



BINANI INDUSTRIES LIMITED
RELATED PARTY TRANSACTIONS POLICY

30th January, 2015

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.

3. SCOPE:

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

4. DEFINITIONS.

i. 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.

ii. Holding Company – Section 2 (46)

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

iii. 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

**iv. Material Related Party Transactions
Under Clause 49**

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.

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.	

v. 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.

vi. 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”.

vii. Policy

Policy means this Related Party Transactions Policy.

viii. Related Party

a. Under Clause 49

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.

b. 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.

ix. 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)

x. 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.

xi. Related Party Transaction

a. Under Clause 49

A related party transaction is a transfer of resources, services or obligation 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.

b. 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.

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. 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. Review and approval of Related Party transactions .

- a. All Related Party Transactions or changes therein, must be reported by the Chief Financial Officer to the Company Secretary who shall place the details of RPTs for prior approval of the Audit Committee in accordance with this Policy.
- b. The Audit Committee will undertake an evaluation of the RPTs considering inter-alia the following factors.
 - Name of party and explaining nature of relationship
 - Nature of transaction and material terms thereof including the value, if any;
 - The manner of determining the pricing to ascertain whether the same is on Arm's Length Basis.
 - Business rationale for entering into such transaction

For this purpose, following transactions shall be considered to be on an Arm's Length basis if:

- **Purchase of Goods** : the transaction is finalised on the basis of Competitive bidding and in accordance with the Procurement Policy of the Company.
- **Taking/Giving Premises on Lease**: the Lease Rents are not more than the quotations obtained from the Real Estate Brokers for similar premises in and around that area. In case no quotations received, then the Lease Rents are in line with the certificate of the renowned Real Estate Consultant.
- **Sale/Disposal of used assets** : used assets are disposed of on the basis of highest quotation received but in any case not being less than Written Down Value of such items.
- **Availing/providing Services**: such services charges determined in line with the practice followed in the relevant Industry.

Any Member of the Committee who has a potential interest in any Related Party Transaction will excuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

- c. If the evaluation indicates that such transactions would require approval of the Board, the Audit Committee will report the transaction together with a summary of material facts to the Board for its approval.

- d. If the Board is of the view that the Related Party transactions need to be approved at the General Meeting of the Shareholders by way of Special Resolution pursuant to Section 188 of the Companies Act, 2013 or in accordance with Clause 49 VII of the Listing Agreement, the same shall be put up for approval by the Shareholders of the Company.
- e. If the prior approval of Audit Committee/ Board/General Meeting for entering into a Related Party Transactions is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee/ Board/General Meeting respectively within the 3 months of entering in such transactions.
- f. In any case where either the Audit Committee/ Board/ General Meeting determines not to ratify a particular transaction which has been commenced without prior approval, the Committee or Board may give directions including, but not limited to, immediate discontinuation of the transactions or modifications of the transactions to make it acceptable.
- g. No Director or KMPs shall participate in any discussion or approval of RTPs in respect of which he/she is a Related Party.
- h. If a RPT will be ongoing and of repetitive nature, the Audit Committee may establish guidelines for granting omnibus approval for such RPTs.
- i. The Omnibus approval shall specify the name of the Related Party, nature of transaction, period of transaction, maximum value of the transaction that can be entered into, indicative price and the criteria for evaluation of the price if any and on such other terms as the Audit Committee may deem fit.
- j. Where the need for Related Party Transaction is not visualized/anticipated earlier, the Audit Committee may grant omnibus approval for such transaction subject to the value not exceeding Rupees one crore per annum.
- k. The Audit Committee shall review atleast on a quarterly basis, the details of Related Party Transaction entered into by the Company, pursuant to each of the omnibus approval given by the Committee.
- l. The Omnibus approval shall be valid for the period not exceeding one year and shall require fresh approval on expiry of one year.

C. Transactions which do not require approval.

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

- (a) Any transaction involving the providing of compensation to a Director or Key Managerial Personnel in connection with his/her duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.

(b) 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.

7. DISCLOSURES.

- Every Related Party Transaction with proper justification shall be disclosed in the Directors' Report.
- Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on Corporate governance.
- The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also in the Annual Report.

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

Disclaimer: This Policy has been framed in accordance with requirement of Clause 49 (VII) (C) of the Listing Agreement. This may not cover transactions which are required to be dealt as per Accounting Standard -18.
