

# SHALIMAR AGENCIES LIMITED

## POLICY ON RELATED PARTY TRANSACTIONS

### **INTRODUCTION**

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, 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 Listing Agreement vis-à-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 has revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), 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

This policy is framed pursuant to the requirement of sub clause VII (C) of revised Clause 49 of the Equity Listing Agreement by the Securities Exchange Board of India (SEBI) vide CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 (including the amendments made thereto)

### **DEFINITIONS**

For the purposes of this policy, the following definitions apply:

(a) **Board** means the Board of directors of Shalimar Agencies Limited;

(b) **Company** means Shalimar Agencies Limited;

(c) **Material Related Party Transaction** means a transaction with a related party 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.

(d) **Policy** means this Policy on Related Party Transactions;

## **SHALIMAR AGENCIES LIMITED**

(e) **Related party** means following:

Under Clause 49 of the Listing Agreement 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.

(f) **Relative means**

(A) With reference to any person, anyone who is related to another, if :

1. they are members of a Hindu Undivided Family;
2. they are husband and wife; or

(B) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

1. Father including step-father
2. Mother including step-mother
3. Son including step-son
4. Son's wife
5. Daughter
6. Daughter's husband
7. Brother including step-brother
8. Sister including step-sister

(g) **Related Party Transaction** means a transaction as envisaged as a related party transaction under the Companies Act, 2013 or under the Listing Agreement (as amended from time to time) with the Stock Exchanges.

(h) **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.

### **PROCESS, PROCEDURE AND REVIEW FOR DEALING WITH RELATED PARTY TRANSACTIONS**

1. Prior approval of Audit Committee is required to be taken for entering into transactions with a Related Party. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions as prescribed in clause 49 of the Listing Agreement (as amended from time to time).

## SHALIMAR AGENCIES LIMITED

2. Prior approval of the Board of Directors and shareholders is required to be taken before entering into related party transactions which are not in the ordinary course of business and not on an arm's length basis and are beyond the limits as specified under Companies Act, 2013 and rules thereto and the transactions which are considered material as per Listing Agreement.

3. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

4. Prior approval of Shareholders is required to be taken before entering into Material related party transactions irrespective whether the transaction is in ordinary course of business or not and related parties shall abstain from voting on such resolution as per Listing Agreement.

5. All existing Material Related Party Transactions as on September 30, 2014 which are likely to continue beyond March 31, 2015 shall be required to be placed for approval of the shareholders in the subsequent Annual General Meeting.

### **Identification of Related Party Transactions**

The related party transaction shall be any contract or arrangement entered by the Company with related party such as:

- 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;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged **as per the Listing Agreement**.

The following process shall be followed for related party transactions along with necessary approval as and when required under Companies Act, 2013 and Listing Agreement:

## **SHALIMAR AGENCIES LIMITED**

### **(A) Purchase of products and services from the related parties (other than subsidiaries/Joint Ventures)**

In the case of transactions which are undertaken on the basis of contractual arrangements or are urgently required for purposes of the operations, the Audit Committee will provide approval to enter into such transactions on the basis stated below:

- (1) The Company will take multiple quotes from the vendors including the related parties.
- (2) In the usual course, the transaction may be entered into with the related parties if the quote of the related party is the least and all other terms and conditions for obtaining the goods or the service are at least as favorable as those offered by any other prospective supplier.
- (3) If the quality or delivery schedule or any other terms that is a pre-requisite for the Company and only the related party is able to offer these, the contract may be awarded to the related party even though the price quoted may not be the lowest.
- (4) In case there is no quote received other than that of the related parties, the management will indicate this to the Audit Committee and will seek approval on this basis. The Company will provide a periodic update to the Audit Committee for all such transactions.

### **(B) Sale of products and services (other than subsidiaries/Joint Ventures)**

Audit committee may give omnibus approval subject to such conditions as mentioned under the prevailing laws and the same will be valid for one year and shall require fresh approval from audit committee after the expiry of one year.

### **(C) Taking facilities on lease and/or renting out facilities on lease and taking / lending administrative support services for these facilities**

Specific approval of the Audit Committee shall be taken for entering into leasing transactions with related parties.

### **(D) Transactions with subsidiaries/Joint Ventures**

The Company will provide the basis for entering into transaction with the subsidiaries/ Joint Ventures on arm's length basis. The Audit Committee will consider the principle / basis for the arm's length price and will provide its approval for entering into the transactions with the subsidiaries/JVs on that principle for all the transactions in the ordinary course of business.

## **SHALIMAR AGENCIES LIMITED**

### **Related Party Transactions through omnibus approval**

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

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

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 Rs.1 crore per transaction.

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

### **Review and Approval of Related Party Transactions**

Related Party Transactions will be reviewed on quarterly basis by the audit committee and Board of Directors will review and approve such transactions from time to time. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and any other relevant matters. 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 Transaction:

- a. Whether the terms of the Related Party Transaction are fair and on 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 compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

## **SHALIMAR AGENCIES LIMITED**

- c. Whether the Related Party Transaction would affect the independence of an independent director;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and 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 overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:

- i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- ii. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- iii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

## **SHALIMAR AGENCIES LIMITED**

### **Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy. T

his Policy will be communicated to all operational employees and other concerned persons of the Company.

### **DISCLOSURE**

The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 should be disclosed in the Directors Report for the financial years commencing on or after April 1, 2014 in Form AOC-2 enclosed as Annexure-I.

All material related party transactions that are entered into with effect from October 1, 2014, to be disclosed quarterly along with the compliance report on corporate governance pursuant to the requirements of clause 49 of the Listing Agreement.

The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

### **AMENDMENT**

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time.

### **Note:**

The provisions of the Companies Act, 2013 and rules thereto and the Listing Agreement (including any amendment thereto from time to time) to the extent applicable, shall be applicable in addition to this policy.

## SHALIMAR AGENCIES LIMITED

### **Annexure I Form No. AOC-2**

**(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for disclosure of particulars of contracts/arrangements entered into by the company **with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis

(a) Name(s) of the related party and nature of relationship

(b) Nature of contracts/arrangements/transactions

(c) Duration of the contracts / arrangements/transactions

(d) Salient terms of the contracts or arrangements or transactions including the value, if any

(e) Justification for entering into such contracts or arrangements or transactions

(f) Date(s) of approval by the Board

(g) Amount paid as advances, if any:

(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangement or transactions at arm's length basis

(a) Name(s) of the related party and nature of relationship

(b) Nature of contracts/arrangements/transactions

(c) Duration of the contracts / arrangements/transactions

(d) Salient terms of the contracts or arrangements or transactions including the value, if any:

(e) Date(s) of approval by the Board, if any:

(f) Amount paid as advances, if any