



## **Related Party Transaction Policy**

### **Preface**

The new Companies Act, 2013 read with the Companies {Meeting of Board and its Powers} Rules, 2014 and revised Corporate Governance Regulations as per Clause 49 of the Equity Listing Agreement has stipulated certain regulations with respect to related party transactions. This document is to lay down the policies that would govern related party transactions, if any, that may be entered into by the Company.

### **Commencement**

This policy would govern the related party transactions with effect from financial year 2014-2015.

### **Legal Provisions**

#### **Definition of Related Party**

**Section 2(76)** of the Companies Act defines related party as follows :

With reference to a company, a related party means

- (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, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:  
Provided that nothing in sub-clauses (v) and (vii) shall apply to the advice, directions 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) such other person as may be prescribed;

### **Related Party Transaction**

**Section 188** of the Companies Act, 2013 states that **only with the consent of the Board of Directors** given by a resolution at a meeting of the Board, a company shall enter into a related party transaction.

The transactions governed are

- (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:

**Prior approval of shareholders** by a special resolution is a must for entering into related party transactions in the following cases

- The transaction in clause (a) and (e) above is exceeding 10% of the annual turnover as per Audited Financial statement of the previous year or Rs. 100 Crores whichever is lower as mentioned Clause (a) and Clause (e) respectively of sub-section (1) of section 188;
- The transaction in clause (b) and (e) above is exceeding 10% of the networth as per Audited Financial statement of the previous year or Rs. 100 Crores whichever is lower as mentioned Clause (b) and Clause (e) respectively of sub-section (1) of section 188;
- The transaction in clause (c) above is exceeding 10% of the networth or 10% of the turnover as per Audited Financial statement of the previous year or 100 Crores which ever is less as mentioned Clause (c) of sub-section (1) of section 188.



- The transaction in clause (d) and (e) above exceeding 10% of the networth or 10% of turnover of the Company or Rs. 100 Crores whichever is lower as mentioned in clause (c) of sub-section (1) of section 188 as per Audited Financial statement of the previous year
- The transaction in clause (f) above in the matter of appointment to any office or place of profit in the company, its subsidiary or associate company at a monthly remuneration exceeding Rs.2.50 lac
- The transaction in clause (g) above in the matter of underwriting exceeding 1% of the networth

The Explanatory statement to the special resolution shall contain complete details of the transactions viz.

Name of the related party

Name of director or Key Management Personnel who is related

Nature of relationship

Nature, material terms, monetary value and particulars of the contract

Any other information relevant for the members to take a decision in the matter

A member who is a **related party** with respect to the proposed transaction shall not vote on such special resolution.

**The aforesaid provisions shall not apply to any transactions entered into by the company in the ordinary course of its business unless the transactions are not on arm's length basis.**

Note :

Though generally all related party transaction require prior approval of the Board before the transactions are entered into by the company,

Transactions in monetary terms is beyond the limits stipulated above require special resolution and

### **Audit Committee**

As per Section 177 of the Companies Act, 2013 it shall be the responsibility of the audit committee to approve any transactions with related party and the company and also



any modification thereof. The Audit Committee of the Company may formulate a suitable procedure to be followed to deal with Related Party transactions

### **Report of the Board**

As per Section 134 of the Companies Act, 2013 the Annual Report of the board of directors shall contain particulars of related party transactions

### **Listing Agreement**

For the purpose of Clause 49 of the Listing Agreement an entity shall be considered as related to the Company if :

- a) Governed by related party definition u/s.2(76) of the Companies Act, 2013
- b) such entity is a related party under the applicable accounting standards.

### **Materiality of Related Party Transactions**

Clause 49 of Listing Agreement governs only material related party transactions, a transaction is considered material if 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.

### **Interested Directors or related parties not to be present at the meeting**

A director interested in the proposed transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to the proposed transaction.

The related parties shall abstain from voting as shareholders in the matter of the resolution approving the related party transactions .

### **Amendment in Law**

Any subsequent amendment/modification in the Listing Agreement and /or applicable laws in this regard shall automatically apply to this policy.

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## **Related Party Transaction Policy**

### **Procedure to be followed**

The information with respect to restriction on the related party transactions shall be informed to relevant departments and personnel of the company like marketing, procurement, accounts, secretarial, HRD.

Every transaction involving Promoters, Promoter group entities, Directors, Key Management Personnel shall be brought to the attention of the CFO / Company Secretary to ascertain the compliance aspects and thereafter only such transactions shall be entered into so that the required compliances are effectively completed by CFO / Company Secretary. The CFO / Company Secretary shall initiate steps for obtaining approval of the Audit Committee, the Board of Directors and shareholders as applicable.

The details of every proposed related party transaction shall be disclosed to the CFO / Company Secretary so that his / her advise could be meaningful and in accordance with the provisions of the Act and Listing Agreement.

The details of the proposed related party transaction shall include

- ✓ Name of the related party
- ✓ Nature of the relationship of the related party with the company
- ✓ Brief description of the proposed contract
- ✓ Total value of the proposed contract
- ✓ The value of similar transactions during the financial year already entered into with the proper approvals
- ✓ During of the contract
- ✓ Terms of contract including advance to be paid, delivery schedule, pricing, other terms and conditions
- ✓ Comparative quotes, if available, for the said transactions to determine whether the transaction is within arm's length or otherwise

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