



## Policy on Materiality of Related Party Transactions

### **PREFACE**

We have always been committed to good corporate governance practices, including in matters relating to Related Party Transactions. An endeavour is consistently made to have only arms' length transactions with Related Parties. All Related Party Transactions (RPT), as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below.

### **DEFINITIONS**

1. **Related Party:** An entity shall be considered as related to the Company if:

- i. such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or
- ii. such entity is a related party under the applicable accounting standard(s).

An entity shall be considered as related party, if such entity is a related party as per Regulation 2 (zb) of SEBI(LODR), 2015.

### **2. Materiality of Related Party Transactions:**

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 the following:

<b>Consolidated Turnover of Listed Entity</b>	<b>Threshold</b>
(I) Up to ₹ 20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to up to ₹ 40,000 Crore	₹ 2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹ 20,000 Crore
(III) More than ₹ 40,000 Crore	₹ 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹ 5000 Crores, whichever is lower

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover, as per the last audited financial statements of the company.



All material related party transactions and subsequent material modifications shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party.

Provided further that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid.

Provided further that in case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

**3. Related Party Transaction:** Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements with a Related Party with respect to: -

- 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.

Further, as per SEBI (LODR) Regulations, 2015, "related party transaction" means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall **not be** a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:



- i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy back of securities.
- (c) acceptance of fixed deposits by Banks/Non-banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.

*Explanation:* For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

- (e) retail purchases from any listed entity or its subsidiary by the [directors or key managerial personnel of the listed entity or its subsidiary, and relatives of such directors or key managerial personnel] without establishing a business relationship and at the terms which are uniformly applicable/offered to all [employees, directors, key managerial personnel and relatives of directors or key managerial personnel].

## **PROCEDURES**

1. All Related Party Transactions (RPTs) of the company as prescribed under the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 will be approved by the Board from time to time.
2. Each Director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction.
3. Management shall present to the Board the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:
  - a. A general description of the transaction(s), including the name of the related party and nature of relationship, duration of the contract and particulars of the contract or arrangement, maximum amount of transaction that can be entered into, the material terms and conditions.
  - b. The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
  - c. The manner of determining the pricing and other commercial terms, the indicative base price / current contracted price and the formula for variation in the price if any.



d. any advance paid or received for the contract or arrangement, if any and the approximate value of the transaction(s) and the approximate value of the Related Party's interest in the transaction(s)

e. In the case of a lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made in the financial year.

f. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.

g. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors and any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

4. Consent of the Board would also be taken in respect of all RPTs.

Provided that such consent of shareholders would be required in the following cases:

a. Where the transactions are below the threshold limits specified in the Companies Act, 2013 & Rules thereunder or the SEBI Listing Regulations, 2015 as may be applicable; or

b. The transactions are entered into by the company not in its ordinary course of business and are not on an arms' length basis; and

c. The transaction / transactions to be entered into individually or taken together with previous transactions during a financial year does not exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

d. Payments made with respect to brand usage or royalty where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, do not exceed five percent of the annual consolidated turnover as per the last audited financial statements of the company.

5. Where Board consent / shareholders' approval is required as per para 4 above, a) the agenda of the Board meeting at which the resolution is proposed to be moved and b) explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.

6. Where RPTs require approval of the Board and the shareholders through resolution as per para 4 above, any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement and b) all entities falling definition of Related Party(ies) shall abstain from voting on such resolution of the shareholders.



7. If a Related Party Transaction will be ongoing/ proposed to be entered into by the company, the Committee may grant omnibus approval for ongoing dealings/ proposed related party transactions. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Board may deem fit.  
  
If the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Board may grant omnibus approval for such transactions subject to their value not exceeding one crore per transaction. The Board shall lay down the criteria /guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the company. Such approval shall be applicable in respect of transactions which are repetitive in nature and only for one year.
8. The Board shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.
9. The Board periodically shall review this Policy once in every three years and may recommend amendments to this Policy from time to time as it deems appropriate.
10. This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time.