



POLICY ON RELATED PARTY TRANSACTIONS

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Provisions with regard to Related Party Transactions are covered under Section 188 of the Companies Act 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 (as amended vide MCA Notification dated 14.8.2014).

Securities and Exchange Board of India (SEBI) vide its circular dated 17.4.2014, as amended vide circular dated 15.9.2014 has made a major overhaul in Clause 49 of the Listing Agreement on Corporate Governance norms for all Companies.

Clause 49(VII) lays down the provisions with regard to Related Party Transactions. Clause 49(VIII)(A)(2) as amended on 15.9.2014 requires that the Company should disclose the policy on dealing with Related Party Transactions on its website and a web link thereto should be provided in the Annual Report.

In order to comply with the mandatory requirements under the Companies Act 2013/Companies Rules 2014/SEBI Regulations on Corporate Governance, the Board of Directors, at its meeting held on 14.11.2014, has approved a 'Related Party' transactions policy for the Company, which is in consonance with the provisions of the said Act/Rules and Regulations. The salient provisions of this policy are reproduced below:

A. DEFINITIONS:

(i) Related Party:

'Related Party' with reference to the Company, means:

- A director or his relative;
- A key managerial personnel or his relative;
- A firm, in which a director, manager or his relative is a partner;
- A private company in which a director or manager is a member or director;
- A public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid-up share capital;
- 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;
- Any person on whose advice, directions or instructions a director or manager is accustomed to act:

(ii) ‘Transaction’ with a Related Party:

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

(iii) Arm’s Length Transaction:

‘Arm’s Length’ transaction with reference to the Company, means:

A transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

(iv) Relative:

‘Relative’ with reference to any person, means anyone who is related to another, if:

- (a) they are members of a Hindu Undivided Family;
- (b) they are husband and wife; or
- (c) Father : Provided that the term ‘Father’ includes step-father.
- (d) Mother : Provided that the term ‘Mother’ includes the step-mother.
- (e) Son: Provided that the term ‘Son’ includes step-son.
- (f) Son’s wife:
- (g) Daughter:
- (h) Daughter’s husband:
- (i) Brother : Provided that the term ‘Brother’ includes the step-brother.
- (g) Sister : Provided that the term ‘Sister’ includes the step-sister.

(v) ‘Material’ Related Party Transaction:

A transaction with a related party shall be considered ‘material’ if the transaction/(s) 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.

(vi) Office or Place of Profit:

‘Office or Place of Profit’ means:

- (a) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as a director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- (b) where such office or place is held by an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

B. CONTRACT OR ARRANGEMENT WITH A RELATED PARTY:

- (1) Except with the prior approval of the Audit Committee/Board of Directors given by a resolution at a meeting of the Audit Committee/Board, and also prior approval of the Company by a special resolution at a general meeting, with respect to transactions exceeding the threshold limits specified in the Procedure for related party transactions mentioned under ‘C’ below, the 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; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company.

Provided that no member of the Company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party:

Provided also that the provisions for prior approval of the Company by a Special Resolution, shall not apply to any transactions entered into by the Company in its ordinary course of business, excepting the transactions which are not on an arm’s length basis.

Every contract or arrangement with a related party shall be referred to in the Board’s report to the shareholders along with the justification for entering into such contract or arrangement.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

It shall further be open to 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 the above policy, for recovery of any loss sustained by it as a result of such contract or arrangement.

C. PROCEDURE WITH RESPECT TO CONTRACT OR ARRANGEMENT WITH A RELATED PARTY:

The Company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

(1) The agenda of the Audit Committee/Board meeting at which the resolution is proposed to be moved shall disclose-

(a) the name of the related party and nature of relationship;

(b) the nature, duration/period of the contract, particulars of the contract or arrangement, maximum amount of transaction that can be entered into;

(c) the material terms of the contract or arrangement including the indicative base price/current contracted price and the formula for variation in the price, if any;

(d) any advance paid or received for the contract or arrangement, if any;

(e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

(f) 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

(g) any other information relevant or important for the Audit Committee/Board to take a decision on the proposed transaction.

Provided that where the need for Related Party Transaction (RPT) cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupee one crore per transaction.

Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

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

(2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-

(3) Further, except with the prior approval of the Company by a special resolution, the Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,—

(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the Companies Act 2013 (the “Act”), with criteria as mentioned below

(i) 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, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of the Act;

(ii) 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, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of the Act;

(iii) 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, as mentioned in clause (c) of sub-section (1) of section 188 of the Act;

(iv) 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, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of the Act:

Explanation.—(a) It is hereby clarified that the limits specified in vide (i) to (iv) above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) For appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188 of the Act; or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188 of the Act.

Explanation.- (1) The Turnover or Net Worth referred to above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

(2) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Act shall contain the following particulars, namely:—

- (a) name of the related party ;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.”

D. REGISTER OF CONTRACTS OR ARRANGMENTS IN WHICH DIRECTORS ARE INTERESTED:

The Company shall maintain a register in Form MBP-4 and shall enter therein the particulars of—

(a) Company or companies or bodies corporate, firms or other association of individuals, in which any director has any concern or interest, as mentioned under sub-section (1) of section 184 of the Companies Act 2013 (the “Act”):

Provided that the particulars of the company or companies or bodies corporate in which a director himself together with any other director holds two percent or less of the paid-up share capital would not be required to be entered in the register;

(b) contracts or arrangements with a body corporate or firm or other entity as mentioned under sub-section (2) of section 184 of the Act, in which any director is, directly or indirectly, concerned or interested; and

(c) contracts or arrangements with a related party with respect to transactions to which section 188 of the Act applies.

(2) The entries in the register shall be made at once, whenever there is a cause to make entry, in chronological order and shall be authenticated by the company secretary of the company or by any other person authorised by the Board for the purpose.

(3) The register shall be kept at the registered office of the company and the register shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorised by the Board for the purpose.

(4) The company shall provide extracts from such register to a member of the company on his request, within seven days from the date on which such request is

made upon the payment of such fee as may be specified in the articles of the company but not exceeding ten rupees per page.

Disclosure of RPTs:

a. Half-yearly disclosure of RPTs on a consolidated basis, in the disclosure format required for RPT in the annual accounts as per the accounting standards, on the website of the listed entity within 30 days of publication of the half yearly financial results. Copy of the same also to be submitted to the stock exchanges (effective from half year ending 31st March 2019).

b. Disclosures of transactions with promoters/promoter group entities holding 10 percent or more shareholding would need to be made annually (even if not classified as related parties in the annual report). (Effective for annual reports filed for the year ended 31st March 2019).