

HLV LIMITED
(Formerly Hotel Leelaventure Limited)

Policy on Related Party Transactions

(EFFECTIVE FROM 1ST APRIL, 2019)

1. Preamble

The Board of Directors (the “Board”) of HLV Limited (hereinafter referred to “the Company” or “HLVL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee and the Board will review and amend this policy from time to time. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

1.1 About the company

The Company was incorporated on March 18, 1981 under the Companies Act, 1956. The Company’s business is focused on ownership, operation and management of luxury hotels through which it generates revenue primarily from the letting out of rooms and from food and beverage outlets and other amenities and services provided to its hotel guests.

2. Purpose

This policy is framed as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and is 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 Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Definitions

3.1 Act:

“Act” means the Companies Act, 2013 including any amendment or modification thereof.

3.2 Arm’s Length Transaction:

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated.

3.3 Associate:

“Associate” means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

3.4 Audit Committee:

“Audit Committee” means the Committee of the Board formed under section 177 of the Act and Regulation 16 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.5 Body Corporate:

“Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

3.6 “Compliance Officer”

“Compliance Officer” means the Company Secretary or any other senior Accounts / Finance Officer, designated so and reporting to the board of directors, who is financially literate and is capable of appreciating requirements for legal and regulatory compliance and who shall be responsible for compliance of this policy, procedures, maintenance of records and monitoring adherence to this policy.

3.7 Company:

“Company” means HLV Limited.

3.8 Director:

“Director” means a person as defined in Section 2(34) of the Companies Act, 2013.

3.9 Employees:

“Employees” shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.

3.10 Key Managerial Personnel:

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.

3.11 Material Related party Transactions:

Material Related Party Transactions as per Regulation 23 means a transaction with a related party if a transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the turnover of the Company as per the last audited financial statements of the Company.

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 two percent of the annual turnover of the Company as per the last audited financial statements of the Company.

3.12 Ordinary course of business:

“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 the Company’s Memorandum & Articles of Association.

3.13 Relative:

“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

3.14 Related party:

“Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and 2(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015..

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

3.15 Related party transactions:

“Related Party Transactions” shall mean such transactions as are covered under Section 188 of the Act or rules made thereunder and Regulation 2(zc) and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any amendment or modification thereof, as may be applicable.

3.16 Subsidiary:

“Subsidiary” means a company as defined in Section 2(87) of the Companies Act, 2013.

3.17 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract Regulation Act or any other applicable law or regulation.

4. Procedures for review and approval of Related Party Transactions

4.1 All Related Party Transactions or changes therein must be reported by the Chief Financial Officer to the Compliance Officer and the Compliance Officer will place the same for prior approval by the Audit Committee in accordance with this Policy.

4.2 The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

4.3 If the Board is of the view that the Related Party Transaction needs to be approved at a General Meeting of the shareholders by way of a special resolution pursuant to Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the shareholders of the Company.

4.4 If prior approval of the Audit Committee / Board / General Meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be subject to ratification by the Audit Committee and the Board / General Meeting, if required, within 4 months of entering into the Related Party Transaction.

4.5 In any case where either the Audit Committee / Board / a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the General Meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification.

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

4.6 In determining whether to approve or ratify a Related Party Transaction, the Audit Committee/ Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on term no less favourable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

- 4.7 No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board.
- 4.8 If a Related Party Transaction will be ongoing, the Audit Committee may establish guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be 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;

The 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 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.1.00 crore per transaction.

Thereafter, the Audit Committee, shall review atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

- 4.9 In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- 4.10 All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not i.e. all entities falling under the definition of related parties shall **not** vote to approve the relevant transaction.
- 4.10 Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

5. **Approval by Circular Resolution of the Committee/ Board**

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee / the Board to enter into a Related Party Transaction, such transaction may be approved by the Committee / Board by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee / Board at its next scheduled meeting.

6. Standards for Review

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorised by the Audit Committee/Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider.

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (d) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (e) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (f) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- (h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction
- (i) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;
- (j) 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 would be detrimental to the Company;
- (k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.
- (l) Required public disclosure, if any; and
- (m) Any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction. The Audit Committee/Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee/Board, as applicable, may approve/ ratify/ recommend to the

shareholders, the Related Party Transaction only if the Audit Committee/Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair to the Company. The Audit Committee/ Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

7. Determination of Ordinary Course of Business

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine, in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determination what is in the ordinary course business.

8. Determination of Arms’ length nature of the Related Party Transaction

8.1 Price Determination

At the time of determination the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms’ length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

8.2 Underwriting and Screening of arms’ length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

8.3 Related Party Transaction limits:

- (i) The Related Party Transaction must be within the lower of the following transaction limits with respect to any Related Party:
 - 1. Limits on Material Related Party Transactions; and
 - 2. Expected transaction volumes based on past transactions with Related Parties using linear rate of growth as evidence by past data.
- (ii) Credit limits extended to the Related Party must be usual as for unaffiliated parties.

If the Audit Committee is of the opinion that the Related Party Transaction meets the aforesaid criteria of Ordinary Course of Business and the Arms' Length nature, the Related Party Transaction will not be treated as a Related Party Transaction for the purpose of this Policy.

8.4 Identification of Potential Related Party Transactions

- (a) Each director/Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- (b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

9. Disclosures

- (a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (c) The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.

- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

10. Review of Policy

The said policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

11. Scope limitation

In the event of any conflict between the provisions of this Policy and of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Companies Act, 2013 or any other statutory enactments or rules, the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/ Companies Act, 2013 or statutory enactments or rules shall prevail over this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.
