

Related party Transactions Policy

Effective Date: 28 March, 2015

Governing Guideline: Companies Act, 2013 and Clause 49 of Listing Agreement

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1. Introduction

The Board of Directors (the “Board”) of Balmer Lawrie Investments Ltd. (the “Company” or “BLI”), at their meeting held on March 28, 2015, upon the recommendations of Audit Committee, has adopted the following policy and procedures with regard to Related Party Transactions as defined below. Any amendment/ changes in the policy will be made by the Audit Committee.¹

2. Scope

Related Party Transaction Policy lays down a procedure to ensure that transactions by and between a Related Party (as defined below) and BLI are properly identified and reviewed to ensure that Related Party Transactions (as defined below) are properly approved and disclosed in accordance with applicable law. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. Objective of the Policy

The objective of 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, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

In terms of requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges, this policy is framed.

The main purpose of this policy is to ensure the proper approval and reporting of transactions between the Company and its Related Parties. In order to properly identify, review and disclose Related Party Transactions, the Company will follow the procedures outlined in this policy in connection with all Related Party Transactions.

4. Definitions

- a. **'Arm's Length Transaction'** means a transaction between two related parties that it is conducted as if they were unrelated and that there is no conflict in interest.
- b. **"Audit Committee or Committee"** means Audit Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.
- c. **"Board"** means Board of Directors of the Company.
- d. **Control** shall have same meaning as defined under Section 2(27) of the Companies Act 2013.
- e. **"Key Managerial Personnel"** means as defined under Section 2(51) of the Companies Act 2013 and includes:
 - (i) Chief Executive Officer or Managing Director, or the manager
 - (ii) Company Secretary;
 - (iii) a whole-time director
 - (iv) Chief Financial Officer
- f. **'Net Worth'** means the aggregate value of the paid up share capital and all reserves out of profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited Balance Sheet, but does not include reserves created out of revaluation assets, write-back of depreciation and amalgamation
- g. **"Policy"** means Related Party Transaction Policy.
- h. **"Related Party"** means related party as defined in Clause 49(VII)(B) of the Listing Agreement and Section 2(76) of the Companies Act 2013 as mentioned below.
 - (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 or his relative is a member or director ;

- (v) a public company in which a director or manager is a director and 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 under 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) Director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to a company; or

Further as defined in Accounting Standard 18, the following entities shall also be considered as **related party**:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and
- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

In the context of this Standard, the following are deemed not to be related parties:

- (a) two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);
- (b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
- (c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):

- (i) providers of finance;
- (ii) trade unions;
- (iii) public utilities;
- (iv) government departments and government agencies including government sponsored bodies.

- i. **“Related Party Transaction”** (RPT) means all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Clause 49.
- j. **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
 - i. They are members of a Hindu undivided family;
 - ii. They are husband and wife; or
 - iii. Father (including step-father)
 - iv. Mother (including step-mother)
 - v. Son (including step-son)
 - vi. Son’s wife
 - vii. Daughter
 - viii. Daughter’s husband
 - ix. Brother (including step-brother)
 - x. Sister (including step-sister)
- k. All the other words or terms as used in this Policy carries the same meaning as stated in the Companies Act, 2013.

5. Materiality thresholds for Related Party Transactions

Nature of Transaction	Threshold Limits as per Companies Act, 2013	Threshold Limits as per Listing Agreement
Sale, purchase or supply of any goods or materials directly or through appointment of agents (or)	Exceeding 10% of Turnover of Company or Rupees 100 Crore whichever is Lower, as mentioned in clause (a) and clause (e) of Section 188(1)	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.
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents (or)	Exceeding 10% of Net worth or Rupees 100 Crore whichever is Lower, as mentioned in clause (b) and clause (e) of Section 188(1)	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.
Leasing of property of any kind (or)	Exceeding 10% of the Net worth of company or 10% of Turnover of Company of Rupees 100 Crore, whichever is lower, as mentioned in clause (c) of Section 188(1)	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.
Availing or rendering of any services directly or through appointment of agents (or)	Exceeding 10% of Turnover of company or Rupees 50 Crore, whichever is lower, as mentioned in clause (d) and clause (e) of Section 188(1)	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.
Appointment to any office or place of profit in the company, its subsidiary company or associate company (or)	Monthly Remuneration Exceeding Rs. 2.5 lakhs as mentioned in clause (f) of Section 188(1)	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.
Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1% of Net worth as mentioned in clause (g) of Section 188(1)	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.
Transfer of resources	-	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.

6. Arm's Length Pricing

The Arm's Length Pricing (ALP) is a condition or a fact that the parties to a RPT are independent (unrelated) and on an equal footing from one or more of the following aspects namely quality, realization, commercial terms etc. Such a transaction is known as an 'arm's length transaction'.

In the absence of guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company shall follow the given steps

- Identify the nature of relation of the party with the Company
- Amount of transaction involved
- Rate of charges paid/received
- Rate charged/paid for similar transaction with other unrelated parties

The Audit Committee of the Company may also adopt any other reasonable approach or methodology to demonstrate ALP for specified RPT identified by them. For example: in case the Company is not doing any similar transactions with unrelated party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arms' Length Benchmark.

7. Ordinary Course of Business

The criteria of being 'ordinary', 'normal' or 'in the ordinary course of business' is met when the following conditions are satisfied:

- ✓ The transaction must be ascribed to business objectives or operational activities or alternatively, related to financial activities, and
- ✓ The same transaction must also fall under the perimeter of the ordinary exercise of the operational or financial activities of the Company.

8. Identification of Potential Related Party Transactions

All related parties of the Company shall be identified on the basis of the disclosures received from the Directors and Key Managerial Personnel of the Company. The names of all Related Parties shall be consolidated as a Related party reference list and this list be amended from time to time and shall be progressively shared with the concerned departments and functional heads.

The accounts department will tag the related party in the reporting system to generate periodic reports of RPTs recorded in the system.

The Company strongly prefers to receive the notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

9. Review and approval of Related Party Transactions

All the RPTs requires prior approval of the Audit Committee. Prior to entering to into any RPT whatsoever, the Committee shall check that whether the transaction to be entered is in 'ordinary course of business' and 'arm's length price' is charged to it. If this two criteria is satisfied, then the Committee may grant approval for the same.

But if, the transaction fails to satisfy any of the criteria, then the following information pertaining to the said transaction is to be placed before the Audit Committee on which recommendation, the Board will approve the given transaction:

a.	the name of the related party and nature of relationship;
b.	the nature, duration of the contract and particulars of the contract or arrangement;
c.	the material terms of the contract or arrangement including the value, if any;
d.	any advance paid or received for the contract or arrangement, if any;
e.	the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
f.	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
g.	any other information relevant or important for the Board to take a decision on the proposed transaction

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract, transaction or arrangement.

Further, if the amount involved in the given transaction to be entered into either individually or taken together with previous transactions entered during a financial year exceeds the limits specified under point no. 5 of the policy, then the said transaction shall be termed as *Material Related Party Transaction* and will require prior approval of the *Shareholders of the Company via*

Special Resolution and the following particulars shall be disclosed in the explanatory statement to be annexed to the notice of a general meeting:

- i. name of the related party ;
- ii. name of the director or key managerial personnel who is related, if any;
- iii. nature of relationship;
- iv. nature, material terms, monetary value and particulars of the contract or arrangement;
- v. any other information relevant or important for the members to take a decision on the proposed resolution.

Exception:

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.

Provided that no special resolution will be required in the following cases:

- transactions entered into between two government companies
- transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

10. Recurring Related Party Transactions

In case of RPTs of a recurring nature, the following details of the RPT shall be submitted to the Audit Committee to obtain ***Omnibus Approval:***

- (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
- (iii) the need to enter into such transaction
- (iv) such other conditions as the Audit Committee may deem fit;

Further, where the need for RPT 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.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year,

11. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee within three months from the date on which such contract or arrangement was entered into. The Committee shall consider all 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. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and such contract or arrangement shall be voidable at the option of the Committee and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

12. Disclosure with respect to Related Party:

- a. A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee.
- b. Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the audit committee.
- c. Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the audit committee, together with Management's justification for the same.
- d. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- e. The Audit Committee of the Company shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- f. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- g. The Company is required to disclose each year in the Board's Report certain transactions between the Company and Related Parties along with the justification to enter into such contract or agreement with Related Parties.

This Policy will be communicated to all concerned person