

## POLICY ON RELATED PARTY TRANSACTIONS

### 1. Preamble

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (Board) of the Company has adopted a policy and a standard operating procedure to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act, the Rules and the Listing Agreement.

This Policy will be effective from 1<sup>st</sup> October, 2014.

### 2. Objective

This policy is framed as per requirement of revised Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges which provides that every listed company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

In its endeavour to ensure due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties, this policy has been adopted by the Company's Board of Directors. The provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Policy and procedures have been designed to achieve due and timely compliance with the statutory requirements governing related party transactions by ensuring that:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all transactions in the Annual Financial Statements.

### 3. Definitions

- (i) "**Audit Committee or Committee**" means Committee of the Board of Directors of the Company constituted under provisions of Listing Agreement with the Stock Exchanges and Companies Act, 2013.

- (ii) **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.
- (iii) **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- (iv) **"Key Managerial Personnel"** means Key Managerial Personnel as defined under the Companies Act, 2013 and includes –
  - (i) Managing Director, or Chief Executive Officer or Manager
  - (ii) Company Secretary
  - (iii) Whole-time Director
  - (iv) Chief Financial Officer
- (v) **"Policy"** means Related Party Transaction Policy.
- (vi) **"Arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (vii) **"Ordinary course of business"** would have the meaning as defined by the Institute of Chartered Accountants of India, Companies Act, 2013, and as per the guidelines and judicial and other pronouncements, as applicable from time to time. In general, the term "Ordinary course of business" shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to "income from other sources".
- (viii) **"Related Party"** means related party as defined in Clause 49 of the Listing Agreement and the Companies Act, 2013 which is as follows:
 

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making the financial and/or operating decisions and includes the following:

  1. A person or a close member of that person's family is related to a company if that person is a related party under Section 2(76) of the Companies Act, 2013 as per Annexure 1(a).
  2. An entity is related to a company if any of the conditions applies as per Annexure 1(b).
  3. The term 'Associate Company' and 'Significant influence' shall be as defined under the Companies Act, 2013.
- (ix) **"Related Party Transaction"** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged or not.
- (x) **"Relative"** means, relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
  - i. They are members of a Hindu Undivided Family;
  - ii. They are husband and wife; or
  - iii. One person is related to the other in such manner as may be prescribed, which is as follows:
    - (a) Father (including step-father)
    - (b) Mother (including step-mother)
    - (c) Son (including step-son)
    - (d) Son's wife
    - (e) Daughter
    - (f) Daughter's husband
    - (g) Brother (including step-brother)
    - (h) Sister (including step-sister)

- (xi) **"Material Related Party Transaction"** means, 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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

#### 4. Policy

##### 4.1 Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

##### 4.2 Review and Approval of Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, 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 will lay down the criteria for granting the omnibus approval and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee will satisfy itself the need for such omnibus approval and ensure that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify :
  - i. the name of the related party and nature of relationship;
  - ii. the nature and particulars of the contract or arrangement;
  - iii. the material terms of the contract or arrangement;
  - iv. any advance paid or received for the contract or arrangement, if any;
  - v. period of transaction,
  - vi. maximum amount of transaction that can be entered into,
  - vii. the indicative base price / current contracted price and the formula for variation in the price, if any
  - viii. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
  - ix. any other information relevant or important for the Committee to take a decision on the proposed transaction.

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.

- d. Audit Committee will review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- e. such omnibus approvals will be valid for a period not exceeding one year and will require fresh approvals after the expiry of one year"

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party and any other relevant matters.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction :

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether the Related Party Transaction would affect the independence of the Director/KMP;
- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- iv. Whether the Related Party Transaction is in the nature of conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Directors, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approved the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

These provisions shall not be applicable to transactions entered into between the company and its wholly owned subsidiary.

#### **4.3 Board of Directors approval**

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length

shall require the prior approval of the Board of Directors at a Meeting of the Board.

#### **4.4 Approval of the Shareholders**

All the Transactions with the related parties which are not in the Ordinary Course of Business and at 'Arms' Length Basis shall also require the approval of the shareholders through Special Resolution and the concerned Related Parties shall abstain from voting on such resolution.

#### **4.5 Decision regarding transaction in ordinary course of business and on arm's length basis**

The Audit Committee or the Board shall, as the case may be, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

### **5. Disclosures**

5.1. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement

5.2. The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction should contain the following details:

- Name of the Related Party;

- Name of the Director or Key Managerial Personnel, who is related, if any;
  - Nature of relationship;
  - Nature, material terms, monetary value and particulars of contract or arrangement;
  - Other relevant or important information which helps Shareholders take a decision
- 5.3. Details of all material transactions with the Related Parties should be disclosed to the Stock Exchanges on quarterly basis along with the Corporate Governance Compliance Report.
- 5.4. The Policy on dealing with Related Party Transactions shall be uploaded on the Company's website
- 5.5. The Company shall publish the Policy in its Annual Report.
- 5.6. This Policy will be communicated to all operational employees and other concerned persons of the Company.

**6. Amendment**

The Company, subject to the provisions of the Companies Act, 2013, Listing Agreement, Accounting Standards and other laws as applicable in this regard from time to time, reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the Directors and employees unless the same is not communicated in the manner described as above.

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(Ref. Clause 3(viii) )

### Related Party

A person or a close member of that person's family is related to a company if that person is –

(a) related party under Section 2(76) of the Companies Act, 2013 :

- 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 or holds along with his relatives, more than two per cent 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, directors or instructions of a director or manager;
- vii. any person on whose advice, directors or instructions a director or manager is accustomed to act; Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directors or instructions given in a professional capacity;
- viii. 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;
- ix. Director or Key Managerial Personnel of the holding company or has relative with reference to a company; or
- (b) has control or joint control or significant influence over the company; or
- (c) is a key management personnel of the company or of a parent of the company; or

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An entity is related to a company if any of the following conditions applies :

- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other); or
- c) One entity is an associate or joint venture of the other entity (or an associate or joint venture or a member of a group of which the other entity is a member); or
- d) Both entities are joint ventures of the same third party; or
- e) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity; or
- f) The entity is for a post-employment benefit Plan, for the benefit of employees of the company or an entity related to the company. If the company is itself for such a Plan, the sponsoring Employers are also related to the company; or
- g) The entity is controlled or jointly controlled by a person identified in (1).