

BINANI INDUSTRIES LIMITED
RELATED PARTY TRANSACTIONS POLICY

30th January, 2015
Revised on February 13, 2019

1. PREAMBLE

The Board of Directors of Binani Industries Limited('Company') has adopted this Policy and procedure with regard to the Related Party Transactions(RPT). The Policy outlines the procedure governing RPT, required to be followed by the Company in compliance of the provisions of Section 188 of the Companies Act, 2013(Act) read with the Companies (meetings of the Board and its powers) Rules, 2014 (Rules) and also the revised Clause 49 VII C of the Listing Agreement('Clause'). Pursuant to the Clause 49 a Listed Company needs to formulate a Policy on materiality of RPTs and also dealing with the RPTs.

2. OBJECTIVES:

It is the Company's endeavour to ensure through this Policy due and proper compliance with the applicable provisions and to ensure that proper procedure is defined and followed for approval/ratification and reporting of transactions between the Company and its Related Parties and also 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 of the SEBI Listing Guidelines and any other laws and regulations as may be applicable to the Company.

3. SCOPE:

This Policy is applicable to all RPTs across all offices of the Company in India.

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 will review and amend the Policy as and when required, subject to adoption by the Board.

4. DEFINITIONS.

- i. “Act” means the Companies Act 2013.
- ii. “SEBI Listing Regulations” means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- iii. **Associate Company –Section 2 (6)**
In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation: For the purpose of this clause, “significant influence” means control of atleast 20% of the total share capital, or of business decisions under an Agreement.

- iv. **Holding Company – Section 2 (46)**
In relation to one or more other companies, means a company of which such companies are subsidiary companies.
- v. **Key Managerial Personnel – Section 2 (51)**

In relation to a company means:

- The Chief Executive Officer (CEO) and/or the Managing Director (MD) or the Manager or in their absence the Whole-Time Director(WTD);

- The Company Secretary (CS);
- The Chief Financial Officer (CFO); and
- Such other officer as prescribed under the Companies Act from time to time

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time

vi. **Material Related Party Transactions**

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, exceeds 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

a. **Under the Act.**

	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, purchase or supply of any goods or materials, services or property, directly or through appointment of agent.	Lower of amounts (i) Exceeding 10% of the Annual Turnover of the Company; or (ii) Rs.100 Crore 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 services or property of any kind, directly or through appointment of agent	Lower of amounts (i) Exceeding 10% of the Net Worth of the Company; or (ii) Rs.100 Crore For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
3.	Leasing of property of any kind	Lower of amounts (i) exceeding 10% of the Net Worth of the Company; or (ii) 10% of the Annual Turnover

		of the Company: or (iii) Rs.100 Crore For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
4.	Availing or rendering of any services, directly or through appointment of agent	Lower of amounts (i) Exceeding 10% of Annual Turnover of the Company; or (ii) Rs.50 Crore For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial Year.
5.	For appointment to any office or place of profit in the Company, its Subsidiary 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.
*shall be subject to such amendment from time to time by the Central Government. Annual Turnover and Net Worth referred above to be reckoned as per audited Financial Statements for the preceding financial year.		

vii. **Net Worth – Section 2(57)**

The aggregate value of the paid up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not includes reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

viii. **Ordinary Course of Business**

Ordinary course of business shall include the usual transactions, customs and practices of the Company, or transactions permitted under the object clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income/revenue/turnover of the Company as opposed to “income from other sources”. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines

ix. **Related Party**

- a. An entity shall be considered as related to the Company if;
- (i) 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);
 - (ii) 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.
 - (iii) 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;
 - (iv) Key Managerial Personnel and relatives or such personnel; and
 - (v) Enterprises over which any person described in (iii) or (iv) 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.

a. **Under Section 2(76) of the Act**

With reference to a company, Related Party means;

- A Director or his relative
- Key Managerial Personnel or his/her relative
- A firm, in which a Director, Manager or his/her relative is a partner
- A private company in which a Director or Manager or his/her relatives is a member or Director
- 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.
- 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.
- 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.

- 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
- A Director, other than a Independent Director, or Key Managerial Personnel of the Holding Company or his/her relative with reference to a company, shall be deemed to be a Related Party.

b. And Under Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended

x. Relatives-Sec 2 (77)

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
- 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)

xi. Subsidiary Company or Subsidiary – Section 2 (87)

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
- (ii) Exercises or controls more than one-half of the Equity Share Capital
 - Either as its own; or
 - Together with one or more of its subsidiary companies;

Explanation:

- a. A 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.
- b. 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;
- c. The expression "company" includes anybody corporate;

- d. “layer” in relation to a holding company means its subsidiary or subsidiaries.
- xii. **Related Party Transaction have the meaning** as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –
- 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. appointment to any office or place of profit in the company
 - g. underwriting the subscription of any securities or derivatives thereof, of the company

Explanation:

i. Arms’ length transaction – Section 188 (1)

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.

II. Office or place of profit means any office or place of profit:

- a) is held by a Director, if the Director holding it receives from the Company anything by way of remuneration, over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- b) is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

5. POLICY

It would be endeavour of the Company to enter into transactions with the Related Parties an arm’s length basis.

All Related Party Transactions shall be reported to the Audit Committee ('Committee') and referred for approval by the Committee in accordance with this Policy. All RPTs shall require prior approval of the Audit Committee and all

Material Related Party Transactions shall require approval of the Shareholders through Special Resolution and the Related Parties shall abstain from voting on such Resolution.

6. MATERIALITY THRESHOLDS AS PER SEBI (LODR), 2015

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

Binani Industries has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

7. PROCEDURE:

A. Disclosure by Directors:

Every Director and Key Managerial Personnel (KMPs) shall at the beginning of the Financial Year provide information by way of written notice to the Company regarding his/her concern or interest in the entity with specific concern as related party with respect to the Company and also the list of relatives who are regarded as Related Parties under this Policy.

B. Approval of the Audit Committee

A. All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:

- i Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - ii The maximum value per transaction which can be allowed;
 - iii extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - iv review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - v transactions which cannot be subject to the omnibus approval by the Audit Committee
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - i repetitiveness of the transactions (in past or in future);
 - ii justification for the need of omnibus approval
- c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- d. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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 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 rupees 1 crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other approval given;
- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- h. Any other conditions as the Audit Committee may deem fit

In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 30% of the annual consolidated turnover of the company as per last its audited financial statements.

- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the policy.
- c. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - i Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 - ii Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - iii Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
 - iv Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - v Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - 2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - 3. management assessment of pricing terms and business justification for the proposed transaction;
 - 4. comparative analysis, if any, of other such transaction entered into by the company.
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given
- e. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 - 1. Transactions which are not at arm's length or not in the ordinary course of business
 - 2. Transactions which are not repetitive in nature
 - 3. Transactions exceeding materiality thresholds as laid down in the Policy
 - 4. Transactions in respect of selling or disposing of the undertaking of the company
 - 5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 - 6. Any other transaction that the Audit Committee may deem not fit for omnibus approval

C. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- d) Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the shareholders for approval

D. Approval of the Shareholders of the Company

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

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following cases:

- transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

- 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

8. DISCLOSURES

The Company 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 not at arm's length basis along with the justification for entering into such transaction.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

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

9. 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 in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 it deems appropriate.

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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

10. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

11. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.
