



Adhunik Industries Limited

## **POLICY ON RELATED PARTY TRANSACTIONS**

[Pursuant to Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) 2015 and in accordance with the provision of Section 188 of Companies Act, 2013 read with the Companies (Meeting of Board and its Powers) Rules, 2014]

Adopted on: 29<sup>th</sup> May, 2014

Revised on: 14<sup>th</sup> November, 2015 (effective from 1<sup>st</sup> December, 2015)



## 1. PREAMBLE:

The Securities and Exchange Board of India (“SEBI”) issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'LODR Regulations') on September 02, 2015, effective from December 01, 2015, with an aim to consolidate and streamline the provisions of existing listing agreements thereby ensuring better enforceability.

The Board of Directors (the "Board") of **Adhunik Industries Limited (AIL)** has adopted the following policy on Related Party Transactions to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

The Company is committed to adoption of the best practices in sync with its corporate governance philosophy based on the objective of fostering sustainable ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

## 2. OBJECTIVE:

The Board of Directors (the “Board”) of **Adhunik Industries Limited** (the “Company” or “AIL”), acting upon the recommendation of its Audit Committee, has adopted this policy (the “Policy”) and procedures with regard to Related Party Transactions (“RPT”). The Audit Committee shall review and may amend this Policy from time to time. This Policy is framed as per requirement of Regulation 23 of the SECURITIES AND EXCHANGE BOARD OF INDIA (Listing Obligations and Disclosure Requirements) REGULATIONS, 2015 [“SEBI (LODR), 2015 and in accordance with the provisions of Section 188 of the Companies Act, 2013 read with The Companies (Meetings of Board and its Powers) Rules, 2014.

Related Party Transaction (RPT) transactions are appropriate only if they are in the best interest of the Company and its stakeholders in addition to being in conformity with the applicable laws. The Company is required to disclose each year in the Financial Statements RPT as well as the policy concerning RPT. There being two sets of regulations governing RPT and AIL being a listed entity, more stringent of the two shall be adhered to in the conduct of RPT by the Company.

The objective of this Policy and procedure is to ensure that transactions between AIL and its related parties are based on principles of transparency and arm’s length dealings. Likewise, this Policy aims at preventing and providing guidance in situations of potential conflict of interests in the implementation of transactions involving such related parties.

The Audit Committee of Directors (“Audit Committee”), shall review, approve and where permitted ratify Related Party Transactions based on this Policy in terms of the requirements under the above regulatory provisions as applicable.



### 3. APPLICABILITY:

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”.

### 4. DEFINITIONS:

- i. **“Audit Committee”** means the Committee of the Board constituted/re-constituted, from time to time, under the provisions of Regulation 18 of the LODR Regulations, 2015 read with Section 177 of the Companies Act, 2013, as in force.
- ii. **“Board of Directors”** or “Board” means the Board of Directors of Adhunik Industries Limited as constituted/re-constituted, from time to time.
- iii. **“Company”** means Adhunik Industries Limited.
- iv. **“Policy”** or **“this Policy”** means Related Party Transactions Policy.
- v. **“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. (Section 188 of the Companies Act, 2013).
- vi. **“Key Managerial Personnel”** means, [Section 2(51) of the Companies Act, 2013]
  - (i) Managing Director;
  - (ii) Chief Executive Officer or manager;
  - (iii) Whole- time director;
  - (iv) Chief Financial Officer; and
  - (v) Company Secretary
- vii. **“Material Related Party Transaction”** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed(s) ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is higher. (Regulation 23 of SEBI (LODR)).
- viii. **“Related Party”** shall mean a person or entity that is related to the company as defined under Section 2(76) of the Companies Act, 2013 or such entity is a related party under the applicable accounting standards or as provided in regulation 2 SEBI (LODR), 2015 as amended from time to time.



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 which are as follows:

- 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 company to which it is also a subsidiary;

ix. Director or key managerial personnel of the holding company or his relative with reference to a company; or

x. Such other person(s) as may be prescribed.

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)(b) and (1)(c).
  - h) A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity).
- ix. **“Related Party Transaction”** means a transfer of resources, services or obligations between a listed entity and a related party, 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. (Regulation 2(z)(c) of SEBI (LODR)).

For example, transaction with AIL’s subsidiary companies whether in India or overseas or joint venture company will come under this category. This applies to every company including private companies.

Pursuant to Section 188 of the Companies Act, 2013, Related Party Transactions mean, any contract or arrangement 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.

"Relative" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- ) They are members of a Hindu undivided family;
- ) They are husband and wife;
- ) Father (including step-father) Mother (including step-mother)
- ) Son (including step-son)
- ) Son's wife



) Daughter

) Daughter's husband

) Brother (including step-brother) Sister (including step-sister).

- x. "Approval by disinterested shareholders" means, voting by shareholders in favour of the Special Resolution (with three fourth approving this), other than Directors and Promoters/Promoter Group.

## 5. POLICY:

All Related Party Transactions must be referred to the Audit Committee for approval in accordance with this Policy.

### 5.1. Broad Principles:

Any transaction with the subsidiary companies / related parties will be governed by the following broad principles:

- Globally distributed Delivery Model
- The sub-contracting will happen where skills and Intellectual Property are available
- Geography to which delivery to be made will also be taken into account while subcontracting.
- The transactions can be either from Parent Company to Subsidiary Company(ies) and vice versa and also among the Group Companies.
- Price at arm's length - transfer pricing rules and regulations will apply.

All Related Party Transactions must be referred to Audit Committee for prior approval by the Committee in accordance with this Policy-

) irrespective of the value;

) even if the transaction is exempted;

) including any modification of such contracts.

### 5.2. Identification of Related party Transactions:

- a) Each Director and Key Managerial Personnel is responsible for providing notice to the Company Secretary of his/her relatives and their respective interest in other entities which could result in such relative/entity becoming a Related Party. Any change in such information shall also be forthwith provided by such Director and Key Managerial Person.
- b) Company Secretary shall, based on information received from each Director and Key Managerial Person, identify and prepare a list of Related Parties for a given period under



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the provisions of Companies Act, 2013 and Accounting Standard 18 issued by The Institute of Chartered Accountants of India (ICAI) or as provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

- c) Responsible Person shall collate the information, coordinate and send the Related Party List to the concerned employees which may include MD, CFO, Business Heads (If any), Branch Heads (if any), the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.
- d) Functional departmental heads shall submit to the CFO and Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator.
- e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Company Secretary has adequate time to review information about the proposed transaction and need for obtaining approval of Audit Committee, Board or shareholders of the Company as the case may be.
- f) In addition, the Company Secretary may require periodical update of the information from Directors and KMPs for identification of Related Parties.
- g) The Company Secretary shall also periodically review the structure with Chief Financial Officer to identify any new related party.
- h) The Company Secretary shall maintain database of all Related Parties based on the notice / declaration received from Directors/KMPs including Group entities and share the same with Head-Accounts and Chief Financial Officer on a quarterly basis to monitor the transactions with them.
- i) Any potential Related Party Transactions that are brought to the attention of Head Accounts or Chief Financial Officer shall be referred for analysis by the Secretarial Department, in consultation with management and with an external consultant, if required and if it thinks as appropriate. The Board shall record the disclosure of interest and the Audit Committee shall determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

### **5.3. Review and Approval of Related party Transactions:**

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by way of circulation.

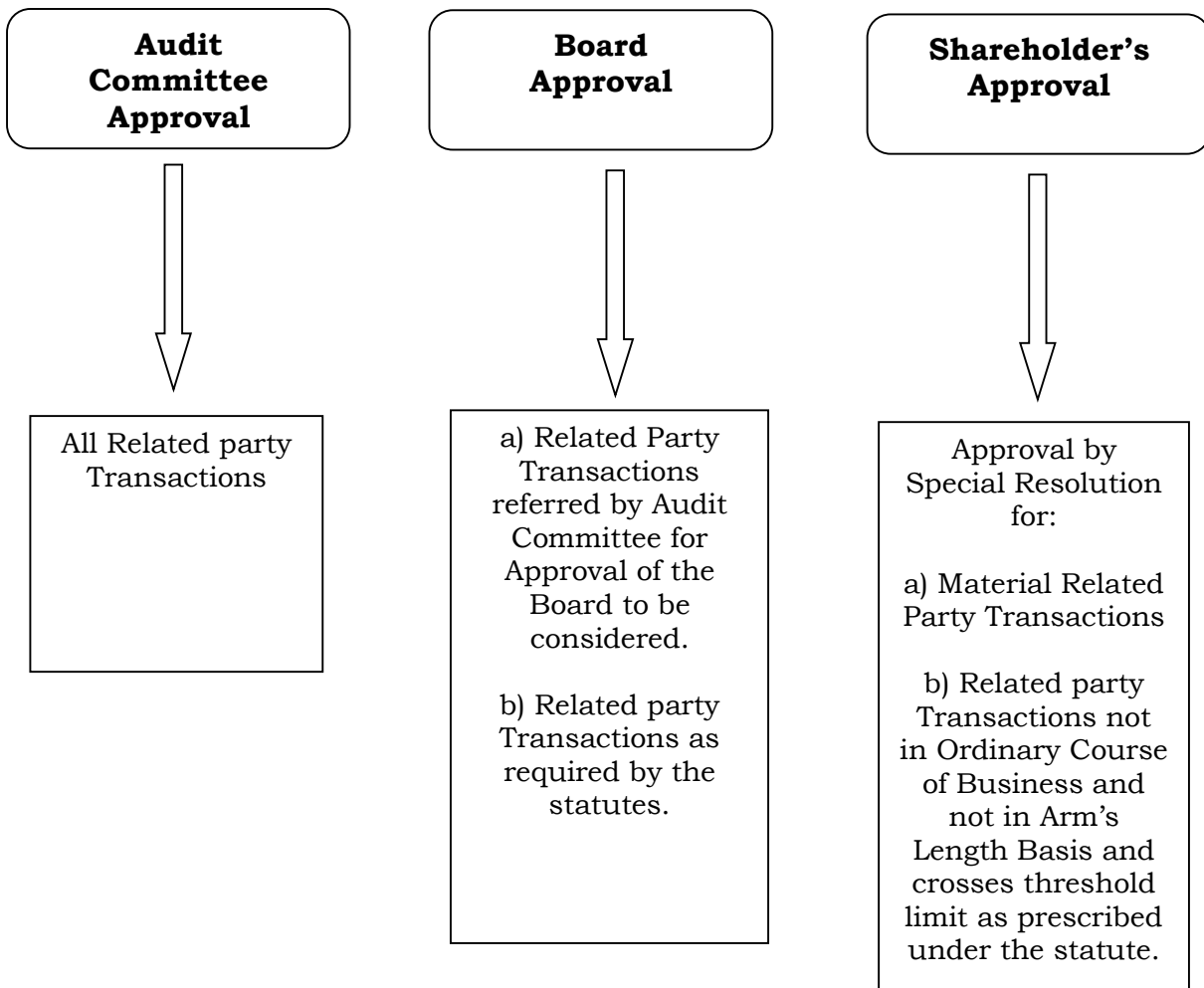
Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably require. Audit Committee will determine whether the transaction



does, in fact, constitute a Related Party Transaction requiring compliance with the Policy. The Company strongly advocates receipt of such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

The approval policy framework is given below:







**5.4. General criteria for approval of Related Party Transactions:**

The approving authority shall be provided with all the relevant information of the Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters including information required under Rule 15(1) of the Companies (Meetings of Board and its Powers) Rules, 2014 as may be amended from time to time.

In determining whether to approve a Related Party Transaction, the Audit Committee / Board shall consider (among other aspects it deems relevant), if there are clearly demonstrable reasons from the Company's business point of view, for the transaction to be entered into with a Related Party.

**5.5. Decision regarding transaction in ordinary course of business and at arm's length:**

The Audit Committee or the Board shall, in respect of the related party transactions referred to it for approval, shall after considering the materials placed before them; judge if the transaction is in the ordinary course of business and at arm's length basis.

**5.6. Omnibus approval by audit committee for Related Party Transactions proposed to be entered:**

The Audit Committee is authorised to grant omnibus approval for recurring transactions with related parties. The Audit Committee would review on a quarterly basis the aforesaid Related Party Transactions entered into by the company pursuant to each of the omnibus approval given. Fresh approval would be obtained on a financial year basis.

**5.7. Related Party Transactions not approved under this Policy:**

In the event the AIL 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 Audit Committee. The Audit Committee 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. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.



**5.8. Disclosure of the Policy:**

This Policy will be uploaded on the website of AIL at <http://www.adhunikindustries.com/>

**5.9. Policy Review:**

This Policy is framed based on the provisions of the Regulation 23 of SEBI (LODR), 2015. In case of any subsequent changes in the provisions of the regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

***This Policy will be communicated to all related parties, operational employees and other concerned persons of the Company and also uploaded on the website of the Company.***