

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

The Companies Act, 2013 which was enacted on August 30, 2013 provides for a major overhaul in the Corporate Governance norms for all companies. The rules pertaining to Corporate Governance were notified on March 27, 2014. The requirements under the Companies Act, 2013 and the rules notified there under would be applicable for every company or a class of companies (both listed and unlisted) as may be provided therein. The Securities and Exchange Board of India (SEBI) had decided to review the provisions of the Equity Listing Agreement with the objective to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective. Accordingly, SEBI vide its Circular no.: CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 amended Clause 49 of the Equity Listing Agreement w.e.f. October 1, 2014.

This policy is made pursuant to revised clause 49 (VII) of the Equity Listing Agreement with the Stock Exchanges. On the recommendation of the Audit Committee, this policy has been approved by the Board at its meeting held on August 9, 2014 and is effective from October 1, 2014.

Subsequent to SEBI Circular No.CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014, the Board amended Clause No.C of this Policy [Refer Point No.14, Clause 49 (VII)(C)] and the Policy was approved on December 13, 2014.

- A. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- B. A 'related party' is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
 - 1. A person or a close member of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013;or
 - b. has control or joint control or significant influence over the company;
or
 - c. is a key management personnel of the company or of a parent of the company; or

2. An entity is related to a company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
 - c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - d. Both entities are joint ventures of the same third party; or
 - e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g. The entity is controlled or jointly controlled by a person identified in (1); or
 - h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

Explanation: For the purpose of B, the term “control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

- C. Provided that a transaction with a related party shall be considered material if the transaction / transactions 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.
- D. All Related Party Transactions shall require prior approval of the Audit Committee
- E. All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.
- F. All material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- G. The Company shall disclose this policy on its website and in the Annual Report.