

SAMHI HOTELS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE

- (a) Related Party Transactions 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 (“**Companies Act**”) read with the rules framed there under and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”), SAMHI Hotels Limited (“**Company**”) has formulated guidelines for identification of Related Parties and the proper processes and documentation of all Related Party Transactions.
- (b) Regulation 23(1) of the LODR Regulations requires the Company to formulate a policy on the materiality of Related Party Transactions and on dealing with Related Party Transactions. In the 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 (“**Board**”) on **27th March, 2023**, based on recommendations of the audit committee of the Company (“**Audit Committee**”).

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out: (a) the materiality thresholds for Related Party Transactions; and (b) the manner of dealing with the transactions between the Company and its Related Party based on the Act, Regulation 23 of the LODR Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- (a) “**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;
- (b) “**Company**” means SAMHI Hotels Limited;
- (c) “**Key Managerial Personnel**” or “**KMP**” shall have the meaning as defined in the Companies Act;
- (d) “**Material Related Party Transaction**” 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% (Ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (e) “**Ordinary Course of Business**” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per memorandum & articles of association. The Board and the Audit Committee may lay down the principles for determining Ordinary Course of Business in

- accordance with the statutory requirements and other industry practices and guidelines.
- (f) **“Related Party”** has the meaning as defined in Section 2(76) of Companies Act and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015
- (g) **"Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following –
- (i) sale, purchase or supply of any goods or materials;
 - (ii) selling or otherwise disposing of, or buying, property of any kind;
 - (iii) leasing of property of any kind;
 - (iv) availing or rendering of any services;
 - (v) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (vi) appointment to any office or place of profit in the company; and
 - (vii) underwriting the subscription of any securities or derivatives thereof, of the company.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

4. MATERIALITY THRESHOLDS

Regulation 23 of the LODR Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and no Related Party shall vote to approve on such resolutions whether the entity is a Related Party to the particular transaction or not. The Company has fixed its materiality threshold at 10% (Ten percent) of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the LODR Regulations.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel shall, as may be applicable to them, provide a declaration containing the necessary details of related parties covered in the definition of related party and relatives to the Company Secretary upon their appointment and on an annual basis. Also, provide declarations within 30 days if there has been a change in the details from the last declaration made under this Related Party Policy.

The Chief Financial Officer (“CFO”) is responsible for identification of the potential related party transactions and to provide necessary information in advance to the Company Secretary for initiating the process to obtain the necessary approvals of the Audit Committee/Board/Shareholders. Further, the Chief Financial Officer and the Managing Director are responsible for providing additional information about transactions that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

6. POLICY

- (a) This Policy stipulates that the Company will ensure that all the Related Party Transactions and/or any modifications thereof are carried out in accordance with this Policy.
- (b) Before entering into any contract or arrangement in respect of a Related Party Transaction with a Related Party, the Company shall ensure that:
 - (i) **Arm's length pricing and Arm's Length Transaction:** Where a price is being charged in respect of the Company's Related Party Transactions in the Ordinary Course of Business, the Company shall endeavor to ensure that the pricing should be determined at arm's length pricing, in accordance with applicable laws.
 - (ii) **Required approvals and action steps:** All Related Party Transactions shall only be undertaken after obtaining the prior approval of the Audit Committee and complying with the provisions of applicable laws. The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the conditions laid out in the LODR Regulations.
 - (iii) **Disclosure obligations:** All the Material Related Party Transactions shall be disclosed as per section [V] of this Policy.
 - (iv) **Any deviation from arm's length pricing:** Where an amount lesser than arm's length pricing is charged in respect of the Related Party Transactions, this Policy should be complied with to the fullest extent and shareholders' approval shall be taken by the Company, accordingly.

7. APPROVAL PROCESS

7.1. Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee. Accordingly, all proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee.

The CFO of the Company shall provide to the Committee all relevant material information of all Related Party Transaction(s), including the terms of the transaction(s), the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters *inter alia* including the following:.

- (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) the persons/authority seeking the approval of the proposed transaction; and
- (viii) any other information relevant or important for the Committee to take a decision on the proposed transaction.

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:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect nature of the Directors, 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.
- (v) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (vi) 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

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board or shareholders.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Should be deleted as SEBI LODR regulations do not have any provision of post-facto approval

Omnibus approval

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 Audit Committee shall lay down the criteria for granting an omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of Related Party Transactions which are repetitive in nature.
- (ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the company;
- (iii) 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 as the Audit Committee may deem fit;
- (iv) 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.
- (v) Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- (vi) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

7.2.Board

A Related Party Transaction shall be approved by the Board by passing a resolution in this regard at a meeting of the Board, provided that Board approval is not required for any the Related Party Transaction(s) to be entered into in the ordinary course of business and on an arm's length basis.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

7.3.Shareholders

Transactions not in ordinary course of business or not at arm's length

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, and the SEBI Listing Regulations, as may be applicable, which are not in the ordinary course of business or not an Arms' length transaction shall also require the prior approval of the shareholders through special resolution and no member of the Company shall vote on such special resolution, if such member is a related party.

8. EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this Policy shall not apply to the following Related Party Transactions and such Transactions shall not require approval of Audit Committee or Shareholders:

- (i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval;
- (ii) Any transaction that involves provision of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or that of any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business;
- (iii) 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.

9. DISCLOSURES

- (a) The Company shall ensure that the following disclosures are made:
 - (i) **Board report:** Particulars of contracts or arrangements with the Related Parties in accordance with the applicable laws.
 - (ii) **Report on corporate governance:** Details of all Material Related Party Transactions shall be disclosed along with the compliance report on corporate governance every quarter;
 - (iii) **Website & annual report:** This Policy shall be disclosed on the Company's website and in the annual report; and
 - (iv) **Accounting disclosures:** As per the applicable laws
- (b) Further, the Company shall submit within 30 (Thirty) days from the date of publication of its standalone and consolidated financial results for the half year, 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.

10. CONSEQUENCE OF NON-COMPLIANCE WITH THIS POLICY

If any Related Party Transaction contract or arrangement is entered into by the Company, without obtaining the required consents and if it is not ratified by the Board or, as the case may be, by the shareholders at a general meeting within 3 (Three) months from the date on which such Related Party Transaction was entered into, such contract or arrangement shall be voidable at the option of the Board. If such contract or arrangement is with a party related to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by the Company. Without prejudice to anything in the above paragraph, it shall be open for the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.

11. EFFECTIVE DATE

The Policy shall be effective on the date of listing of equity shares of the Company at the stock exchange(s).

12. AMENDMENT

The Board and the risk management committee may review, amend, abrogate, modify or revise any or all provisions of this Policy from time to time. However, amendments in the Companies Act or in the LODR Regulations that mandatorily apply to the Company shall be deemed to be incorporated in this Policy and shall be binding.

13. QUERIES AND CLARIFICATIONS

The chief financial officer and / or company secretary and compliance officer of the Company can be reached for any doubts or clarifications in respect of this Policy.