

POLICY ON RELATED PARTY TRANSACTIONS

I. Preamble

- 1.1 Lemon Tree Hotels Limited (“**the Company**”) recognizes that while transacting with Related Parties are a normal part of business transactions, applicable Laws require that appropriate approvals are duly obtained, and reporting and disclosures are duly made and adhered to by all concerned.
- 1.2 The Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions in terms of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (“Listing Regulations”).
- 1.3 The Policy has been framed by the Board of Directors of the Company in its meeting held on June 15, 2017, through which it aims to provide guidance on the standards for initiation of Related Party Transactions by the Company, and, consummation of Related Party Transactions and to communicate to everyone involved in the Company’s business to ensure that the spirit and requirements of all Applicable Laws are complied with for all Related Party Transactions.

II. Definitions and Interpretation

“**Applicable Laws**” shall mean all applicable laws in respect of Related Party Transactions, including without limitation, the Listing Regulations, the Companies Act, the Old Companies Act, SEBI laws, Income Tax Laws, Accounting Standards, and any other laws as shall be notified from time to time;

“**Accounting Standards**” shall mean the standards of accounting or any addendum thereto for companies or class of companies in accordance with the Companies Act, Income Tax Laws and the Institute of Chartered Accountants of India;

“**Annual Report**” shall mean the annual report of the Company;

“**Arm’s Length Pricing**” shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest;

“**Associate Company**” in relation to the Company means a company in which the Company controls at least 20% of total share capital or, of business decisions under an agreement, including a joint venture company of the Company;

“**Audit Committee**” shall mean the audit committee of the Company;

“**Body Corporate**” shall mean a company under the Companies Act and the Old Companies Act, and shall exclude registered co-operative societies and such other body corporate notified by the Central Government from time to time

“**Board**” shall mean the board of directors of the Company.

“**Companies Act**” means the Indian Companies Act, 2013, as amended from time to time and

“**Old Companies Act**” means the old Indian Companies Act, 1956.

“Chief Financial Officer” means the Chief Financial Officer of the Company.

“Company Secretary” means the Company Secretary of the Company.

“Control” means the right exercisable by a person or persons acting individually or in concert, to appoint majority Directors or to control the management or policy decisions, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner in accordance with the Companies Act.

“Director” shall mean a director on the Board of the Company.

“Employee” shall mean an employee of the Company.

“Function” shall mean a function of the Company.

“Income Tax Laws” shall mean the Indian Income Tax Act, 1961 and rules there under, as amended from time to time.

“Key Managerial Persons” or **“KMP”** means the Managing Director, Whole Time Director, Chief Financial Officer and the Company Secretary of the Company and any other persons as shall be designated under the Companies Act.

“Material Related Party Transactions” shall mean a transaction with the Company and Related Party which transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Related Party” means a related party as defined under the Applicable Laws.

“Shareholders” shall mean the shareholders of the Company, whether individuals, entities or financial institutions.

“Office or Place of Profit” means any office or place of profit as defined Applicable Laws.

“Ordinary Course of Business” shall mean those transactions as are determined to be in the ordinary course of business of the Company, based on the guiding principles as are listed in this Policy and/or Applicable Laws.

“Previous Related Party Transactions” shall mean related party transactions of the Company under the Old Companies Act which were undertaken prior to the commencement of the Companies Act.

“Quarter” shall mean the period of three months commencing on the first day of April, July, October or January of a financial year;

“Related Party Transactions” means a transaction between the Company and a Related Party in accordance with the provisions of Applicable Laws.

“Relative” means relative as defined under the Applicable Laws.

“Required Consents” shall mean such consents or approvals as are required to be taken for Related Party Transactions in accordance with this Policy and Applicable Laws.

“SEBI” shall mean the Securities and Exchange Board of India.

“Stock Exchange” shall mean the stock exchanges where the Company’s shares are listed.

III. Scope

This Policy applies to all Related Party Transactions, or modifications thereof, (including the Material Related Party Transactions) which may be undertaken between the Company and the Related Parties.

IV. Policy

This Policy stipulates that the Company ensure that all the Related Party Transactions and/or any modifications thereof are carried out in accordance with this Policy.

Before entering into any contract or arrangement in respect of a Related Party Transaction with a Related Party, the Company shall ensure that:

- a) **Arm’s Length Pricing and Arm’s Length transaction.** Where a price is being charged in respect of the Company 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.
- b) **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.
- c) **Disclosure Obligations.** All the Material Related Party Transactions shall be disclosed as per Section V of this Policy.
- d) **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.
- e) **Previous Related Party Transactions:**
 - a) No fresh approval shall be required for Previous Related Party Transactions, however, all modifications or renewals to Previous Related Party Transactions on or after April 01, 2014, shall be made in accordance with this Policy, as though the same are Related Party Transactions under this Policy; and
 - b) All other conditions stipulated under the Applicable Laws from time to time shall be adhered to.

V. Disclosures

The Company shall ensure that the following disclosures are made:

- (i) **Board Report:** Particulars of contract 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

VI. Consequence of Non-Compliance with this Policy

If any RPT 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 three (3) months from the date on which such RPT 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 para, 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.

VII. Effective Date

The Policy shall be effective on the date of listing of Equity Shares of the Company at the Stock Exchange(s).

VIII. Amendment

The Company has the right to amend or modify this Policy in whole or in part, at any time without assigning any reason, whatsoever.

IX. Queries and Clarifications

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.
