

TRANSPEK INDUSTRY LIMITED

Policy on Related Party Transactions

1. Introduction

Transpek Industry Limited ("the Company") has always been committed to good Corporate Governance practices. The Company is also 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 conflict of interest of the Directors, Senior Management etc. with the interest of the Company. As a matter of practice, the Company follows arm's length basis in transacting business with its related parties which are in the ordinary course of business.

The Board of Directors of the Company (the "Board") has adopted this Policy on the recommendation of the Audit Committee. This Policy includes materiality thresholds and the manner of dealing with the Related Party Transactions ("Related Party Transaction (RPT) Policy") in line with the requirements of Section 188 of the Companies Act, 2013 read with Rule 6A of the Companies (Meeting and Powers of Board) Rules, 2014 (as amended upto 14th December, 2015) made thereunder (hereinafter referred to as "the Companies Act") and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which has substituted the Listing Agreement with the Stock Exchange and subsequent amendments thereto (hereinafter referred to as "SEBI (LODR) Regulations, 2015"). This policy substitutes the Company's previous policy on Related Party Transactions, which was approved by the Board of Directors on 3rd February, 2015 and this policy shall be effective from 31st March, 2016.

The Audit Committee will review and may recommend to the Board of Directors amendment to this Policy from time to time, as it may deem necessary.

This Policy applies to transactions between the Company and one or more of its related parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

2. Objective

The Companies Act and the SEBI (LODR) Regulations, 2015 mandate formulation of a policy on materiality of related party transactions and also on dealings with related party transactions. This Policy has been framed for complying with the said requirements.

The objective of this Policy is to ensure proper approval, disclosure and reporting of transactions, as applicable, between the Company and any of its related parties 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 supplement the Company's other policies in force that may be applicable to or involve transactions with related parties. Further, the Board may amend this policy from time to time after considering recommendations of the Audit Committee.

3. Applicability and governing law:

The RPT Policy will be applicable to the Company with respect to all Related Party Transactions covered within the scope of section 188 of the Companies Act, 2013, the Companies (Meeting and Powers of Board) Rules, 2014 and/or SEBI (LODR) Regulations, 2015.

This Policy on Related Party Transactions shall be governed by the Companies Act as may be in force for the time being as well as SEBI (LODR) Regulations, 2015 or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be

construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modifications).

4. Key Definitions

4.1 **“the Companies Act”** means the Companies Act, 2013 and the Companies (Meetings and Powers of the Board) Rules, 2014 framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

4.2 **“Audit Committee”** means the committee of the Board of Directors of the Company constituted under the provisions of Regulation 23 of SEBI (LODR) Regulations, 2015 and Section 177 of the Companies Act.

4.3 **“Board of Directors” or “Board”** in relation to the Company means the collective body of the Directors of the Company.

4.4 **“Key Managerial Personnel”** in relation to a Company means;

- (i) the Chief Executive Officer, or the Managing Director or the Manager,
- (ii) the Company Secretary;
- (iii) the Whole-time Director/s;
- (iv) Chief Financial Officer; and
- (v) such other officer/s as may be prescribed under the Companies Act.

4.5 **“Material Related Party Transaction”** is a transaction with a Related Party which 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 of the Company or rupees fifty crore, whichever is lower.

4.6 **“Related Party”**

“Related Party”, with reference to the Company, shall have the meaning as defined in Section 2(76) of the Companies Act or an entity that is a related party under the applicable accounting standards;

4.7 **“Related Party Transaction”** means:

- for the purpose of the Companies Act, any contract or arrangement with any related party with respect to matters specified in clauses (a) to (g) of sub-section (1) of Section 188;

for the purpose of Regulation 23 of SEBI (LODR) Regulations, 2015 (Formerly RC 49) means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

4.8 **“Relative”** with reference to any person shall have the meaning as defined in Section 2 (77) of the Companies Act.

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

4.10 **“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. For determining arm's length basis, guidance may be taken from the transfer pricing provisions under the Income-tax Act, 1961 and Organisation for Economic Cooperation and Development (OECD) Guideline.

4.11 **“Policy”** means the current policy on related party transactions, including amendments, if any, from time to time.

5. **Policy**

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its prior approval based on this Policy, except the transaction in respect of which omnibus approval is made by the Audit Committee.

5.1 **Identification of Potential Related Parties and Transactions**

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/her or his/her relative, including any additional information about the transaction that the Board or the Audit Committee may require. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The Company Secretary shall at all times maintain a database of the Company's Related Parties containing the names of individuals, Companies and entities, identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company details including any revisions therein. The Company Secretary shall provide the said data to the CFO and functional heads to enable them to report any potential related party transaction to the Company Secretary to get approval of Audit Committee.

5.2 Review and approval of the Related Party Transactions

5.2.1 Prior approval of the Audit Committee:

All related party transactions (except those 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 require prior approval of the Audit Committee and the Audit Committee may accord omnibus approval for related party transactions proposed to be entered into by the Company, subject to the compliance of following conditions, as set forth in the Companies Act and SEBI (LODR) Regulations, 2015 namely:-

1. The Audit Committee shall, after obtaining approval of the Board of Directors, lay down the criteria for making the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature. Further, the said criteria shall include the following namely:-
 - a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year, subject to a ceiling of Rs. 20 crores;
 - b) The maximum value per transaction, which can be allowed, subject to a ceiling of Rs.1crore per transaction;
 - c) The following disclosures shall be made in the proposal to be made to the Audit Committee at the time of seeking omnibus approval and the said details shall also be mentioned in the omnibus approval:-
 - (i) Name of related Party/ies;
 - (ii) Nature and duration of transaction;
 - (iii)Maximum/indicative amount of quantity of transaction;

- (iv) Indicative price/contracted price and the formula for variation in the price, if any; and
 - (v) Any other information relevant or important for the Audit Committee for taking decision on the proposal to accord omnibus approval.
- d) Review, at four months intervals or at such interval as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
- e) The following are the transactions for which omnibus approval cannot be made by the Audit Committee:-
- (i) Purchase/Sale/Sub-lease of immovable property;
 - (ii) Purchase/Sale of intangible assets, such as trademarks, patents, etc;
 - (iii) Transactions which are not in the ordinary course of business;
 - (iv) Appointment of any Related Party to any office or place of profit or as a selling or purchasing agent or as underwriter;
 - (v) Allotment to a related party on preferential basis or buy-back /premature redemption of any securities of the company held by a related Party; or
 - (vi) Transactions relating to the securities of the Company.

2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

- (a) repetitiveness of the transactions (in past or in future);
- (b) justification for the need of omnibus approval.

3) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;

4) The omnibus approval shall specify:

- (i) the name(s) of the related party,
- (ii) nature of transaction, period of transaction,
- (iii) maximum amount of transactions that shall be entered into;
- (iv) the indicative base price/current contracted price and the formula for variation in the price, if any; and
- (v) such other conditions as the Audit Committee may deem fit:

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

5) The Audit Committee shall review, at least on a four monthly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.

6) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

7) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

8) Any other conditions as the Audit Committee may deem fit.

While seeking its approval, the Audit Committee shall be provided with necessary information with respect to actual or potential Related Party Transaction.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transactions:

- a) Whether the terms of the Related Party Transaction are fair and on an arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and alternatives, If any;
- c) Whether the Related Party Transactions would affect the independence of the Directors/KMP;
- d) Whether the proposed transaction involves any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- f) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.

The Audit Committee shall decide whether a particular transaction requires approval of the Board of Directors and / or Shareholders in view of the provisions of the Companies Act or Regulation 23 of SEBI (LODR) Regulations, 2015 or for any other reasons.

5.2.2 Prior approval of the Board of Directors under the Companies Act:

Transactions with related parties within the scope of Section 188 of the Companies Act, 2013, which are either not in the ordinary course of business or are not at arm's length basis shall require prior approval of the Board of Directors.

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 or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above under paragraph 5.2.1 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 when the Board considers the transaction and shall abstain from discussion and voting on the approval of such Related Party Transaction and his presence shall not be counted for determining the presence of quorum when such transaction is considered.

6. Shareholders' approval requirements:

➤ Shareholder's approval shall be sought in the following cases as per the requirements of the Companies Act:

- Transactions with the related parties covered within the scope of Section 188 of the companies Act, which are either not in the ordinary course of business or are not on an arm's length basis and exceed the threshold under Rule 15 (3) of the Companies (Meetings of Board and its powers) Rules, 2014 read with Section 188 of the

Companies Act, 2013, shall require prior approval of the shareholders through an ordinary resolution.

- No member of the Company, who is a related party, shall vote on the resolution where a related party contract or arrangement is being considered, irrespective of whether such member is a related party in the context of that particular contract or arrangement or not.

➤ **Shareholder's approval shall be sought in the following cases as per Listing Regulations:**

All Material Related Party Transactions covered within the scope of sub-regulation (1) of Regulation 23 of the SEBI (LODR) Regulations, 2015 shall require approval of the shareholders through an ordinary resolution. For this purpose, all entities falling under the definition of related parties (as defined under Listing Regulations) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

However, the above shall not be applicable to transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with those of the Company and placed before the shareholders at a general meeting for approval.

All existing material related party contracts or arrangements entered into prior to the date of notification of SEBI Regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of SEBI Regulations, if such approval of shareholders had not been obtained previously.

7. 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 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 and remedial measures as it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been undertaken without approval, it may direct additional actions as it deems appropriate including, but not limited to, discontinuation of the transaction or seeking the approval of the Board/shareholders, payment of compensation for the loss suffered etc. In connection with any review / approval of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.

8. Ratification of any contract or arrangement entered into without prior consent/approval of the Board or of Shareholders by a resolution in the general meeting, as the case may be.

Where any Contract or Arrangement is entered into without the prior consent/approval of the Board or Shareholders by a resolution in the general meeting, as the case may be, such contract or arrangement shall be submitted to the Board or general meeting for ratification, within three months from the date of such contract or arrangement as provided in Section 188(3) of the Act, failing which it will be voidable at the option of

the Board and the loss, if any, incurred by the Company shall be compensated by the concerned Director who authorized the transaction and/or to whom the party to transaction is related.

9. Disclosures of Related Party Policy

Details of all Material Related Party Transactions shall be disclosed along with the compliance report on corporate governance submitted quarterly to the stock exchange.

Every contract or arrangement entered into under sub-section (1) of section 188 of the Companies Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

This Policy shall also be uploaded on the website of the Company at www.transpek.com and a web link thereto shall be provided in the Annual Report of the Company.

Related party disclosure shall be made in the Annual Report in compliance with the Accounting Standard as specified in Schedule V of the Listing Regulations.

10. Amendment in Law

Any subsequent amendment/modification in the Listing Regulations and/or applicable laws in this regard shall automatically apply to this Policy and accordingly this Policy shall stand amended.

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