

AI CHAMPDANY INDUSTRIES LIMITED

RELATED PARTY TRANSACTIONS POLICY & POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

Introduction

AI Champdany Industries Limited (hereinafter referred to as AICIL OR "The Company") recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement.

Applicability and effective date

This Policy will be applicable to the Company with effect from 1st October 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

Scope and purpose of the policy

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend the policy as and when required subject to approval of the Board.

The objective of this policy is to regulate and monitor transactions between the Company and its Related Parties as determined based on the Companies Act 2013, listing agreement and any other laws and regulations as may be applicable to the Company.

Definitions

'Act' shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

'Arm's Length Transaction' means a transaction between two related parties that is conducted as if they were unrelated and as per definition under any law if any.

'Associate Company' means any other company in which the company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation - For the purposes of this clause, 'significant influence' means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

'Audit Committee' means the Committee of the Board formed under Section 177 of the Act and Clause 49(III) of the Listing Agreement.

'Company' means AI Champdany Industries Limited

'Key Managerial Personnel' means Key Managerial Personnel of the Company in terms of the Companies Act 2013 and the Rules made thereunder.

'Related Party' means an individual entity, firm, body corporate or person as defined in Section 2(76) & (76) of the Act and Clause 49(VII) (B) of the Listing Agreement.

Related party under section 2(76) & (77) of the Companies Act 2013 and rules made thereunder and under amended clause 49(VII) (B) are as follows and they shall be considered related to AICIL:

- 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 is a member or director;
- v. a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. anybody 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 on whose advice, directions or instructions (except those given in a professional capacity) a director or manager is accustomed to act; Provided that nothing in (vi) and (vii) above 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 or Key Managerial Personnel of the holding company or his relative; or
- x. Such other persons as may be prescribed by Central Government.

An entity shall be considered as related to AICIL if such entity is a related party under applicable Accounting Standards.

'Related Party Transactions' shall mean such transactions as specific under Section 188 of the Act or rules made thereunder and Clause 49(VII) (A) of the Listing Agreement including any amendment or modification thereof, as may be applicable.

As per Section 188(1) of the Companies Act 2013, except with the consent of the Board of Directors given by a resolution at the Board Meeting and subject to such conditions as may be prescribed in Rule 15 of the Companies (Meetings of Board and its Powers)

Rules, 2014, AICIL shall not enter into 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:

Provided that no contract or arrangement, in the case of a company having a paid up share capital of Rs. 10 crore or more, or transactions exceeding such sums, as may be prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, shall be entered into except with the prior approval of the company by a special resolution:

Provided further that no member of AICIL shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in Section 188(1) shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

As per **Rule 15(3)** of Companies (Meetings of Board) Rules, 2014, for the purpose of first proviso to sub-section (1) of Section 188, except with the prior approval of the shareholders by a Special resolution, AICIL shall not enter into a transaction or transactions, where the transaction or transactions to be entered into –

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188 with criteria, as mentioned below –
 - (i) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 25% of the Annual turnover as mentioned in clause (a) and clause (e) respectively of Section 188(1);
 - (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth as mentioned in clause (b) and clause (e) respectively of Section 188(1);
 - (iii) leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of turnover as mentioned in clause (c) of Section 188(1);
 - (iv) availing or rendering of any services directly or through appointment of agents exceeding 10% of the net worth as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

- (b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of Section 188(1); or

(c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth as mentioned in clause (g) of Section 188(1).

Explanation: [(1) The Turnover or Net Worth referred in the above Rule 15(3) shall be on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of wholly owned subsidiary, the special resolution passed by the Holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.]

Any other term not defined herein shall have the same meaning as defined in the Companies Act 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation.

Names of related parties to AICIL

"AICIL Management (KMP) is required to list out and maintain the names of Related parties to AICIL on a permanent basis and also the types of Related party transactions or arrangement for AICIL and keep the Committee informed immediately after the policy is framed & update the same regularly and keep the Committee informed of the updation immediately."

Review and approval of related Party Transactions

Audit Committee:

The Company will enter into any Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transactions subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transaction which are repetitive in nature;
- b. The Audit Committee satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify the following:-
 - Names of the Related Party
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
- d. In such cases where the need for Related Party Transactions cannot be foreseen and details as required above are not available, the Audit Committee may grant

omnibus approval for such transactions subject to their value not exceeding Rs.1.00 crore per transaction;

- e. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given;
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transactions to the Board for the approval.

In the case of Material Related Party Transactions, the approval of the shareholders by way of special resolution is also required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and the Related Party shall abstain from voting on such resolutions.

In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

The AICIL shall take approval for the following types of transactions from shareholders:

- Transactions not in the ordinary course of business
- Transactions in the ordinary course of business if not done at arm's length
- Material Transactions as defined under clause 49(VII) (C) of the listing agreement i.e. with a related party if a 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 statement of the company.

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

To review a Related Party Transactions, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Companies Act 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchanges.

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 shall not require prior approval of the Audit Committee.

Register of Contracts or arrangements in which directors are interested

As per Section 189(1) of the Companies Act, 2013 and Rule 16 of Companies (Meetings of Board) Rules, 2014, AICIL shall keep and maintain one or more registers in **Form MBP 4** giving separately the particulars of all contracts or arrangements to which Section 184(2) or Section 188 of the Companies Act, 2013 applies and after entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

The entries in the Register shall be made at once, whenever there is a cause to make entry, in chronological order and shall be authenticated by the company secretary of the company or by any other person authorised by the Board for the purpose.

The aforesaid register shall be kept at the registered office of the company and the register shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorised by the Board for the purpose.

Board:

If the Committee determines that a Related Party Transactions should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transactions, then the Board shall consider and approve the Related Party Transactions and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

As per Rule 15 of the Companies (Meeting of Board) Rules 2014, a Company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- (1) The Agenda of the Board Meeting at which the resolution is proposed to be moved shall disclose-
 - (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 decision on the proposed transaction.
- (2) 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 or arrangement.

Shareholders:

All the material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

Material related Party Transactions

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 consolidated annual turnover as per the last audited financial statement of the company.

All the transactions, other than the Material Related Party transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through special resolution if so required under any law and the Related Parties shall abstain from voting on such resolution.

Pursuant to Section 188(2) of the Companies Act, 2013, every contract or arrangement entered into under Section 188(1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Transaction at arm's length

The company shall immediately lay down a framework to assess whether transactions with related parties are done at an arm's length and company shall adopt generally accepted practices and principles in determining whether the transaction is at 'arm's length' and keep the audit committee informed of the framework.

Related Party Transactions not approved under this Policy

In the event the company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consumption, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transactions, and shall evaluate all options available to the company, including ratification, revision or termination of the Related

Party Transactions. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

A. Disclosure by Directors/KMPs

Disclosure of interests

- All Directors /KMPs shall disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form i.e. MBP-1 under Rule 9 (1) of Companies (Meetings of Board) Rules, 2014 and shall place it before the next meeting of the Board to take note of the same.
- Each Director and KMP of the company shall promptly notify the Company Secretary of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register/Registers in the prescribed form MBP-4 and record the transactions in the manner prescribed.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.
- Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under listing agreement.

B. Disclosure of Related Party Transaction entered with the company

Each Director and KMPs of the Company is responsible for providing declaration / notice in the prescribed Form to the Company Secretary about Related Party Transactions involving the Company and him or her or an entity wherein he / she or his / her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with the management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transactions requiring compliance with the this policy.

General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party

transactions and assure themselves that the same are in the interest of the Company.

- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary
 - To investigate any Related Party Transactions.
- iv. The CFO of the Company is authorised to issue necessary guidelines / instructions for implementation of this Policy.
- v. The Company while entering into any Related Party Transactions shall ensure that such Related Party Transactions is in the best interest of the Company and adheres to this Policy.

Restriction on Non-cash transactions involving directors (As per Sec. 192 of the Companies Act, 2013)

- (1) AICIL shall not enter into an arrangement by which –
 - (a) a director of the Company or its holding, subsidiary or associate Company or a person connected with him acquires or is to acquire assets for consideration other than cash, from the Company; or
 - (b) the Company acquires or is to acquire assets for consideration other than cash, from such director or person so connected,unless prior approval for such arrangement is accorded by a resolution of the Company in general meeting and if the director or connected person is a director of its holding company, approval under this sub-section shall also be required to be obtained by passing a resolution in general meeting of the holding company.
- (2) The notice for approval of the resolution by the Company or holding Company in general meeting under sub-section (1) shall include the particulars of the arrangement along with the value of the assets involved in such arrangement duly calculated by a registered valuer.
- (3) Any arrangement entered into by a Company or its holding Company in contravention of the provisions of this section shall be voidable at the instance of the Company unless –
 - (a) the restitution of any money or other consideration which is the subject-matter of the arrangement is no longer possible and the Company has been indemnified by any other person for any loss or damage caused to it; or
 - (b) any rights are acquired *bona fide* for value and without notice of the contravention of the provisions of this section by any other person.

Consequences of non-compliance of such policy for any Related Party Transactions

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee.

Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed and penal consequences under Companies Act, Listing Agreement, Securities Contract Regulation Act 1956 or the employee standing order of the Company.

Consequences of Violation of the provisions of Section 188 of the Companies Act, 2013

Any director or any other employee of the Company, who had entered into or authorised the Contract or arrangement in violation of the provisions of Sec 188 of the Companies Act 2013, shall –

i) be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than Rs. 25000/- but which may extend to Rs. 5 Lakh or with both.

AMENDMENTS IN LAW

Any subsequent amendment / modification in the listing agreement and / or other applicable laws in this regard shall automatically apply to this policy.