

## **RELATED PARTY TRANSACTIONS POLICY**

### **Preamble**

This policy shall become effective from 1st October, 2014. This policy is to regulate transactions between the Company and its related Parties, based on the laws and regulations applicable to the Company.

### **Objective**

This policy is framed in accordance with SEBI (Listing Obligations and Disclosure Requirements) regulations 2015 (“LODR”) and as prescribed under the Companies Act 2013 to ensure proper approval and reporting of transactions between the Company and its Related Parties. The provision of Companies Act, 2013 also requires approval of Audit committee/Board/Shareholders, for various Related Party Transactions. The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policies relation thereto.

### **Definitions**

“**Arms Length Transaction**” means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest

“**Audit Committee/Committee**” means committee of Board of Directors of the Company constituted under the provision of Listing Agreements and Companies Act, 2013.

“**Board**” means Board of Directors of the Company

“**Control**” means control as defined in Section 2(27) of Companies Act, 2013 and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Key Managerial Personnel**” (as defined in Section 2(51) of the Companies Act, 2013), in relation to the company means

- i Chief Executive Officer or the Managing Director or Manager
- ii. Company secretary
- iii. Whole Time Director
- iv. Chief Financial Officer and
- v. Such other officers as may be prescribed by the Government

**Chief Executive Officer** under section 2(18) means an officer of a company, who has been designated as such by it.

**Chief Financial Officer** under section 2 (19) means a person appointed as Chief Financial Officer of the company.

**Managing Director** under section 2(54) means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position

of managing director, by whatever name called **“Policy”** means Related Party Transaction Policy.

**“Material Related Party Transactions”** means transaction/transactions with the related party to be entered into individually or taken together with previous transactions during the financial year in accordance with the limits set out by the Companies Act, 2013 and Listing Agreement from time to time.”

**“Related Party”** as per LODR is as under-

An entity shall be considered as related to the Company if:

- (i) Such entity is related party under section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is related party under applicable accounting standards.

**Subsidiary:**

As per Section 2 (87) of the Act subsidiary company or subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: —For the purposes of this clause,

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes any body corporate;
- (d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

**Section 2(76) of the Companies Act, 2013**, as referred above, defines **Related Party** as –

- (i) A Director or his relative;
- (ii) A Key Managerial Personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager is a member or director;
- (v) A public company in which a director or manager is a director and holds with his relative more then two percent. of its paid-up share capital;
- (vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of director or manager;  
Except advice, directions or instructions given in a professional capacity]
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act; [Except advice, directions or instructions given in a professional

capacity]

(viii) Any company which is holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.

(ix) A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a company

**“Relative”** as per section 2(77) of the Companies Act, 2013, with reference to any person shall be deemed to be relative of another, if or she is related to another in a following manner, namely:-

(i) Father, includes step-father.

(ii) Mother, includes step-mother.

(iii) Son, includes step-son

(iv) Son's wife.

(v) Daughter.

(vi) Daughter's husband.

(vii) Brother, includes step-brother.

(viii) Sister, includes step-sister.

(ix) Are members of a Hindu Undivided Family.

(x) They are Husband or wife.

**“Related Party Transactions”** as defined under LODR means to include transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: a transaction with a related party shall be constructed to include single transaction or a group of transactions in a contract.”

**Section 188 of Companies Act, 2013**, pertaining to the contracts or arrangements that can be entered into with related party are as follows:

(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 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; and

(g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

Transactions that, require previous approval of the Shareholders of the company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/arrangements as follows:

1. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;

2. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten percent of net worth of the company or rupees one

hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;

3. Leasing of property of any kind exceeding ten percent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;

4. Availing or rendering of any services directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;

5. Appointment to any office or place of profit in the Company, its subsidiary or associate company exceeding a monthly remuneration of Rs. 2.5 lakhs

These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with previous transactions during a financial year.

“Collectively the Related Party Transaction shall constitute the above.”

Note: The Related Party Transaction proposed to be undertaken shall be subjected to a test of qualifying transaction and categorized into two:

a) Qualifying Transaction (as defined below)

b) Non Qualifying Transaction (as defined below).

**2. Ordinary/ Not Ordinary Course:**

Ordinary course of business is defined as “the usual transactions, customs and practices of a business and of a company.” It will include the transactions arising out of the day to day business activities of the company and which are routine in nature. It can also be defined as

“A term for activities those are necessary, normal, and incidental to the business.”

Not ordinary course: Any transaction which is not covered under ordinary course as defined above is called not in the ordinary course of business.

**3. Arm’s Length/ Not Arm’s Length:**

Arm's length transaction means a transaction between two related parties which is conducted as if they were unrelated, so that there is no conflict of interest.

Not Arms’ length transaction: Any transaction which is not at arms’ length as defined above is called not at arms’ length.

**4. Qualifying Transaction / Non- Qualifying Transaction:**

Qualifying transaction is a transaction that can be entered subject to the applicable limits\* set for that kind of transaction with the same related party and shall be periodically reported to Audit Committee and Board of Directors, if required, for their information and records.

Non- Qualifying transaction is any transaction which is not covered under the definition of qualifying transaction is a non- qualifying transaction.

**\* Applicable Limit:**

The Applicable Limit for the purpose of above definition is Rs. 25 Lakhs (Twenty Five Lakhs) per quarter for each related party.

**5. Threshold Limits:**

Threshold limits means the limits laid down by the Companies (Meetings of Board and its Powers), Second Amendment Rules, 2014.

The threshold limits are as under:

□□Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent. of the turnover of the company or rupees one hundred Crore, whichever is lower,

□□Selling or otherwise disposing of or buying property of any kind, directly or through appointment of, agent, exceeding ten per cent. of net worth of the company or rupees one hundred Crore, whichever is lower,

□□Leasing of property of any kind exceeding ten per cent. of the net worth of the company or ten per cent. of turnover of the company or rupees one hundred Crore, whichever is lower,

□□Availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty Crore, whichever is lower.

*Note: The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.*

### **Purpose and Objectives**

#### **Purpose:**

As per the provisions of Section 188 of the Companies Act, 2014, which reads as under:  
**188.** (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- (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 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; and
  - (g) underwriting the subscription of any securities or derivatives thereof, of the company:
- Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a special resolution. This framework is drafted to comply with the above section.

#### **Objectives:**

The objective of the framework is to develop a mechanism for related party transactions undertaken by the company and enabling the transaction owners to comply with the requirement of the statute.

#### **Step by Step Process to comply with the Framework:**

##### **Process 1-**

Establish the parties which would fall under the definition of Related Party based on the declaration submitted by the Directors as on a cut off date communicated to directors.

##### **Process 2-**

#### **Identification Test:**

The transaction proposed to be entered with Related Party identification test based on the below mentioned four criteria:

- **Audit Committee.**
- **Board Members.**



- Stakeholders.
- Ordinary Course.
- Not Ordinary Course.
- Arms' Length.
- Not Arms' Length.

**Framework** shall be subjected to an

- Within Threshold.
- Above Threshold.
- Limits for each RPT.
- Documentation.
- Information Mechanism.

1. Ordinary Course
2. Not Ordinary Course.
3. Arms' Length.
4. Not Arms' Length.

After identification, the transaction will be further subjected to the following procedure:

1. Any transaction which does not satisfy either of the criteria mentioned at Point No. 2 or at Point No.4 will be required to comply with the procedure laid down in Process 5 - Part B.

2. Any transaction which meets both the criteria mentioned at Point No. 1 and 3 will be required to comply with Process 3 and Process 4. However, Process 4 will be applicable if the transaction does not meet the eligibility requirements laid down at Process No. 3

Timeline: The above mentioned exercise will be completed within 7 working days on the receipt of request for approval to do business with a related party.

Process Owner to initiate: Transaction Owner

Process Owner to complete: Company Secretary / CFO

**Process 3:**

**Qualifying Test:**

In this step, the transaction is tested in terms of the applicable limits set for each related party and whether the proposed transaction falls within that limit.

For instance: If the limit upto which transaction can be entered by the company with XYZ Ltd (related party) is Rs. 25 Lacs per quarter and the proposed transactions with XYZ Ltd. does not exceed this limit, the transaction will fall under qualifying transaction.

If the transaction meets the above test, it will not be subjected to the procedure laid down in Process 4 and Process 5 and a communication will be sent to the concerned person to go ahead with the transaction. Periodic Report comprising of all qualifying transactions will be submitted to Audit Committee for information and record. Also, a consolidated report of qualifying transactions will be presented at the end of the financial year which will be certified by CEO / CFO as to accuracy and correctness of data provided.

Timeline: The above mentioned exercise will be completed with 15 working days after completion of Process 2.

Process Owner to confirm qualification: Company Secretary.

**Process 4:**

**Non- Qualifying / Threshold Test:**

In the step, since the transaction is a non- qualifying transaction as per the outcome from Process 3, it will be further subjected to a Threshold Test.

This is based on the requirements laid down under Companies (Meetings of Board and its Powers), Second Amendment, Rules. As per these rules and the definition given in the definitions para of this framework, if the transaction falls within the threshold limit defined, the procedure laid down in Process 5 - Part A is to be complied. However, if the transaction exceeds the threshold limit defined, the procedure laid down in Process 5- Part B is to be complied.

For the purpose of above, transaction means all transactions entered with a related party during the year.

Timeline: Within 15 days after completion of Process 3.

Process Owner to confirm threshold: Finance Head and Company Secretary.

**Process 5:**

**Approval Mechanism:**

**Part A- Prior Approval of Audit Committee and Board of Directors** is to be taken by giving all the facts and justification for entering into the transaction and explaining if the transaction is at arms length/ not arms' length and is entered in the ordinary course / not ordinary course of business. Documents and justification for all types of transactions will be as per the guidelines laid down in Appendix A.

After all the facts are received, the decision lies with CEO and CFO to decide on the urgency of the business and communicate as to holding the Audit Committee.

**Part B- Prior Approval of Audit Committee, Board of Directors and Members** will be required for the transactions under this category. Hence, the concerned departmental head will be communicated on the same and after all procedures are completed, transaction can be commenced. Documents and justification for all types of transactions will be as per the guidelines laid down in Appendix A.

Timeline: Within 15 days after completing Process 4.

Process Owner: CEO and CFO.

***In case of business emergency, the CS / CFO may seek approval from the Audit Committee members by email. The same matter shall be placed at the ensuing Audit Committee Meeting for ratification of the members.***

**Omnibus Approval of Related Party Transactions**

The Audit Committee may grant omnibus approval, pertaining to the transactions in the ordinary course of business, transactions for support services/ sharing of services with Associate Companies, Sub Lease of Office Premises or Office Sharing arrangement with Associate Companies or any other transactions or arrangements as it may deem appropriate, being proposed to be entered into on Arms Length basis, subject to the following conditions :

1. The Audit Committee shall grant omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
3. 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 condition or criteria's, as the Audit Committee may deem fit;

However, 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 party/transaction.

4. Audit Committee shall review, on quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

In case the Audit Committee determines that the Related Party Transaction requires the approval of the Board of Directors or Shareholders as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction before the Board of directors for its approval along with all the relevant information/ documents pertaining to the same.

The Board shall review the same and shall have the authority to call for such additional information as it may deem appropriate and may approve with or without modification(s) or reject the proposed related party transaction as per the terms of this policy and other applicable regulatory provisions.

In case, the Board determines the Related Party Transaction requires the approval of the shareholder as per the terms of this policy and applicable regulatory provisions then it shall refer the said Related Party Transaction to the shareholders for its approval along with all the relevant information/ documents pertaining to the same, as per the appropriate regulatory provision.

#### **Disclosures**

Every Director of a 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 –

a. With a body corporate in which such director or such director in association with any other director, holds more than two per cent. Shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

b. With a firm or other entity in which, such director is a partner, owner or member, as the case may be, 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 such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes so 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 the Board held after he becomes so concerned or interested.

The related party transaction entered into with the related party/ies shall be disclosed in the Director Report as per the disclosure requirement of the Companies Act, 2013 and clause 49 of Listing Agreement.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting on the approval of the related Party Transaction, but



may, if so requested by the Chairperson of the Committee, participate in some or all of the Committee's discussion of the related Party Transaction.

The particulars of all the Related Party Transaction entered into with approval of the Audit Committee / Board of Directors / Shareholders shall be entered into the Register of Contract or Arrangement in which Directors are interested, maintained by the Company as per the provision of the Companies Act, 2013.

All the entities falling under the definition of related parties shall abstain from voting (at the Board Meeting or at Annual General Meeting or by passing of resolution through Postal Ballot), irrespective of whether the entity is a party to the particular transaction/ contract/ arrangement or not.

#### **Ratification**

Any Related Party Transaction entered into without obtaining the prior approval of the Audit/ Board/ Shareholders (respective authority/ies) may be ratified, subject to the applicable provision of the Companies Act, 2013 and the Listing Agreement, if post review of the said transaction/ contract, the appropriate authority may also ratify such transaction or contracts, with or without the modification(s).

If the appropriate authority decides, not to approve a particular transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/ or indemnify the Company with regard to the subject Related Party Transaction which is not approved by the appropriate authority.

However the Related Party Transaction which are entered into without the approval of the appropriate authority and subsequently not ratified by the appropriate authority, the applicable provision of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) regulations 2015 ("LODR") and any amendments thereafter, shall apply.

**The APPENDIX "A" giving details of various types of related party transactions is attached herewith.**

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