

Policy on Related Party Transactions

I. Scope and purpose of the policy

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2013 (the Listing Regulations), to the extent applicable to the Company, the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

In light of the above, the Company has framed this Policy on Related Party Transactions (“**Policy**”). This Policy has been adopted by the Board of Directors of the Company based on recommendations.

As on date, the provisions of Corporate Governance as defined by the Listing Regulations are not applicable to the Company and hence Audit Committee has not been constituted. In such a scenario, the onus of formulating a policy on the materiality of a related party transaction and dealing with such a transaction shall rest solely with the Independent Directors as defined by Section 149 of the Companies Act, 1956.

II. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act and the Listing Regulations, to the extent applicable, as well as any other laws and regulations as may be applicable to the Company.

III. DEFINITIONS

“**Arm’s length transaction**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Related Party**”, with reference to the Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013.

“**Related Party Transaction**” (RPT) means –

for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;

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

IV. MATERIALITY THRESHOLDS

Notwithstanding the fact that the provisions of Corporate Governance, as laid down in Clause 49 of the Listing Agreement, are not applicable to the Company, the Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last the audited financial statements for transactions beyond which the shareholders' approval will be required by way of a special resolution.

V. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

(1) Identification of related parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder.

(2) Identification of related party transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

(3) Procedure for approval of related party transactions

All related party transactions require the prior approval of the Independent Directors on the Board. As and when the provisions of Corporate Governance become applicable to the Company, an Audit Committee shall be duly constituted which will give its recommendations in respect of related part transactions.

(4) Omnibus approval

The Company may obtain omnibus approval from the Independent Directors on the Board, subject to availability of the following information:

- (a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
- (b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
- (c) such other conditions as the Independent Directors may deem fit.

- (d) However, in case of related party transactions which cannot be foreseen and where the above details are not available, the Independent Directors may grant omnibus approval provided the value does not exceed Rs.5.00 lacs per transaction;
- (e) The Independent Directors shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given;
- (f) Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.
- (g) While assessing a proposal put up before them for approval, the Independent Directors may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - (i) Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 - (ii) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - (iii) Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
 - (iv) Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - (v) Benchmarking information that may have a bearing on the arm's length basis analysis, such as market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - (vi) Third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - (vii) Management assessment of pricing terms and business justification for the proposed transaction;
 - (viii) Comparative analysis, if any, of other such transaction entered into by the company.

(5) Approval of the Board of Directors of the Company

- (a) As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.
- (b) In addition to the above, transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval.
- (c) Transactions meeting the materiality thresholds laid down Clause IV of the Policy, which are intended to be placed before the shareholders for approval.

(6) Approval of the Shareholders of the Company

- (a) All the transactions with related parties meeting the materiality thresholds, laid down in Clause IV of the Policy, are placed before the shareholders for approval.
- (b) For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- (c) In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

VI. DISCLOSURES

- (a) The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- (b) In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the Stock Exchange(s).

VII. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- (a) 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, the matter shall be reviewed by the Independent Directors who shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction.
- (b) The Independent Directors shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to them under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- (c) In any case, where the Independent Directors determine not to ratify a related party transaction that has been commenced without approval, they shall direct additional actions to be performed including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Independent Directors have the authority to modify or waive any procedural requirements of this Policy.