

DCM Shriram Industries Limited

Policy on Related Party Transactions

Preamble

Related party transactions, as defined below, can present potential or actual conflicts of interest and may raise question about whether such transactions are consistent with the interest of the Company as well as its stakeholders. Therefore, this Policy regarding Related Party Transactions (RPT) has been adopted by the Company's Board of Directors, on recommendation of the Audit Sub-Committee in their respective meetings held on November 3, 2014.

This Policy is applicable to the Company and is to regulate transactions between the Company and its related parties based on the applicable laws and regulations.

Purpose

This Policy is framed as per requirement of Clause 49 of the Listing Agreement entered into by the Company with the Bombay Stock Exchange and intended to ensure proper approval and reporting of transactions between the Company and its related parties.

Legal Provisions

RPT is governed by the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and Its Powers) Rules, 2014, Accounting Standard 18 and Part VII of Clause 49 of the Listing Agreement. Whereas Section 188 of the Companies Act, 2013 and the Listing Agreement deal with disclosure and approval requirements, AS 18 deals with disclosure of RPT in the financial statements.

Definitions

"Audit Sub-Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

"Board" means the Board of Directors of the Company.

"Key Managerial Personnel" means Key Managerial Personnel as defined under the Companies Act and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a Whole-time Director ;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Material Related Party Transaction” means a transaction with a related party if the transaction/s to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover of the Company as per the last audited Financial Statements of the Company.

“Policy” means related party Transaction Policy.

“Related Party” means related party as defined in **Clause 49 of the Listing Agreement** which is as follows:

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

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013 ; or
- (ii) such entity is a related party under the applicable Accounting Standards.

Section 2(76) of the Companies Act, 2013 and the relevant Rules referred to above, define 'related party' with reference to a company as under :

- i) a director or his relative;
- ii) 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, director or instructions of a director or manager;
- vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
provided that nothing in sub-clause (vi) and (vii) shall apply to the advice, directions or 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 subsidiary;
- ix) a director or key managerial personnel of the holding company or his relative.”

Accounting Standards 18 defines “related party” as under :

“Parties are considered to be related if at any time, during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/ or operating decisions.”

“Control” has been defined in AS 18 as under:

“a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or

b) control of the composition of the Board of Directors in case of company or of the composition of the corresponding governing body in case of any other enterprise, or

c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/ or operating policies of the enterprise.”

“Relative” means relative as defined under the Companies Act, 2013, and includes any one who is related to another, if -

- i) they are members of a HUF;
- ii) they are husband and wife ;
- iii) father including step father;
- iv) mother including the step mother;
- v) son including step son ;
- vi) son's wife ;
- vii) daughter ;
- viii) daughter's husband ;
- ix) brother including step brother ;
- x) sister including step sister.

“Related Party Transaction” as per the Companies Act, 2013 means any contract or arrangement with a related party with respect to;

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company;

Clause 49 (VII)(A) of the Listing Agreement and AS 18 define a related party transaction as transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Approvals

As per Section 188 of the Companies Act, 2013 read with the relevant Rules and Clause 49 of the Listing Agreement, all RPT, other than those in the ordinary course of business and on arms length basis, will require prior approval of the Audit Sub-Committee and approval of the Board of Directors.

Approval of Audit Sub-Committee shall be prior approval. However, the Audit Sub-Committee may grant omnibus approval for RPT proposed to be entered into by the Company. Such approval shall be applicable in respect of transactions which are repetitive in nature. Omnibus approvals shall be valid for not exceeding one year.

Prior approval of the shareholders by special resolution is required in case of all material RPT as per Clause 49 of the Listing Agreement and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

In case of material RPT, 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.”

Policy

The Corporate Law Department has advised all concerned Units/ Divisions/ Offices, not to enter into any RPT without prior clearance from the Corporate Law Department. A list of `related parties' was also circulated, which will be kept updated for any change.

Criteria for judging RPT

Whether the terms of the RPT are fair to the Company and would apply on the same basis if the transaction did not involve a related party.

Whether there are any compelling business reasons for the company to enter into the RPT and the nature of alternative transactions, if any.

Whether the RPT would impair the independence of an otherwise independent director.

Based on the above criteria, the Corporate Law Department will advise whether to go ahead with RPT by seeking necessary approvals or not.

Disclosures

The Policy will be disseminated on the Company website and a web-link thereto shall be provided in the Annual Report.

Details of material RPT will be disclosed quarterly along with the Compliance Report on Corporate Governance to the Stock Exchange.

The Audit Sub-Committee will review and amend this Policy as and when required.
