



## ASHIKA CREDIT CAPITAL LIMITED

CIN : L67120WB1994PLC062159

Trinity, 226/1, A.J.C Bose Road, 7<sup>th</sup> Floor, Kolkata - 700020

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### POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS OF ASHIKA CREDIT CAPITAL LIMITED

#### **1. Preamble**

The Board of Directors (the “Board”) of Ashika Credit Capital Limited (the “Company” or “ASHIKA”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

The Audit Committee shall review, approve and ratify significant related party transactions, submitted to it by Management, approve and / or recommend for Board and / or shareholders’ approval thereon. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and also provides for materiality of related party transactions.

#### **2. Purpose**

This policy is framed pursuant to the provisions of Section 188 of the Companies Act, 2013 and regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereof, and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Board’s Report about particulars of contracts or arrangements with related parties referred to in sub- Section (1) of Section 188 of Companies Act, 2013 in the prescribed form and in Financial statements. In addition, the Audit Committee and the Board have to review any Related Party Transactions involving Independent Directors as part of the annual evaluation of their Independence as provided under Section 149 of Companies Act, 2013.

As per SEBI (LODR) Regulations, 2015 and amendments thereof, the Company shall formulate a policy on materiality of related party transactions and also on dealing with transactions pertaining to related parties including clear threshold limits duly approved by Board of Directors and such policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly. This policy also intends to ensure the proper approval and reporting of transactions by the Company and any of its Directors whether independent and non-independent, Senior Managerial Personnel or certain entities or persons related to them.

This Policy is effective from 1<sup>st</sup> April 2019.

#### **3. Definitions**

a) “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under regulation 18 of SEBI (LODR) Regulations, 2015 and section 177 of Companies Act, 2013 and amendments thereof.

b) “**Board**” means Board of Directors of the Company

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c) **“Key Managerial Personnel”** means

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed

d) **“Ordinary course of business”** would have the meaning as defined by the Institute of Chartered Accountants of India, Companies Act 2013, and as per the guidelines and judicial and other pronouncements, as applicable from time to time.

e) **“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.

f) **“Material Related Party Transaction”** means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

- ❖ In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds two percent of the annual consolidated turnover of the Company as per its last audited financial statements;
- ❖ In case of any other transaction(s), if the amount exceeds ten percent of the annual consolidated turnover of the Company as per its last audited financial statements;

g) **“Policy”** means Related Party Transaction Policy.

h) **“Related Party”** means :

- (i) a related party under section 2(76) of the Act;
- (ii) a related party under the applicable accounting standards;
- (iii) any person or entity belonging to the promoter or promoter group of the listed entity and holding twenty percent or more of shareholding in the listed entity

i) **“Related Party Transaction”** means transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

- **As per SEBI (LODR) Regulations, 2015:** any transfer of resources, services or obligations between a listed entity 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.

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### • As per Sec 188 of Companies Act 2013 (Specified transactions)

- 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

j) “Relative” means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if -

- ❖ members of a Hindu undivided family ;
- ❖ Spouse
- ❖ Father (including step-father)
- ❖ Mother ( including step-mother)
- ❖ Son ( including step-son)
- ❖ Son’s wife
- ❖ Daughter
- ❖ Daughter’s husband
- ❖ Brother ( including step-brother)
- ❖ Sister (including step-sister)

k) “Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

*Significant Influence: - means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement*

*Joint venture: - means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the Net assets of the arrangement*

#### **4. Identification of Potential Related Party Transactions:**

Every Director shall at the beginning of the Financial Year provide information by way of notice to the Company regarding his 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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Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or their relatives, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Each Director and Key Managerial Personnel shall make an annual declaration to the Company and this declaration shall be placed before the Board of Directors at their first meeting held in the financial year. Any change in the list of relatives shall be intimated by the Directors and Key Managerial Personnel from time to time, as may be required.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction and refer to Audit Committee for prior approval or for granting an omnibus approval. Any subsequent modification of transactions of the company with related parties will also require approval of Audit Committee.

### **5. Prohibitions related to Related Party Transactions:**

All Related Party Transactions shall require prior approval of Audit Committee. The committee may even grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to fulfillment of condition as mentioned under SEBI (LODR) Regulations, 2015

Further, all Material Related Party Transactions shall require approval of the shareholders through resolutions and the Related Parties shall not vote to approve such relevant resolution whether the entity is a related party to the particular transaction or not.

### **6. Review and Approval of Related Party Transactions :**

#### **Approval of Audit Committee:**

Related Party Transactions will be referred to the Audit Committee for review, approval or ratification in accordance with provisions of the Companies Act and Rules made there under, SEBI (LODR) Regulations, 2015 and this Policy. Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will not approve the relevant transaction. Further, Audit Committee shall grant omnibus approval for entering into transactions with such related party subject to the criteria laid down in Regulation 23(3) of the SEBI (LODR) Regulations, 2015.

#### **Approval of the Board:**

Prior consent of the Board by way of a Resolution is required for all Specified Related Party Transactions which are in ordinary course of business or not at arms' length price. Further, material related party transactions shall also be entered into with the prior consent of the Board. No director who is interested in any such contract or arrangement shall be present at the meeting during discussions on the subject matter of

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the resolution proposed for Board Approval. The Board shall monitor any misuse and abuse of corporate assets of the Company in transactions entered into with the afore-mentioned persons.

### **Approval by the shareholders:**

All material Related Party Transactions and transactions mention in Section 188(1) of Companies Act, 2013 will require approval of the shareholders through resolution and no related party shall vote to approve such resolutions. All entities falling under the definition of related parties shall not vote to approve the relevant transactions irrespective of whether the entity is a party to the particular transactions or not.

### **Any Specified Transactions which are in the ordinary course of business of a company and on arm's length basis do not require any Board Approval or Shareholder's Approval.**

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the name of related party, details explaining nature of relationship, nature and material terms of transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ❖ Whether the Related Party Transaction would affect the independence of an independent director;
- ❖ The commercial reasonableness of the terms of related party transaction
- ❖ The materiality of Related party Transaction.
- ❖ The extent of the Related Party's interest in the Related Party Transaction;
- ❖ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ❖ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and material specific transactions and assure themselves that the same are in the interest of the Company and its shareholders.

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The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

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. Further, such omnibus approval shall be valid for 1 year only and will require fresh approval after one year. The committee shall review at least on a quarterly basis, the details of such RTP entered into by the company pursuant to each of the omnibus approvals given.

If the Committee determines that a Related Party Transaction should be brought before the Board, 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 Related Party Transaction, 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- ❖ Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or 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.
  
- ❖ 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.

### **7. Decision regarding transaction in ordinary course of business and on arm's length basis:**

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

### **8. Disclosures:**

If a company enters into any Specified Transactions then such contracts or arrangements shall be referred to in the Board's report to the shareholders along with a justification for entering into such contract or arrangement

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The agenda of the Board meeting at which such resolution is proposed shall contain relevant disclosures as required under the Companies Act 2013 and the SEBI (LODR) Regulations. Further, the Statement to be annexed to the notice of a general meeting convened pursuant to section 101 of Companies Act 2013 should contain the relevant particulars as may be required.

Details of all material transactions with related parties will be disclosed quarterly to the Stock Exchange along with the compliance report on Corporate Governance. The Company will disclose this policy on its website and a web link thereon shall be disclosed in the Annual Report.

The company shall submit within 30 days from the date of publication of its standalone & consolidated financial results for the half year ending March 31, 2019, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

### **9. Related Party Transactions not approved under this Policy:**

In the event the Company becomes aware of 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 all of 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. 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 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 of this Policy.

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 consent of the Board or approval by a resolution in the general meeting, where required and if it is not ratified by the 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 or 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 authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

### **10. Amendments/Modifications:**

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed

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thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This policy (including the thresholds) shall be reviewed by the Board of Directors atleast once in three years and/or as and when required and updated accordingly.

The revised Policy was approved by Board of Directors vide their meeting held on 14th February, 2019.

This Policy shall be placed on the website of the company at [www.ashikagroup.com](http://www.ashikagroup.com).

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