

POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors of the Company has adopted the following Policy and Procedure with regard to the Related Party Transactions (defined below). The Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the applicable laws. The Audit Committee will review the same from time to time and propose the amendment(s) required in the Policy to the Board of Directors. The Board shall also review the said policy at least once in three years.

2. Purpose

This Policy has been framed as per Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 w.e.f. 1st December, 2015 (the 'Listing Regulations') (*erstwhile* clause 49 of the listing agreement), which requires that all listed companies to formulate a Policy on dealing with Related Party Transactions. This Policy also takes into account the compliance requirements of the Companies Act, 2013 (the Act) and rules made thereunder with respect to Related Party Transactions. Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

3. Definitions

“Audit Committee” or “Committee” means the Committee of the Board of Directors of the Company constituted in terms of Section 177 of the Act and Regulation 18 of the Listing Regulations;

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

“Related Party Transactions” means any transaction of the Company with a Related Party involving transfer of resources, services or obligations, regardless of whether a price is charged and a “Transaction” with a Related Party shall be construed to include a single transaction or a group of transactions in a contract;

“Material Related Party Transactions” under

A. Listing Regulations, means:-

- a. any transaction to be entered into with a Related Party (other than a Wholly Owned Subsidiary), value whereof individually or taken together with previous Related Party Transaction 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 or such other threshold as may be laid down from time to time by applicable laws;
- b. a transaction involving payments made to a Related Party with respect to brand usage or royalty if the transactions(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, if any.

B. Companies Act, 2013, means transactions by the Company with Related Parties defined under Section 2(76) of the Act of following nature, that are either not in the ordinary course of business or not on an arm's length basis:

- a. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company as mentioned in Section 188 (1) (a) & (e) of the Act;
- b. Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of the net worth of the Company as mentioned in Section 188 (1) (b) & (e) of the Act;
- c. Leasing of property of any kind amounting to 10% or more of the turnover of the Company as mentioned in Section 188 (1) (c) of the Act;
- d. Availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company as mentioned in Section 188 (1) (d) & (e) of the Act;
- e. Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000/- as mentioned in Section 188 (1) (f) of the Act;
- f. Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth as mentioned in Section 188 (1) (g) of the Act.

“Related Party” means and includes any person or entity:

- a. Who / which is a related party under Section 2(76) of the Companies Act, 2013 or
- b. Who / which is a related party under the applicable accounting standards or
- c. Belonging to the Promoter or Promoter group of the Company and holding 20% or more of shareholding in the Company

“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;
- iii) Father (including step-father);
- iv) Mother (including step-mother);
- v) Son (including step-son);
- vi) Son's wife;
- vii) Daughter;
- viii) Daughter's husband;
- ix) Brother (including step-brother);
- x) Sister (including step-sister)

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies act, 2013 and includes

- i) Managing Director or Chief Financial Officer or Manager;
- ii) Company Secretary;
- iii) Chief Financial Officer;
- iv) Whole-time Director

“Words and expressions used but not defined in this Policy shall have the same meaning as respectively assigned to them, in the applicable law under reference, that is to say, the Companies Act, 2013 and Rules framed thereunder or the Listing Regulations, as amended, from time to time. Likewise, reference in this Policy to Accounting Standards shall be deemed to refer to the contemporaneous Accounting Standards as applicable to the Company at the relevant time.”

4. Policy and Procedure

Policy

1. All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.
2. Related Party Transactions shall require prior approval of Audit Committee as per the provisions of the Companies Act, 2013 and Rules made thereunder and the Listing Regulations. Further, the Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in accordance with the conditions specified in Companies Act, 2013 and Rules made thereunder and the Listing Regulations.
3. All the contracts / arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15(3) of the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are not in the ordinary course of business of the company or on an arm’s length basis shall, in addition to the prior approval of the Audit Committee, also require prior approval of the Board of Directors of the Company.
4. All the Material Related Party Transactions under the Listing Regulations (whether or not in the ordinary course of business of the Company or on arm’s length basis) and all the Material Related party Transactions under the Companies Act, 2013 (not in the ordinary course of business and/or not on an arm’s length basis), shall require approval of the shareholders’ through ordinary resolution and all the entities falling under the definition of Related Parties, irrespective of whether the Related Party(ies) is a Party to the particular transaction or not, shall not vote to approve the relevant transaction. However, the approval of the shareholders for transactions shall not apply if the same is entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.

Procedure

A. Disclosure by Directors and KMPs

Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his / her concern or interest in other entities with specific concern to parties which may be considered as Related Party to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this Policy.

B. Identification of Transaction with Related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Approval and review of Related Party Transaction

i) Audit Committee

All Related Party Transactions or changes / amendments therein shall be subject to the prior approval of the Audit Committee, as required under the provisions of the Act and the Listing Regulations, whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will recuse himself or herself and will not remain present at the meeting or not vote to approve the relevant Related party Transaction and shall not be counted in determining the presence of a quorum when such transaction is considered.

The Company Secretary shall place the details of all Related Party Transactions, as required under the provisions of the Act and the Listing Regulations, in the subsequent meeting of the Audit Committee. The Audit Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:-

- Name of the party and details explaining nature of relationship;
- Nature of transaction and material terms thereof including the value, if any;
- The manner of determining the pricing to ascertain whether the same is on arm's length;
- Business rationale for entering into such transaction

If the Audit Committee determines that a related party transaction is (i) a Material Related Party Transactions or (ii) Transactions are not in the ordinary course of business or not at the arm's length price, the same shall be recommended to the Board for obtaining its approval.

In case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the omnibus approval the Audit Committee shall satisfy itself of the need for the omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only) and maximum value of all transactions in aggregate Rs.25,00,00,000/- (Rupees Twenty Five Crore only) in a year or such higher sum as may be specified from time to time under the Act and its rules and the Listing Regulations. The details of such transaction shall be reported to the Audit Committee for review on quarterly basis. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Exclusion for Omnibus approval

Omnibus approval cannot be made for transactions in respect of selling or disposing of the undertaking of the Company.

ii) Board of Directors

Where approval of the Board of Directors is required for any Related Party Transaction 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 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.

Transactions covered under Section 188 of the Act that are proposed to be undertaken not in ordinary course of business or not on an arm's length basis, shall require prior approval of the Board. Where prior approval is not obtained, the same shall be ratified within 3 months from the date on which such contract or arrangement was entered into.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself and shall abstain from participation in the discussion and shall not be present during discussion.

iii) Shareholder approval

- a. Material Related Party Transactions under the Act shall require prior approval of shareholders through ordinary resolution and the Related Party who is interested in the particular transaction, shall abstain from voting to approve the relevant transaction.
- b. Where obtaining of prior approval is not possible, the transactions shall be subject to ratification within three months from the date on which such contract or arrangement was entered into.

- c. All Material Related party Transactions under the Listing Regulations shall require approval of the shareholders through resolution and all related parties, irrespective of whether they are party to the transaction or not, shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

iv) Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee, Board or the shareholders, as the case may be:

- a) Any transaction involving the providing of compensation to a director or key managerial personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- c) Any transactions or arrangements which are specifically dealt with by the Company under the provisions of specific laws and executed under separate approvals / procedures in terms of such laws. Examples:- contribution to Provident Fund, Superannuation Funds and Gratuity Fund, CSR Contribution etc.

v) Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the respective approving authority of such transaction. The respective authorities shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

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

5. Disclosures

The Company is required to disclose the Related Party Transaction as per the Act and the Listing Regulations (as amended from time to time).