

## **Policy on Related Party Transactions and Material Subsidiary**

Related Party Transactions can present conflict of interest which may be against the interests of the company and its stakeholders. Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 i.e. SEBI (LODR), requires a company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

### **Objective of the policy:**

The objective of this policy is to set out the manner of dealing with the transactions between the company and its related parties based on the Companies Act, 2013, the SEBI (LODR) and any other laws and regulations as may be applicable to the company.

### **Definitions:**

1. **“Arm’s Length Transaction”:** Means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
2. **“Ordinary Course of Business”:** Means a transaction which is:
  - Carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time; or
  - Historical practice with a pattern of frequency; or
  - Common commercial practice; or
  - Meets any other parameters/ criteria as decided by the Board/ Audit Committee.
3. **“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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.
4. **“Related Party”:** Shall have the same meaning as in section 2(77) of the Act.
5. **“Related Party Transactions”:** Means all transactions as defined in the Companies Act, 2013, and in the SEBI (LODR).
6. **“Key Managerial Personnel”:** Means
  - (i) the Chief Executive Officer or the Managing Director, or the Manager.
  - (ii) the Company Secretary.
  - (iii) the Whole-time Director.
  - (iv) the Chief Financial Officer; and

(v) such other officer as may be prescribed.

7. **“Board of Directors”**: Means the collective body of the Directors of the company.
8. **“Audit Committee”**: Means the Audit Committee constituted by the Board of Directors of the company in accordance with section 177 of the Companies Act, 2013, and in the SEBI (LODR).
9. **“Transaction”**: Shall be construed to include single transaction or a group of transactions in a contract.

**Note:** Reference and reliance may be placed on the clarification issued by the Ministry of Corporate Affairs, SEBI, and any other authorities from time to time on the interpretation of the term “Related Party”.

**Procedure for approval of related party transactions:**

**a) Approval by the Audit Committee:**

All Related Party Transactions shall require prior approval of the Audit Committee. 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. Repetitiveness of the transaction (in past or in future).
- b. Justification for the need of omnibus approval.
- c. Audit committee shall satisfy itself on the need for omnibus approval for transactions of repetitive in nature and that such approval is in the interest of the company.
- d. The omnibus approval shall contain or indicate the following:
  - name of the related party transaction.
  - nature and duration of the transaction.
  - maximum amount of transaction that can be entered into.
  - the indicative base price / current contracted price and the formula for variation in the price if any.
  - such other conditions as the Audit Committee may deem fit

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.

- e. 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.
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing off the undertaking of the company.

**b) Approval of the Board of Directors:**

Any related party transaction which does not satisfy the criteria of “ordinary course of business” and “at arm’s length basis”, shall require approval of the Board of Directors of the company.

**c) Approval of Shareholders:**

All the Related Party Transactions which exceed sums as prescribed under rule 15 of the Companies (Meetings of the Board and its Powers) Rules and meeting the share capital criteria need to be approved by the shareholders of the company.

**d) Disclosure of Related Party transactions:**

Disclosure requirements of the Related Party Transactions shall be governed by the Companies Act read with Rules, and any Circular, Notification, Clarification issued by the Ministry of Corporate Affairs issued from time to time, and the SEBI (LODR) executed with stock exchanges as amended from time to time.

**e) Other**

Company shall not give any loan/advance/guarantee directly or indirectly to any director, director of holding company, or any partner or relative of any such director and anybody corporate in which he or his relatives are interested subject to conditions laid down by Companies Act 2013, and rules framed there under. Company shall not directly or indirectly give loan or give any guarantee or security in connection with loan to any person or body corporate exceeding prescribed limits. However, such restrictions would not apply to transactions with wholly owned subsidiaries.

Contracts or arrangements approved not in the ordinary course of business or at arm’s length shall be disclosed in the Board’s report along with justification for entering such contract or arrangement. Company shall maintain a register of such contracts and disclose transactions with related parties in its annual report and material related party transactions in corporate governance report.

**Related Party Transactions Not Approved Under the Policy:**

In the event the company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to its consummation. In such a case the matter shall be reviewed by the Audit Committee. After considering all the relevant facts and circumstances regarding such transaction the Audit Committee shall evaluate all options available to it including ratification, revision, or termination of such transaction.