties and their correct recording/listing in register of contracts/arrangement etc. as per the Section 189 of the Companies Act, 2013 and Rule thereof as well as their classification regarding whether they are on arm's length basis.

Company Secretary and/or Secretarial Department on periodic basis shall share the list of related parties identified to the credit department for monitoring purposes.

6. Procedure for Approval for Related Party Transactions

Procedure for seeking omnibus approval for Related Party Transactions: Functional departmental heads shall submit to the Chief Financial Officer (CFO) and/or Company Secretary (CS) the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis and in ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey the decision to the originator.

All Related Party Transactions (RPTs) shall require prior approval of the Audit Committee of the Board (ACB) and only those members of the audit committee, who are independent directors, shall approve related party transactions. However, the ACB may grant omnibus approval for Related Party Transactions for not more than 1 year, after which fresh approval shall need to be taken for related party transactions proposed to be entered into by the Company subject to following conditions-

(1) The Audit Committee shall with due approval of the Board of Directors, specifies the below criteria for granting the omnibus approval for transactions which are repetitive in nature:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
- (b) the maximum value per transaction which can be allowed.
- (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
- (d) transactions which cannot be subject to the omnibus approval by the Audit Committee, if any.

(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -

- (a) repetitiveness of the transactions (in past or in future).
- (b) justification for the need of omnibus approval.

(3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

(4) Audit committee shall review on quarterly basis, the details of related party transaction entered by the Company pursuant to each of the omnibus approval so made.

(5) The omnibus approval shall broadly contain or indicate the following: -

(a) name of the related parties.	(b) nature and duration of the transaction;	(c) maximum amount of transaction that can be entered into;	(d) the indicative base price or current contracted price and the formula for variation in the price, if any;	(e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(6) Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of such period.

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose-

- i) the name of the related party and nature of relationship.
- ii) the nature, duration of the contract and particulars of the contract or arrangement.
- iii) the material terms of the contract or arrangement including the value, if any.
- iv) any advance paid or received for the contract or arrangement, if any.
- v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract.
- vi) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors.
- vii) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Where any director or KMP is interested in any contract or arrangement with a related party, such director should not be present at the meeting during discussions on the agenda item relating to such contract or arrangement.

Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next scheduled meeting of Audit Committee for review and approval. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.

Related Party Transactions that are not on arm's length basis, irrespective of whether those are covered under Section 188 of the Act or not, may be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.

Audit Committee shall be entitled to call for such information/ documents in order to understand the scope of the proposed related party transaction(s) and recommend an effective control system for the verification of the supporting documents.

If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws, the Board shall ensure that the same be put up for approval by the shareholders of the Company.

No member of the Audit Committee/ Board shall participate in the review or approval of any Related Party Transaction in which such member is interested, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.

Exceptions allowed under Applicable Laws for Related Party Transactions shall be exempted from the scope of this Policy unless the Audit Committee/ Board decide otherwise. Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy.

All Related Party Transactions will be subject to following approval matrix, as may be applicable and as amended from time to time:

Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm's length basis	Up to 10% of the Annual Consolidated turnover of the Company or Rs. 1000 crore, whichever is lower In case of brand usage or royalty- up to 5% of the Annual Consolidated turnover of the Company	✓	-	-
	In the excess of above limit	✓	✓	✓ (All related parties to abstain from voting)
Transactions either not in the ordinary course of business or arm's length basis				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.		✓	✓	✓ * Exceeding 10% of the turnover
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent.		✓	✓	✓ * Exceeding 10% of the net worth
Leasing of property of any kind.		✓	✓	✓ * Exceeding 10% of the turnover
Availing or rendering of any services, directly or through appointment of agent		✓	✓	✓ * Exceeding 10% of the turnover
Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company		✓	✓	✓ * Monthly remuneration exceeding two and half lakh rupees

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Underwriting the subscription of any securities or		✓	✓	✓ * Remuneration exceeding 1% of net worth
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Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
derivatives thereof, of the Company				
* Note: In case of shareholders' approval for such transactions, related parties that are parties to the contract shall abstain from voting.				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		✓	For Transactions that are not on arm's length basis.	Exceeding 10% of the annual consolidated turnover of the Company Note: All related parties to abstain from voting

7. Related Party Transactions without the prior approval under this Policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee. In case the Company is not able to take prior approval from the Audit Committee, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee as promptly as reasonably practical after it is entered into after it becomes reasonably apparent that the transaction is covered by this policy. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate in compliance of applicable laws and regulations.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, seeking approval of the shareholders, payment of compensation for the loss suffered by the related party, etc.

In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

8. Disclosure and Reporting Requirements

Regulatory Disclosures

The Company shall place the policy on Related Party Transactions on its website.

The Company shall disclose in its financial statements and Annual Report, related party relationships and transactions between the Company and its related parties in line with RBI's Master Circular on Disclosure in Financial Statements – 'Notes to Accounts' and as per applicable Accounting Standards.

The Company shall also submit disclosures of related party transactions on a consolidated basis to Stock Exchanges within prescribed timeline in the format specified in the relevant accounting standards.

9. Confidentiality Obligations

Related party disclosure requirements as laid down as per applicable Accounting Standard apply in circumstances where providing such disclosures would conflict with the reporting entity's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority.

In case a statute or a regulator or a similar competent authority governing the Company prohibits the Company to disclose certain information which is required to be disclosed as per the above referred standard, disclosure of such information is not warranted.

10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least once every three years for incorporating regulatory updates and changes, if any.

11. Policy Authorisation

This Policy has been approved by the Board of Directors of AU Small Finance Company Limited

12. Regulatory References

- i) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- ii) Applicable Accounting Standard
- iii) Companies' Act, 2013