

# **POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

# POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

- \* The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions.
- \* This policy will be applicable to the Company effective 1 October 2014.
- \* **PURPOSE**
- \* This policy is framed based on Listing Agreement entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.
- \* The Company has international and domestic subsidiaries. In the course of business, the Company enters into transactions with various parties, including related parties.
- \* The Company has been traditionally following accepted pricing methods in its transactions with the Related Parties.
- \* This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

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## \* 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.
- \* “Listing Agreement” means the Equity Listing Agreement entered by the Company with the respective Stock Exchanges in India.
- \* Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.
- \* “Board of Directors” or “Board” means the Board of Directors of Ballarpur Industries Limited, as constituted from time to time.
- \* “Company” means Ballarpur Industries Limited
- \* Key Managerial Personnel” means Key Managerial Personnel, as defined under the Companies Act, 2013 and the Rules made thereunder.
- \* “Policy” means Related Party Transaction Policy.

# POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

## \* DEFINITIONS

(i) "Act" means the Companies Act, 2013

(i) "Related Party":

\* "Related Party" means an entity which is a related party as per Section 2(76) of the Act or such entity(ies) which is a related party as provided in the applicable accounting standard.

(i) "Related Party Transaction" means such transactions between the Company and related parties, as defined under clause (a) to (g) sub-section (1) of section 188, sub-clause (A) of clause 49(VII) of the Listing Agreement and transactions covered under Accounting Standards prevailing from time to time. The Illustrative list of Related Party Transactions is as under:

- \* 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 the 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;
- \* g. Underwriting the subscription of any securities or derivatives thereof, of the Company;

(The above is an indicative list and is not exhaustive).

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- \* “Material Related Party Transaction” means 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 or such other applicable threshold limit as may be provided by the law, from time to time.

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## \* POLICY

- \* The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy, whether at a meeting or by resolution by circulation. A member of the Committee who has a potential interest in any Related Party Transaction(s) will abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.
- \* The Committee shall be provided with all relevant material information of the Related Party Transaction(s), including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other relevant matters.
- \* The Board may on its own or referred by the Committee or as mandatory under any law, review and approve the related party transaction(s) in accordance with this policy, with such modification as may be necessary or appropriate under the circumstances.

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## OMNIBUS APPROVAL BY THE COMMITTEE

- \* In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval. While granting approval, the Audit Committee shall satisfy itself of the need for omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:
  - \* a. Name of the related party
  - \* b. Nature of the transaction
  - \* c. Period of the transaction
  - \* d. Maximum amount of the transactions that can be entered into
  - \* e. Indicative base price / current contracted price and formula for variation in price, if any
  - \* f. Such other conditions as the Audit Committee may deem fit.
  
- \* Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.
  
- \* Further, where the need of the related party transaction (s) cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.
  
- \* The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

# POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

## \* **APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS**

- \* All Material Related Party Transactions, even if executed in ordinary course of business and at arms' length price, shall require approval of the shareholders through special resolution and all the Related Parties shall abstain from voting on such resolution.

## \* **TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH**

- \* All Related Party Transactions which are not in the ordinary course of business or not at arms' length shall also require prior approval of the Audit Committee as well as Board of Directors of the Company. Further, such Related Party Transactions which are in excess of the limits prescribed under the Companies Act, 2013, shall require prior approval of the shareholders through special resolution and all the Related Parties shall abstain from voting on such resolution.

## \* **RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

- \* In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy.
- \* The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances in respecting of such transaction(s) and shall evaluate all options available to the Company.

## \* **REPORTING OF RELATED PARTY TRANSACTIONS**

- \* Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board's Report and to the Stock Exchanges.
- \* The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure.