



DIVYASHAKTI GRANITES LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

DIVYASHAKTI GRANITES LIMITED

Policy on Related Party Transactions

(Approved by the Board of Directors at its meeting held on 30th May 2014)
(Amended on 30th May, 2016)

PREAMBLE:

The Companies Act, 2013 (the Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Pursuant to the revised Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions

SCOPE OF THE POLICY:

The Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed thereunder and Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, Divyashakti Granites Limited ("the Company" or "DSG") has amended guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Divyashakti Granites Limited
Policy on Related Party Transactions

Also, Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. "DSG" has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

OBJECTIVE OF THE POLICY:

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, and any other laws and regulations as may be applicable to the Company.

DEFINITIONS:

Related Party Transaction: "Related Party Transaction" is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged. (A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract).

Related Party-

Under Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, with the Stock Exchanges

An entity shall be considered as related to the company if:

- a. such entity is a related party under Section 2(76) of the Companies Act, 2013;
- or
- b. such entity is a related party under the applicable accounting standards.

As per Accounting Standard 18:

- Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);

Divyashakti Granites Limited
Policy on Related Party Transactions

- Associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- Key management personnel and relatives of such personnel;
- Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Section 2(76) of the Companies Act, 2013:

- a. A director or his relative
- b. Key Managerial Personnel or his/ her relative
- c. A firm, in which a director, manager or his relative is a partner
- d. A private company in which a director or manager or his relatives is a member or director
- e. A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- f. A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity
- g. Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- h. Any company which is:
 - A Holding, Subsidiary or an Associate company of such company or
 - A Subsidiary of a Holding company to which it is also a Subsidiary
- i. A Director, or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a Related Party.

- **Relatives:**

Section 2(77) of the Companies Act, 2013:

With reference to any person Related Party means any one person, who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife, or

Divyashakti Granites Limited
Policy on Related Party Transactions

- One person is related to the other if he or she is related to another as under:
Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother*
and Sister* (*including step)

- **Related Party Transaction:**

Under Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, with Stock Exchanges :

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Under Section 188 of the Act

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
- underwriting the subscription of any securities or derivatives thereof of the Company

- **Arms' length transaction:**

Section 188 (1) (*Explanation*):

The expression "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.

- **Subsidiary Company**

Sec 2 (87) of the Act:

In relation to any other company, that is the Holding company, means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (j) exercises or controls more than one-half of the Total Share Capital
 - either at its own; or
 - together with one or more of its subsidiary companies:

Explanation:

- The Company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- The composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- The expression "company" includes anybody corporate;
- "layer" in relation to a holding company means its subsidiary or subsidiaries;

- **Key Managerial Personnel:**

Sec 2 (51) of the Act:

In relation to a company means:

- the Chief Executive Officer (CEO) and /or the Managing Director (MD) or the Manager;
- the Company Secretary (CS);
- the Whole- time Director (WTD);
- the Chief Financial Officer (CFO); and
- Such other officer as prescribed under the Companies Act from time to time.

Divyashakti Granites Limited
Policy on Related Party Transactions

MATERIALITY:

a. Under Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, with Stock Exchanges

A Related Party Transaction shall be considered Material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company.

b. Under the Act

S. No	Transaction or contract or arrangements for	Limits for the time being in force * [as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014]
1	Sale, purchases or supply of any goods or materials	10% of net worth or Rs. 100 Crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year)
2	Selling or otherwise disposing of, or buying property of any kind	10% of net worth or Rs. 100 Crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year)
3	Leasing of property of any kind	10% of net worth or 10% of turnover or Rs. 100 Crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year)

Divyashakti Granites Limited
Policy on Related Party Transactions

4	Availing or rendering of any services, directly or through appointment of agent	10% of net worth or Rs. 50 Crores, whichever is lower (For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year)
5	Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Where monthly remuneration exceeds Rs.2,50,000
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	For amount exceeding 1% of Net Worth of the Company

MANNER OF DEALING WITH THE RELATED PARTY TRANSACTIONS

Identification of related parties & transactions

DSG shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015,.

DSG shall identify the related party transactions in accordance with Section 188 of the Act and Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015. DSG shall also determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

Procedure for approval of related party transactions

(i) Audit Committee's Approval

All Related Party Transactions and any subsequent modifications thereto, shall require the prior approval of the Audit Committee.

Divyashakti Granites Limited
Policy on Related Party Transactions

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- o The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- o The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- o Such omnibus approval shall specify (i) the name/s of the related party, nature of the transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;
- o Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- o The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- o Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(II) Board of Directors' approval

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length

shall require the prior approval of the Board of Directors at a Meeting of the Board.

(iii) Shareholders' approval

Divyashakti Granites Limited
Policy on Related Party Transactions

All the transactions with related parties exceeding the materiality thresholds as laid down in Clause 5 of the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board. 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 it deems appropriate.

Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a Director or KMP who had entered in to such contract or arrangement in contravention of the provisions of the Act or Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any

Divyashakti Granites Limited
Policy on Related Party Transactions

review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

DISCLOSURE:

DSG shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

LIMITATIONS AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 or any other statutory enactments, rules, the provisions of such Act or SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, Act and/or applicable laws in this regard shall automatically apply to this Policy.
