

**HOV SERVICES LIMITED**  
**POLICY ON RELATED PARTY TRANSACTIONS**

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**1. SCOPE AND PURPOSE**

HOV Services Limited (“**HOVS**” or **the Company**”) recognizes that related party transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance with the provisions of the Companies Act, 2013 (“**Act**”) and Clause 49 of the Equity Listing Agreement (“**Listing Agreement**”), as amended by the Securities and Exchange Board of India (“**SEBI**”) from time to time

Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

Keeping the prescribed requirements in view, HOVS has framed this policy on Related Party Transactions (“**Policy**”). This Policy is intended to provide a framework for governance and reporting of Related Party Transactions.

This Policy would come into effect once the same is adopted by the Board of Directors of the Company.

**2. ABOUT THE COMPANY**

Established in 1989, HOVS is currently engaged in the business of Information Technology Enabled Services (ITES) and operates as a hybrid between an investment company and a diversified services corporation.

**3. DEFINITIONS**

- i) “**Act**” means the Companies Act, 2013 and applicable rules made thereunder and includes any amendments, statutory re-enactments, or modification thereof from time to time;
- ii) “**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

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- iii) **“Audit Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Clause 49 of the Listing Agreement;
- iv) **“Board of Directors” or “Board”** means the collective body of the Directors of the Company;
- v) **“Key Managerial Personnel (KMP)”** shall have the same meaning as defined in Section 2(51) of the Act. The following personnel, if any, would constitute KMPs of the Company:
  - a) the Chief Executive Officer (CEO)
  - b) the Managing Director (MD)
  - c) the Manager;
  - d) the Company Secretary (CS);
  - e) the Whole-Time Director (WTD);
  - f) the Chief Financial Officer (CFO); and
  - g) any other person as may be prescribed under the Act.
- vi) **“Listing Agreement”** means the Clause 49 of the Equity Listing Agreement, as amended by the SEBI from time to time
- vii) **“Material Related Party Transactions”**, will have the same meaning as defined in Clause 49(VII)(C) of the Listing Agreement.
- viii) **“Ordinary Course of Business”** means a transaction which is:
  - a) carried out in the normal course of business envisaged in accordance with the Memorandum of Association (MoA) of the Company as amended from time to time, or

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- b) historical practice with a pattern of frequency, or
  - c) common commercial practice, or
  - d) meets any other parameters / criteria as decided by the Board/Audit Committee.
- ix) **“Related Party”**, will have the same meaning as defined under Section 2(76) of the Act, read with Rule 3 of the Companies (Specification of definitions details) Rules, 2014, and / or the Clause 49(VII)(B) of the Listing Agreement as amended from time to time, which includes the following:
- a) a director or his relative;
  - b) a key managerial personnel or his relative;
  - c) a director (other than an independent director) or key managerial personnel of the holding company or his relative;
  - d) a firm, in which a director, manager or his relative is a partner;
  - e) a private company in which a director or manager or his relative is a member or director;
  - f) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent. of its paid-up share capital;
  - g) anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - h) any person on whose advice, directions or instructions a director or manager is accustomed to act:

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Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- i) any company which is—
  - (A) a holding, subsidiary or an associate company of such company; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary;

Further Related Party will include such entity which is a related party under the applicable accounting standards.

Reference and reliance may be placed on the clarifications issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term “Related Party”.

- x) **“Related Party Transactions”** mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Clause 49(VII)(A) of the Listing Agreement, which includes the following:
  - 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 the 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;

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- g) Underwriting the subscription of any securities or derivatives thereof, of the Company; and

Further Related Party Transactions shall also mean transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

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

- xi) **“Relative”** in relation to a Related Party shall have the same meaning assigned to in Section 2(77) of the Act read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014, as amended from time to time, which includes the following:

- a) Members of a Hindu undivided family;
- b) Husband or wife;
- c) Father (including step-father);
- d) Mother (including step-mother);
- e) Son (including step-son);
- f) Son’s wife;
- g) Daughter;
- h) Daughter’s husband;
- i) Brother (including step-brother); and
- j) Sister (including step-sister).

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**4. MATERIALITY THRESHOLDS**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval shall be required by way of a special resolution.

The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company as specified in Clause 49(VII)(C) of the Listing Agreement.

Therefore, a transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

**I. Identification of related parties**

Every director and KMP of the Company shall provide a declaration in the format annexed as **Annexure 1** hereto, containing the prescribed disclosures, to the Company Secretary of the Company, on an annual basis.

Every Director and the KMP will also be responsible to update the Company Secretary of any changes in such disclosures immediately on him/her becoming aware of such changes.

The Company Secretary of the Company shall be responsible for maintaining the updated database of all Related Parties (in addition to the above). The database shall be updated whenever necessary and shall be reviewed atleast once a year by the Company Secretary and by any of the other KMPs of the Company. The directors, KMPs, functional and business heads shall have access to the updated database.

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**II. Identification of Related Party Transactions**

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

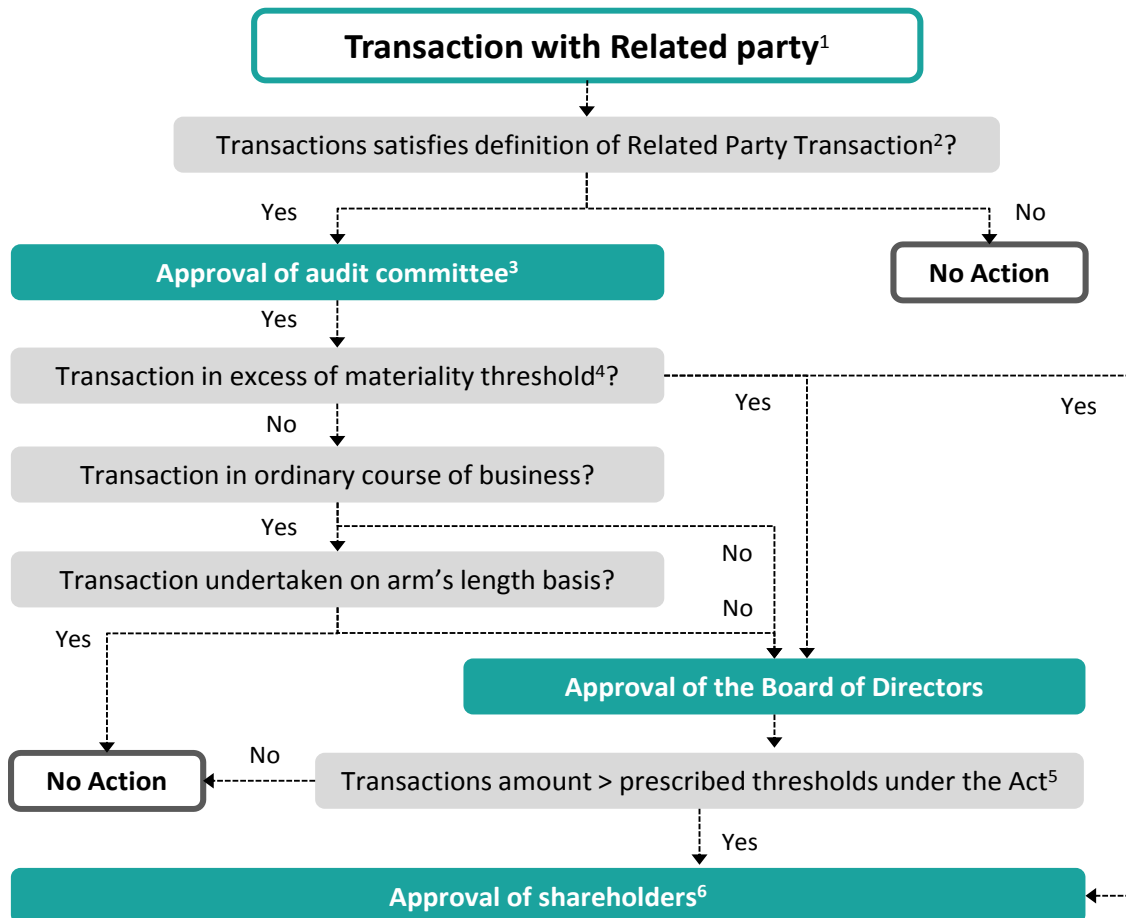
Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

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**6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

The review and approval process that may be followed for approval of Related Party Transactions is summarised in diagrammatic form for ease of reference:



**Note:**

1. Contracts entered by the Company after making necessary compliances under Section 297 of the Companies Act, 1956 which already came into effect before the commencement of Section 188 of the Act, will not require fresh approvals under the Section 188 of the Act till the original term of such contract. Thus, if any modification in such contract is made on or after 1<sup>st</sup> April 2014, the requirement under Section 188 of the Act will have to be complied with
2. Either under Section 188 of the Act or under Clause 49 of the Listing Agreement
3. Either an omnibus approval or a specific approval, as the case may be
4. Prescribed under Clause 49 of the Listing Agreement
5. Prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014
6. Whether by way of ordinary resolution or special resolution, as may be required under the provisions of the Act or Clause 49



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**I. Approval of the Audit Committee**

All Related Party Transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- 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) The omnibus approval shall provide the following details
  - (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.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- d) The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approvals given; and

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- e) Such omnibus approval shall be valid for 1 year and shall require fresh approval after the expiry of 1 year.

In addition to the above, the Audit Committee shall also comply with any conditions that may be prescribed by the Central Government in this regard.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from discussions and voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

**II. Information required by Audit Committee/Board for approval**

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents or seek, *inter-alia*, the following information from the management in order to determine if the transaction is in the Ordinary Course of Business and at arm's length:

- a) Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- b) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- c) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

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- d) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- e) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - i) market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - ii) third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - iii) management assessment of pricing terms and business justification for the proposed transaction;
  - iv) comparative analysis, if any, of other such transaction entered into by the company.

**III. Approval of the Board of Directors of the Company**

All Related Party Transactions which are either not in the Ordinary Course of Business or not at arm's length basis, are to be placed before the Board for its approval.

In addition to the above, the following kinds of transactions with Related Parties are also to be placed before the Board for its approval:

- a) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the Ordinary Course of Business and/or at arm's length basis and decides to refer the same to the Board for approval;

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- b) Transactions which are in the Ordinary Course of Business and at arm's length basis, but which, in the Audit Committee's view, requires Board approval.
- c) Transactions meeting the materiality thresholds laid down Clause 0 of the Policy, which are intended to be placed before the shareholders for approval except in case the transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.

**IV. Approval of the Shareholders of the Company**

- a) All Related Party Transactions exceeding the materiality thresholds, laid down in Clause 0 of the Policy, are to be placed before the shareholders for approval by way of passing a special resolution except in case the transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
- b) All kinds of transactions specified under Section 188 of the Act which exceed the thresholds laid down in The Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, and satisfy either of the following two conditions:
  - (i) The transaction is not in the Ordinary Course of Business of the Company; or
  - (ii) The transaction is not undertaken on an arm's length basis.

For this purpose, all Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

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**7. DISCLOSURES**

The Company shall make all relevant disclosures as prescribed in the Act and the Listing Agreement as amended from time to time. In relation to Related Party Transactions, the Company shall also specifically make the following disclosures, *inter-alia*:

**a) Disclosure in the Board's report**

Prescribed details regarding Related Party Transactions shall be disclosed in the Board's report in the format prescribed in Rule 8 of the Companies (Accounts) Rules, 2014 ie Form AOC-2.

**b) Disclosure to the Board**

The agenda for the Board meeting at which a contract/ arrangement with a Related Party is proposed to be approved shall disclose details of such contract/ arrangement as prescribed in Rule 15 of The Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

**c) Disclosure to the shareholders**

In the notice to the general meeting where approval of shareholders is sought to be obtained, disclosure of details of proposed contracts/ arrangements as prescribed in Rule 15 of The Companies (Meetings of Board and its Powers) Rules, 2014 shall be made in the explanatory statement annexed to the notice for convening general meeting at which the special resolution is proposed to be passed.

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**d) Disclosures to the stock exchange**

Details of all material transactions with related parties shall be disclosed by the Company on a quarterly basis, along with the compliance report on corporate governance to the stock exchanges;

**e) Other disclosures**

- Register of Related Party Transactions: The Company shall maintain a register of contracts/ arrangements entered into with Related Party in the prescribed format in Rule 16 of The Companies (Meetings of Board and its Powers) Rules, 2014 ie Form MBP-4. The Register of Related Party Transactions shall be kept open for inspection at the registered office of the company during business hours.
- The Company shall disclose the Policy on its website and a web link thereto shall be provided in the Annual Report;
- Further as part of the annual return filing with the Registrar of Companies in the prescribed format in Rule 11 of the Companies (Management and Administration) Rules, 2014 ie Form MGT-7, Company shall disclose prescribed details regarding Related Party Transactions entered into by it.

**8. TRANSITIONAL PROVISIONS**

All Material Related Party Transactions of the Company which are in effect as on the date of this Policy coming into effect, which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first general meeting subsequent to the coming into effect of this Policy.

**9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event that the Company becomes aware of a transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation, the

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matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Related Party etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy not specifically prescribed under the applicable law.

**10. CONSEQUENCES OF NON-COMPLIANCE**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against any employee or officer involved. Details of such disciplinary proceedings will form part of the personal file of such employee or officer and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed consequences under the Act and the Listing Agreement, if any.

**11. AMENDMENTS**

All amendments to the Policy would be subject to approval by Board of Company as per the recommendations of the Audit Committee except in case the amendment in the

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Policy is necessitated on account of change in the applicable law. In such a case Audit Committee can amend the Policy at its own discretion and any such amendment will be noted by Board in its subsequent board meeting.

**12. INTERPRETATION**

All capitalised terms used in this Policy but not defined herein shall have the meaning ascribed to such term in the Act, and the Rules framed there under and the Listing Agreement, as amended from time to time

This Policy is only meant for general guidance. In the event of any conflict between the provisions of this Policy and the provisions of any statutory enactment or any rules or regulations made thereunder, such provisions shall prevail over the provisions of this Policy.



**Annexure 1**

**I. Companies, body corporates, firms or other associations of individuals in which interest is held by me:**

Sr. No.	Name of the Companies/ Bodies Corporate/ Firms/ Association of Individuals	Nature of Interest or concern / Change in Interest or Concern	Shareholding	Date on which Interest or Concern arose/ changed

**II. Bodies Corporates whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with my advice, directions or instructions\*:**

Sr. No.	Name of body corporate

**III. Persons, whose advice, directions or instructions\* I am accustomed to act in accordance with:**

Sr. No.	Name of person	Relation

*\*other than advice, directions or instructions obtained in professional capacity*

**IV. List of my relatives:**

Sr. No.	Name of person	Relation