

RELATED PARTY TRANSACTIONS - POLICY & PROCEDURES, 2014

Preamble

The Company is committed to upholding the highest ethical and legal 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.

The Board of Directors (the “Board”) of ELANTAS Beck India Ltd. (the “Company” or “EBIL”), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent amendments thereto (the “Act”) and Listing Agreement with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

Objective

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall complement the Company’s other policies and/or practices in force, if any, that may be applicable to or involve transactions with related persons.

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

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

Transactions covered by this Policy

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

All Related Party Transactions shall require prior approval of the Audit Committee.

Definitions

- 1) “**Board**” means the Board of Directors of the Company.
- 2) “**Related Party**” - A Related Party is a person or entity that is related to the Company.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- i) A director or his relative;
- ii) A key managerial personnel or his relative;
- iii) A director or key managerial personnel of the holding Company or his relative;
- iv) A firm, in which a director, manager or his relative is a partner;
- v) A private Company in which a director or manager is a member or director;
- vi) a public Company in which a director or manager or his relative is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vii) 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;
- viii) Any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- ix) any Company which is:
 - a holding, subsidiary or an associate Company of the Company; or
 - a subsidiary of a holding Company to which it is also a subsidiary;

3) **“Relatives”** - with reference to any person, means anyone who is related to another, if:

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in the following manner, namely:
 - a) Father including step father
 - b) Mother including step mother
 - c) Son including step son
 - d) Son’s Wife
 - e) Daughter
 - f) Daughter’s Husband
 - g) Brother including step brother
 - h) Sister including step sister

4) **“Related Party transactions”** - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

As per Section 188 of the Act:

- (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;

As per Clause 49:

Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

As per Accounting Standards 18, applicable if any.

5) **“Control”** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

6) **“Material specific transactions”** means those transactions entered into with the Company by a related party, individually or taken together with previous transactions during a financial year, exceeding ten percent of the annual consolidated turnover as per the last audited financial statements of the Company.

7) **“Office or place of profit”** means any office or place:

(i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm, private Company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

8) **“Transactions on arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

9) **“Key Managerial Personnel”** includes:

- (i) The Chief Executive Officer or the Managing Director or the Manager;
- (ii) The Company Secretary;
- (iii) The Whole-time Director;
- (iv) The Chief Financial Officer

10) **“Associate Company”**, in relation to another company, means a company in which that other 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.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement. Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

Details required for ascertaining related party:

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs’ in form MBP-1.
2. Declaration of relatives by all Directors and KMPs’.

3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager or his relative is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/KMPs' and their relatives.
8. Details of 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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of 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.

Identification of potential Related Party Transactions

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause 2&3 above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st January every year.

The Responsible Person shall collate the information, coordinate and send the Related Party List to the concerned functional / departmental heads, whom he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

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 and 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 meeting and convey back the decision to the originator.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not, a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said transaction is in the interest of the Company and its stakeholders.

Review and approval of Related Party Transactions

1. As per Companies Act 2013:

All related party transactions shall require approval of the Audit Committee.

- a) Transactions in the ordinary course of business and at arm's length, shall require no further approval.
- b) Transactions, not in the ordinary course of business and not at arm's length, shall require the approval of the Board.

The following transactions would require approval of the members by passing a special resolution at the general meeting, and voting by unrelated parties.

- Sale, purchase or supply of any goods or materials - exceeding 25% of annual turnover
- Selling or otherwise disposing of, or buying, property of any kind - exceeding 10% of net worth
- Leasing of property of any kind - exceeding 10% of net worth/ turnover
- Availing or rendering of any services - exceeding 10% of net worth
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company - at a monthly remuneration exceeding Rs.2.50 lacs
- Underwriting the subscription of any securities or derivatives thereof, of the Company - exceeding 1% of net worth

2. As per Clause 49:

All related party transactions (if even no price charged) shall require approval of the Audit Committee.

- a) Not material transactions shall require no further approval.
- b) Material transaction/s, either individually or taken together with previous transactions during any financial year, exceeding 10% of annual consolidated turnover as per last audited financial statements of the Company, shall require the approval of the members by passing a special resolution at the general meeting, and voting by unrelated parties.

In respect of materiality of transaction, the Company would like to follow the stricter of the two provisions, in the interest of transparency in disclosure.

Omnibus approval:

The Audit Committee may grant omnibus approval for RPT proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting omnibus approval in line with the policy on RPT of the Company and such approval shall be applicable for transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such approval, which is in the interest of the Company.
- c. Such omnibus approval shall specify (i) name/s of the party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- d. Audit Committee shall review at least on a quarterly basis, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.

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

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions

Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The Responsible Person shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Responsible Person to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

Registers & Disclosures

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company shall maintain such register in the Head Office of the Company and provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

Records relating to Related Party/ Supporting documents

(a) Purchase/sale of material, goods etc.

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider.

(b) Availing/ Rendering Services

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arms' length basis.

(c) Rent Agreement

- (i) Copy of draft agreement.
- (ii) Three quotations from a property dealer/ advisor in the area in which the property is located or a nearby area.

(d) Purchase/ sale of property

- (i) Valuation reports from at least 2 independent valuers to ascertain Fair Market Value.
- (ii) Quotations from 2 independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

(e) Loans/ Advances given or taken

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements
- (iii) Statutory approvals wherever required.
- (iv) Information about prevailing Interest rate.

(f) Subscription to shares/debentures/securities

Secondary market quotations and subscription price of security.

(g) Guarantee/ Securities

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements.
- (iii) Other documents justifying the same.

(h) Other transactions

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

Disclosures

1. Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.
2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders alongwith the justification for entering into such contract or arrangement.
3. The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report.

Policy Approval:

The transactions of Beck India with its related parties for FY 2014 and FY 2015 comply with section 188 of the Companies Act, 2013. Also, at the end of the year, the management of the company will review the related party transactions and ratify the same.

The provisions in respect of this Policy are effective from 01 April 2014 and 01 October 2014 as per the provisions of the Companies Act, 2013 and the Listing Agreement with BSE.
