

## RELATED THIRD PART TRANSACTION POLICY

### **Prelude**

The Companies Act, 2013 (“the Act”) places a lot of emphasis on Related Party Transactions. Provisions of the Act along with the relevant Rules governing Related Party Transactions have come into effect from April 1, 2014. Section 177(4) of the Act deals with approval or any subsequent modification of transactions of the Company with related parties by the Audit Committee. All Related Party Transactions pursuant to section 188 of the Act which are not in the ordinary course of business and / not an Arms’ length basis require prior approval of the Board and if such transactions crosses the threshold limits prescribed under the Act, such transactions also require the approval of shareholders of the Company by special resolution and the Related Parties with whom transactions are being entered shall abstain from voting on such resolution(s). It also requires specified related party transactions to be disclosed in the Board’s Report along with the justification for entering into such transactions.

Clause 49 of the Equity Listing Agreement with the Stock Exchanges (“Clause 49”) also provides additional requirements for Related Party Transactions which have come into effect from October 1, 2014. In view of the above, Related Party Transactions shall require prior approval of Audit Committee. Further, Material Related Party Transactions shall require approval of shareholders of the Company through special resolution (unless it is exempted pursuant to the provisions of Listing Agreement) and all Related Parties shall abstain from voting on such resolution(s). The Board of Directors (the “Board”) of Cubical Financial Services Limited has adopted this policy and procedures with regard to Related Party Transactions, upon recommendation of the Audit Committee, in line with the requirements of the Clause 49 and subsequent amendments thereto [hereinafter referred to as ‘Policy on Related Party Transactions’]

**2. Intent of the Policy:** Clause 49(VII)(C) provides that the company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions and such policy shall be disclosed on the company’s website and a web link thereto shall be provided in the Annual Report. 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 parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company; and

(c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

**3. Applicability and Legal Framework:** This Policy on Related Party Transactions shall be governed by the Act read with Rules made thereunder, as may be in force from time to time, as well as Clause 49 or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

### **4. Definitions**

(i) **“Arm’s Length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. [Explanation (b) to Section 188(1) of the Act].

(ii) **“Associate Company”** shall be as defined in the Act and the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

(iii) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with section 177 of the Act read with Clause 49.

(iv) **“Board of Directors” or “Board”** means the Board of Directors of CFSL, as constituted from time to time.

(v) **"Company"** or "CFSL" means Cubical Financial Services Limited.

(vi) **"Control"** shall have the same meaning as defined in the Act.

(vii) **"Key Managerial Personnel"** in relation to a Company, shall be as defined in the Act.

(viii) **"Material Related Party Transaction"** is a transaction with a Related Party which shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

(ix) **"Ordinary course of business"** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

(x) **"Related Party"**, for the purpose of this Policy, with reference to a Company, shall mean a Related Party as defined in Section 2(76) of the Act and Clause 49.

(xi) **"Related Party Transaction"** means specified transaction mentioned in clause (a) to (g) of sub-section (1) of Section 188 of the Act and Clause 49.

(xii) **"Relatives"** with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with Clause 4 of The Companies (Specification of Definition details) Rules, 2014 from time to time.

(xiii) **"Subsidiary"** shall be as defined under the Act and the Rules made thereunder.

(xiv) A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

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Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

**5. Policy on Related Party Transactions:** All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

**5.1 Identification of potential related parties and transactions:** Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided: 1. Names of his / her Relatives;

2. Partnership firms in which he / she or his / her Relative is a partner;

3. Private Companies in which he / she or his / her relative is a member or Director;

4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;

5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and

6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. It will be the responsibility of the Directors and KMPs to keep the Company updated immediately if there is a change in any of the declarations provided at the beginning of the year.

## **5.2 Approval of Related Party Transactions**

5.2.1 All Related Party Transactions of the Company as prescribed under the Act and Clause 49 shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation. The approval of the Audit Committee will be sought in following manner:

a) All Related Party Transactions will be submitted to the Audit Committee for prior approval irrespective whether such transactions are in the ordinary course of business and / or at arm's length or not.

b) Where the Company has entered into a master agreement with a related party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless there is any change in the terms of the master agreement. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

The Audit Committee may grant omnibus approval for Related Party Transactions 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 Related Party Transactions 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 (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; 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. The Audit Committee shall review on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. 6 Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will not remain present at the Meeting when such Related Party Transaction is considered. For the purpose of Clause 49, prior approval of the Audit Committee for all Related Party Transactions shall not be applicable for transactions entered into between a holding company and its wholly-owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. However the same would require the approval of the Audit Committee pursuant to Section 177(4) of the Act.

5.2.2. Prior approval of Board of Directors under the Act Transactions with the related parties within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arm's Length basis or both shall require prior approval of the Board of Directors. 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.

5.2.3 Shareholders' approval requirements: If the following transactions are likely to exceed the thresholds prescribed under the Act, the same will require prior approval of the Board of Directors and the Shareholders:

a) Not in the ordinary course of business but at arm's length basis.

b) In the ordinary course of business but not at arm's length; or

c) Not in the ordinary course of business and not at arm's length basis. No member of the Company shall vote on special resolution if such a member is a related party in the context of the contract or arrangement which is being considered under the Act. All Material Related Party Transactions whether in the ordinary course of business or at arm's length or not and exceeding the threshold prescribed under Clause 49 shall require approval of the Board of Directors and the Shareholders by Special Resolution. All related parties shall not vote on special resolution seeking approval of shareholders for a Material Related Party Transaction under Clause 49. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) 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 authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it (Section 188).

Approval of the shareholders in case of material Related Party Transactions shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **6. Disclosures**

a) The Company will disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.

b) This policy shall be hosted on the Company's website at [www.cubicalrealtors.com](http://www.cubicalrealtors.com) and a web link thereto shall be provided in the Annual Report.

c) The Directors' Report will contain details of contracts or arrangements or transactions (i) not at arm's length basis and (ii) material contracts or arrangement or transactions at arm's length basis.