



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 (vi) 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, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement
- 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.

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 :

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) 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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