

**Policy on
Materiality and Dealing
with
Related Party Transactions**

1. TITLE

This policy shall be called 'RPT Policy on materiality and dealing with related party transactions'.

2. OBJECTIVE

Related party transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian Legislature.

The changes introduced in Corporate Governance norms through the Companies Act, 2013 and the revamped clause 49 of the Listing Agreement required the companies to have enhanced transparency and due process for approval of the related party transactions.

One of such requirements is that companies are required to formulate a policy on materiality of related party transactions.

3. DEFINITIONS

3.1 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.



- 3.2** **Audit committee** means the audit committee of the Board of directors of GHCL Limited.
- 3.3** **Board** means the Board of directors of GHCL Limited
- 3.4** **Company** means GHCL Limited
- 3.5** **Material related party transaction** in relation to the company means a related party transaction which individually or taken together with previous transaction with a related party during the financial year, *exceeds 10 percent of the annual "consolidated turnover" of the Company as per the last audited financial statements of the Company, or any other limit as may be prescribed from time to time under clause 49 of the Listing Agreement and Section 188 of Companies Act, 2013 and related rules thereon.*
- 3.6** **Policy** means this policy, as amended from time-to-time.
- 3.7** **Related Party** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013¹ and clause 49² of the listing agreement.

¹ Section 2(76) of the Companies Act, 2013: Related Party with reference to a company, means

- (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 and holds along with his relatives, more than two per cent of its paid up share capital.
- (vi) 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;
- (vii) Any person on whose advise, directions, or instructions a director or manager is accustomed to act; provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions, 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.

3.8 Related party transaction in relation to the Company means a transaction which is:

- a) a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged³;
- b) [a contract or arrangement with a related party with respect to –
 - (i) sale, purchase or supply of any goods or materials ;
 - (ii) selling or otherwise disposing of, or buying, property of any kind ;
 - (iii) leasing of property of any kind ;
 - (iv) availing or rendering of any services ;
 - (v) appointment of any agent for purchase or sale of goods, materials, services or property ;
 - (vi) such related party's appointment to any office or place of profit in the Company ,

(ix) Such other person as may be prescribed. According to Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014, a director or key managerial personnel of the holding company or his relatives with reference to a company shall be deemed to be a related party.

² Clause 49 of Listing agreement: As per clause 49 (VII) (B), an entity shall be considered as related to the company if

- (i) Such entity is related party under Section 2(76) of the Companies Act, 2013, or
- (ii) Such entity is a related party under applicable accounting standards.

³ Clause 49(VII)(A) of Listing Agreement.

its subsidiary company or associate company ; and

- (vii) underwriting the subscription of any securities or derivatives thereof, of the Company]⁴ ;
- c) defined as a “related party transaction” under the relevant provisions of the Companies Act, 2013 or the Listing Agreement or any other related law, regulation, standard etc.

4. APPLICABILITY

This policy shall be applicable to all the related party transactions entered in to by the Company with the related party as defined in the policy.

5. APPROVAL OF RELATED PARTY TRANSACTIONS

- (a) ⁵All related party transactions shall require prior approval of the audit committee. The approval of the audit committee can be granted by way of circular resolution. 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:
 - (i) The audit committee shall lay down the criteria for granting 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.

⁴ Section 188(1) of the Companies Act, 2013.

⁵ As per Clause 49(VII)(D) of the Corporate Governance.

- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (iii) Such omnibus approval shall specify
- ❖ the name/s of the related party, nature of 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;

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

- (iv) Audit Committee shall review, at least on a quarterly basis, the details of RTPs entered into by the Company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year”

- (b) ⁶All non-material related party transaction shall require prior approval of shareholders through Ordinary Resolution as per Companies Act, 2013, whereas all **material related party transaction** shall require approval of shareholders through Special Resolution as per Clause 49 of listing agreement. However, ⁷**no approval of audit committee and shareholders would be required for the 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 general meeting for approval.**
- (c) **Prior approval** of Audit Committee, Board and the shareholders by way of passing **Ordinary resolution** in their general meeting, would be required in following situations.
- i. In case of **non-material related party transaction** which is not in ordinary course of business or
 - ii. In case of **non-material related party transaction** which is in the ordinary course of business but is **not an arm's length transaction. (see illustration)**
- (d) Prior approval of Audit Committee, prior approval of Board and approval of shareholders (*may or may not be prior*) by way of passing **Special⁸ resolution** in their

⁶ As per rule 15 (3), of Companies(Meeting of Board and its Power) Rules, 2014, "Except with prior approval of Special Resolution, a company having paid up share capital of Rs. 10 Cr. or more shall not enter into a contract or arrangement with any related party.

⁷ SEBI Circular dated September 15, 2014: point no 16 "Amendment to Clause 49 (VII) (E)

⁸ According to Companies Amendment Bill, 2014, Resolution need to be approved by way of passing Ordinary resolution. However, as per Corporate Governance, Special Resolution would be required. Hence, we propose to have approval by way of special resolution.

general meeting, would be required in following situations.

- i. In case of **material related party transaction** which is not in ordinary course of business or
 - ii. In case of **material related party transaction** which is in the ordinary course of business but is **not an arm's length transaction. (see illustration)**
- (e) In accordance with the provisions of Clause 49 (VII) (D) read with third proviso to Section 188 of the Companies Act, 2013, prior approval of only audit committee would be required for all related party transactions which is not a material related party transaction and which is in ordinary course of the business and an arm's length transaction⁹.
- (f) ¹⁰Where any director is interested in any contract or arrangement with related party, such director shall not be present in the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

¹¹The related party shall abstain from voting as shareholders in case of related party transactions which require the approval of shareholders.

⁹ Clause 49(VII)(D) read with Third proviso to sub-section (1) of Section 188 of Companies act, 2013

¹⁰ Rule 15 sub Rule 2 of Companies (Meeting of Board and its power) Rules, 2014

¹¹ Explanation (ii) to Clause 49(VII)(E) of Corporate Governance (Listing Agreement). "As per the existing Clause 49(VII) (E) as on March 25, 2015, 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."

6. PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS

- (a) A list of all the related parties in relation to the Company shall be provided by the secretarial department to all the concerned departments, and updated from time-to-time, in consultation with Chief Financial Officer of the Company.
- (b) Every department, prior to entering in to any contract or arrangement with a related party, shall fill the details of contract and arrangement in the format enclosed as an annexure to the Policy and submit the same to the secretarial department.
- (c) The secretarial department shall, within five working days of submission of details, convey to the concerned department the approvals required if any for the contract/arrangement and approximate time within which such approval can be obtained.
- (d) The secretarial department may ask for further information about the contract/arrangement, if felt necessary, to determine the nature/type of transaction.
- (e) The contract/arrangement shall not be entered in to without the necessary approval from the audit committee/Board/shareholders, if such prior approvals are necessary under the policy.
- (f) The secretarial department shall arrange for the approval of the audit committee/Board/shareholders, as may be necessary and upon receipt of necessary approval convey the same to the concerned department.

7. AMENDMENTS

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

8. INTERPRETATION

- (a) Any words used in this policy but not defined herein shall have the same meaning as prescribed to it in the Companies Act, 2013 or rules made thereunder, SEBI Act or rules and regulations made thereunder, listing agreement, Accounting Standards or any other relevant legislation/law applicable to the company.
- (b) The reference to the male gender in this policy shall be deemed to include a reference to female gender.
- (c) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this policy, the same shall be referred to the audit committee and the decision of the audit committee in such case shall be final. In interpreting such term/provision, the audit committee may seek the help of the officers of the Company or an outside expert as it deems fit.

9. DISCLOSURE:

- 9.1. GHCL shall disclose details of all material transactions with related parties along with the quarterly compliance report on Corporate Governance.
- 9.2. GHCL shall disclose this policy or any amendment thereof, on its website and also in the annual report.

GHCL Limited		Annexure-1
FORMAT FOR REPORTING LIMITED PARTY TRANSACTIONS		
Sl. No.	Particulars	Details
1.	Name of the Department	
2.	Name and designation of person submitting the form	
3.	Name of related party	
4.	Nature of relationship of related party with the Company	
5.	Brief description of the contract/ arrangement	
6.	Total value of contract/arrangement in Indian rupees.	
7.	Duration of contract/arrangement	
8.	Advance paid/received if any	
9.	Other material terms of the contract/ arrangement.	
10.	Manner of determining commercial term including pricing.	
11.	Details of factor relating to the contract/arrangement not considered, if any, and rationale for the same.	
12.	Whether the contract/arrangement shall be considered on 'arm's length transaction' under the policy. If yes then reasons/ rationale therefore.	
13.	Any other relevant/important information relating to the contract/arrangement which the submitter may like to provide.	
Signature of Submitter		
Name of Submitter		
Date		
TO BE COMPLETED BY SECRETARIAL DEPARTMENT		
1.	Date of the approval by the audit committee	
2.	Date of approval by Board	
3.	Date of approval by shareholders	

Illustrations-2					
Sl. No.	Transactions	Audit Committee	Board	Shareholders by Ordinary Resolution <i>(Prior approval as per Section 188)</i>	Shareholders by Special Resolution <i>(need not be prior approval as per Clause 49)</i>
1.	Non Material Related party transaction in the ordinary course of business at arm's length basis.	Yes	No.	No.	No
2.	Material Related party transaction in the ordinary course of business at arm's length basis.	Yes	Yes	NA	Yes
3.	Non Material Related party transaction in the ordinary course of business but not at arm's length basis.	Yes.	Yes	Yes	NA
4.	Material Related party transaction in the ordinary course of business but not at arm's length basis.	Yes.	Yes	NA	Yes
5.	Non-material Related party transaction not in ordinary course of business, at arm's length basis.	Yes	Yes	Yes	NA
6.	Material Related party transaction not in ordinary course of business, at arm's length basis.	Yes.	Yes	NA	Yes
7.	Non- Material Related party transaction not in ordinary course of business, not at arm's length basis.	Yes	Yes	Yes	NA
8.	Material Related party transaction not in ordinary course of business, not at arm's length basis.	Yes	Yes	NA	Yes