

# **Bhartia Sons Limited Policy on Related Party Transactions**

## **1. Introduction**

**Bhartia Sons Limited** (“the Company”) is committed and has always adhered to good corporate governance practices which are embodied in its every business decision. As its practice, the Company follows arm’s length basis in business transactions with its related parties which are in the ordinary course of business.

The erstwhile Listing Agreement with the stock exchanges required the Company to formulate a policy on the materiality of Related Party Transactions and also on its dealings with Related Party Transactions. As such, the Board of Directors (the “Board”) of the Company adopted this Policy on Related Party Transactions (“the Policy”), on the recommendation of the Board of Directors on *14<sup>th</sup> March, 2014*, to ensure that the transactions of the Company with its related parties are in accordance with the applicable laws.

In view of the amendments in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013, the Board of Directors, on the recommendation of the Audit Committee, has amended this Policy on *01<sup>st</sup> April, 2018*.

The Policy includes materiality thresholds and the manner of dealing with Related Party Transactions in compliance with the provisions of Section 188 of the Companies Act, 2013 and Rules there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. The policy is intended to ensure proper approval and reporting of the concerned transactions between the Company and its Related Parties.

This Policy applies to transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

## **2. Definitions**

“Act” means the Companies Act, 2013 and the Rules made there under, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Applicable Law” means the Companies Act, 2013 and the rules made there under, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modifications and re-enactments thereof) and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

“Arm’s Length basis” means a transaction between related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm’s Length price, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.

“Audit Committee” means the Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 read with Regulation 18 of Listing I Regulations;

“Compliance Officer” means the Company Secretary of the Company or such compliance officer as identified by the Board for the purpose of SEBI LODR.

“Key Managerial Personnel” or “KMP” means the Key Managerial Personnel of the Company in terms of the Act.

“Listing Agreement” means Listing Agreement entered into by the Company with the Stock Exchange(s).

“Listing Regulations” mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Material Related Party Transaction” means a Related Party Transaction which 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. However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Policy” means the Company’s Policy on Related Party Transactions, including amendments, if any, from time to time.

“Related Party” means a related party as defined under the Act read with Regulation 2(zb) of the Listing Regulations, as amended from time to time.

“Related Party Transaction” means any transaction between the Company and Related Party for transfer of resources, services or obligations, regardless of whether a price is charged.

“Relative” means a relative as defined under the Act.

“Transaction” with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

All other terms not defined herein shall take their meaning from the applicable laws.

### **3. Policy Statement**

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee, in accordance with this Policy.

### **4. Identification of potential Related Party Transactions**

The holding, subsidiaries, associate companies, Directors, KMPs of the Company and other individuals/entities as may be prescribed from time to time under the applicable law shall be considered as Related Parties. Any subsidiary of the holding company of KCIL shall also be considered a Related Party.

Each Director and Key Managerial Personnel of the Company shall at the beginning of financial year disclose to the Compliance Officer of the Company their Related Parties and disclose any changes thereto and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this policy.

The Company shall also identify Related Party Transactions, if any, with Directors or Key Managerial Personnel of its holding company or their relatives. The Company will identify the potential transactions with the Related Parties.

## **5. Review and approval of Related Party Transactions**

### **a) Audit Committee**

The Related Party Transactions shall be subject to prior approval of the Audit Committee unless the approval is exempted pursuant to the provisions of applicable law. In cases where prior approval is not obtained, the Audit Committee may ratify such transactions, or may put forth the transactions before the Board along with its recommendations and the Board may either ratify such transactions or seek to avoid the same. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of conditions contained in Regulation 23 of the Listing Regulations and section 188 of the Act.

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present or shall abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

To facilitate review a Related Party Transaction, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions prescribed under the Act and the Listing Regulations.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such Transaction, the benefits to the Company and to the Related Party, whether such Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

### **b) Board of Directors**

All the contracts/ arrangements prescribed under Section 188(1) of the Act, 2013 and within the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014, which are not in the ordinary course of business of the Company or on arm's length basis shall, in addition to the prior approval of the Audit Committee, also require approval of the Board of Directors of the Company.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter then the Board shall consider and approve the Related Party Transaction and the same considerations as set forth above for review and approval of related party transactions by the Audit Committee shall apply to the review and approval of the matter by the Board of Directors, with such modifications as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

### **c) Shareholders**

All the Material Related Party Transactions under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall require approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

The Related Party Transactions prescribed under Section 188(1) of the Companies Act, 2013, exceeding the threshold limits prescribed under Rule 15(3) of Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014 and which are not in the ordinary course of business or not on arm's length basis, shall require prior approval of the shareholders by a resolution and the Related Party/ies, with whom the transaction is to be entered shall not vote on such resolution to approve such transaction.

However, the approval of the shareholders for transactions as above shall not apply if the same is entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.

### **d) Ratification of Related Party Transactions**

In the event, the Company becomes aware of any Related Party Transaction that has not been approved or ratified under this Policy, then the Related Party Transaction shall be placed before the Audit Committee or the Board of Directors or the Shareholders for review and ratification, as promptly as possible or within the period, as may be prescribed under the applicable law, from the time of entering into the Related Party Transaction.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and take such actions as may be appropriate under the circumstances.

## **6. Disclosures**

Details of all Material Related Party Transaction shall be disclosed to the stock exchanges quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations.

The Company shall also disclose the Related Party Transactions on a consolidated basis to the stock exchanges, in the format prescribed in the relevant accounting standards for annual results, within 30 days from the date of publication of its standalone and consolidated financial results for the half year.

The Company shall disclose this Policy on its website and also provide web link to the same in the Annual Report of the Company.

## **7. Amendments**

This Policy will be reviewed by the Board of Directors at least once every three years and updated accordingly. Any subsequent amendments/modifications in the Listing regulations or the Act or applicable law in this regard shall automatically apply to this Policy.