

**Garware Industries Ltd.**

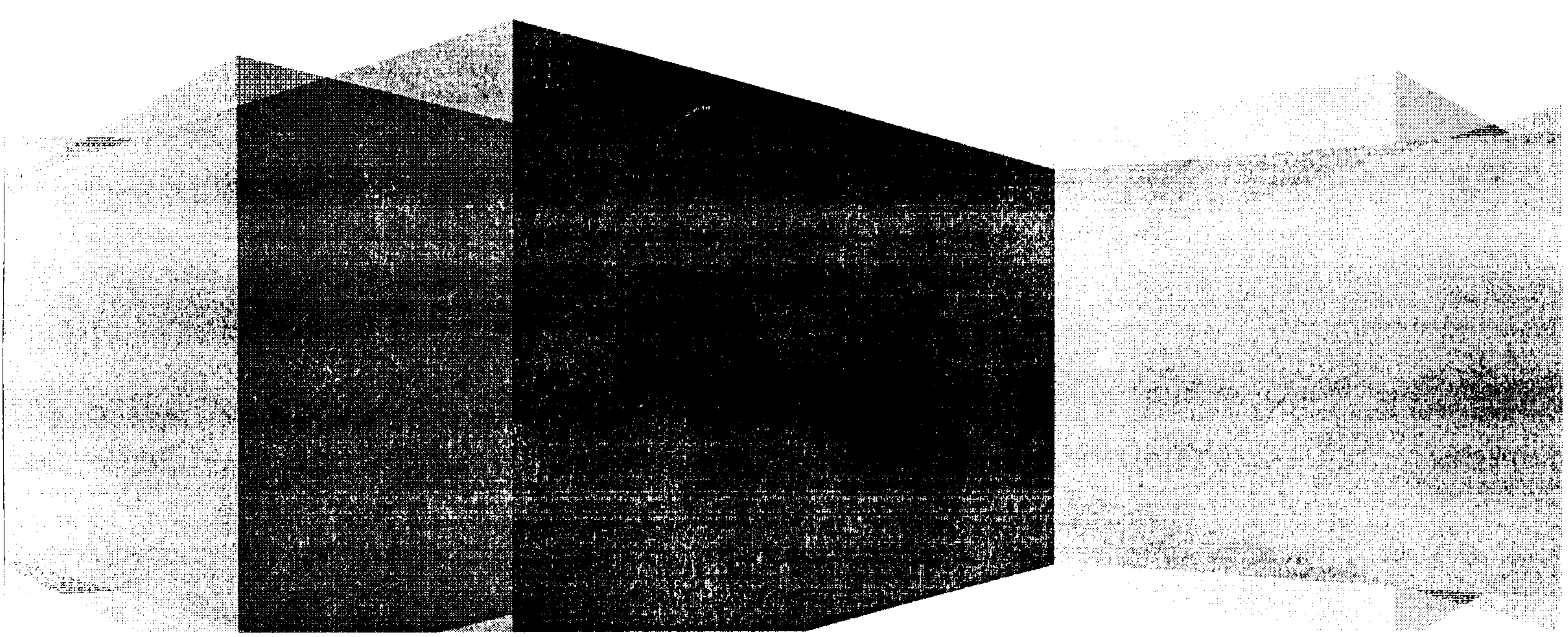
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# **GARWARE INDUSTRIES LIMITED**

## **POLICY ON RELATED PARTY DEALINGS**

**Secretarial & Legal**

**M.A. Wagh**



**CIN No.- U74999.MH2012PLC235072**



**REGD. OFFICE : NAIGAON, POST WALUJ, AURANGABAD - 431 133. (INDIA)**

## Context

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## Policy on Related Party Transactions / Dealings

### 1.0 Objective:

This Policy aims to ensure compliance of the applicable provisions of Sections 188 & 189 of the Companies Act, 2013 & Rules ( Rule 15 & 16 of the Companies (Meetings of Board and its Powers) Rules, 2014 ) made thereunder (the Act), Accounting Standard AS-18 issued by the Institute of Chartered Accountant of India (AS-18) and which relate to the identification of the Related Parties and governance & approval of the Related Party Transactions, wherever required. The details of the Policy on Related Party Dealing have dealt with Related party Transactions under the following heads :

- (I) Identification of Related Parties
- (II) Nature of Related party Transactions
- (III) Approval Process
- (IV) Disclosure Requirements.

### 2.00 Identification of Related Parties:

**2.01** Whenever any Director, Key Managerial Personnel wishes to enter into a Related Party Transaction with the Company involving either him/ her or his/her Relative, shall give a Notice to the Company along with all the relevant details and documents.

**2.02** Notice of any Related Party Transaction, referred to in Clause 3.03, shall be given not less than fourteen (14 ) days in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.

**2.03** Every Director, Key Managerial Personnel shall also make annual disclosures as under:

- a. List of Relatives as defined in Clause 3.02 of this policy.
- b. List of private companies where the Company's Director, Manager or his relative(s) is either a director or a member.
- c. List of firms where the Company's director or his relatives are a partner.
- d. List of Public companies in which any Company's director is also a director and he/ she , along with his/her relatives also holds more than 2% of the shareholdings.

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**2.04** Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned in Clause 2.01.

### **3.00 Definitions:**

#### **3.01 Related Party:**

“Related Party” or “Related Parties” shall mean and include the following:

- (i) the persons/ entities defined in Section 2(76) of the Act
- (ii) the entities defined in the applicable accounting standards.

#### **3.02 Relative:**

“Relative” u/s 2(77) of the Companies Act 2013 in respect of the Company’s Directors and Key Managerial Personnel shall mean and include the following:

- (i) Members of HUF
- (ii) Husband and wife
- (iii) Father, including step father
- (iv) Mother, including step mother
- (v) Son, including step son
- (vi) Son’s Wife
- (vii) Daughter, including step daughter,
- (viii) Daughter’s husband
- (ix) Brother, including step brother
- (x) Sister, including step sister

#### **3.03 Related Party Transaction(s):**

(i) A Related Party Transaction(s) shall mean transactions, contracts and arrangements prescribed in Section 188 of the Act, & Clause 49 and shall include a single transaction or a group of transactions in a contract during a financial year starting from 1<sup>st</sup> April of the same year entered upto 31<sup>st</sup> March of the subsequent year.

The following transactions save and except as covered under the 3<sup>rd</sup> Proviso to sub-section (1) of Section 188 of the Companies Act, 2013 shall, inter alia, qualify to be Related Party Transactions u/s 188(1) of the Companies Act 2013 :

- (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:

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(h) transfer of any resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged or not.

(i) For the purposes of this Policy, the words "Contract or Arrangement" shall include the "Transactions" which are used inter-changeably.

**3.04 Arms' Length Transactions:** The expression "Arm's Length Transaction" shall mean:

(a) The transaction carried on between the Company and the Related Party on similar terms and conditions as of a unrelated party, including the price, and

(b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income-tax Act, 1961.

**3.05 Material Transactions:**

A Related Party Transaction(s) with a Related Party shall be considered material if the transaction(s) to be entered into with a Related Party individually or taken together with previous transaction(s) 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.

**3.06 Ordinary Course of Business:**

The term "Ordinary Course of Business" shall mean and include:

(i) the usual transactions, customs and practices carried on generally in the manufacturing Industry, manufacturing of PVC & BOPP Films and also by the Company as well. However, it shall not include the following transactions:

(a) Complex equity transactions such as corporate restructuring or acquisitions.

(b) Any usual transactions with an off shore entities.

(c) Leasing of surplus space in the premises or rendering of management services by the Company to any Related Party without adequate consideration, and vice versa.

(d) Sales transactions with unusually large discounts or returns.

(e) Transactions with circular arrangements viz. sales with a commitment to repurchase.

(f) Transactions under contracts, whose terms are changed before expiry having material adverse impact on the Company

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## 4.00 Review and Approval of Related Party Transactions

### 4.01 Approval by the Audit Committee:

**4.02** The Company shall not enter into any Related Party Transactions with any Related Party without 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) 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.
- d) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

**4.03** The Notices referred to in Clause 2.02 above received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene a meeting of the Audit Committee.

**4.04.** The Internal Auditor shall review the information and details of the proposed Related Party Transaction and prepare a detailed note containing background information, comparative details of similar transactions with other parties, if any, including the status of the transaction to the effect that whether the proposed Related Party Transaction is on an arm's length basis and in the

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ordinary course of business along with justification thereof. The note so prepared by the Internal Auditor shall be circulated to the Audit Committee members for their approval of the concerned Related Party Transaction., Thereafter, the Company Secretary shall convene the meeting of the Audit Committee, as directed, and shall place all the relevant information/documents relating to the proposed Related Party Transaction(s) before the Audit Committee, which inter- alia shall include:

- (a) The name of the Related Party and nature of relationship;
- (b) The nature, duration and particulars of the contract or arrangement; such as business purpose of the transaction, the benefit of the contract or arrangement to the Company/Related Party etc.
- (c) The material terms and conditions of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms, both included as part of contract and also not considered as part of the contract;
- (f) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) Any other information relevant or important for the Audit Committee and/or Board of Directors to take a decision on the proposed Related Party Transaction.

**4.05** The Audit Committee will consider the information/documents related to Related Party Transactions placed before it and either approve or reject the same on merit.

**4.06** If any member of the Audit Committee is interested in any Related Party Transaction with a Related Party, such member shall not be present at the Audit Committee Meeting, neither during the discussions on the subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.

#### **4.07. Approval of the Board:**

**4.07.01** The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for approval:

- a. Transactions not at arm's length.
- b. Transactions not in ordinary course of business.
- c. Material transactions defined in Clause 3.05.

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**4.07.02** The Board of Directors shall consider the information/documents placed before it and either approve or reject the proposed Related Party Transactions with a Related Party, referred to in Clause 4.17.

**4.07.03** The Board of Directors shall also obtain approval of the shareholders by way of a Special Resolution for the Related Party Transactions, if the value of transactions exceeds the threshold limits prescribed under Companies Act 2013 and Listing Agreement

**4.07.04** The Board of Directors shall, for the purpose of Clause 4.19, decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot.

**4.07.05** If the approval of the shareholders is proposed to be sought at the General

Meeting, the Board of Directors shall fix the date of such General Meeting and shall also approve the Notice and the Explanatory Statement of the same.

The Explanatory Statement to be attached to such Notice shall inter alia include the following particulars:

- a. Name of the Related Party ;
- b. Name of the Director or Key Managerial Personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information which is relevant to enable the shareholders to take an informed decision.

**4.07.06** In case approval is proposed to be sought through Postal Ballot, the Board of Directors shall approve the Notice and Explanatory Statement (including therein the particulars mentioned in (a) to (e) of Clause 4.21) of the same and the Special Resolution proposed to be passed by the shareholders.

**4.07.07** If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

#### **4.08 Approval by the Shareholders:**

**4.08.01** No transaction, contract or arrangement referred to in Clause 4.17 shall be carried out/entered into with a Related Party, without the approval of the shareholders by way of a Special Resolution.

**4.08.02** The Notice and Explanatory Statement for approval of the Related Party

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Transactions by the shareholders at a General Meeting or through a Postal Ballot:

- i. Shall be sent to the shareholders at least 21 (twenty one days) in advance, and;
- ii. Shareholders shall be given option to cast their votes either Physically through postage prepaid ballots or through e. voting.

**4.08.03** No Related Party shall vote on such Special Resolution relating to any transaction, contract or arrangement which is proposed to be entered into by the Company, with such Related Party.

## **5.00 Ratification of Exceptional Cases:**

**5.01** Any transaction, contract or arrangement entered into by the Company with a Related Party, without obtaining the consent of the Board of Directors or approval of shareholders by a Special Resolution of the General Meeting, can in genuine cases be ratified by the Board of Directors or the shareholders at a General Meeting, as permitted in the Act,

**5.02** If the approval sought from the Board of Directors and the shareholders is not granted, the transaction, contract or arrangement shall stand cancelled with immediate effect and the Director or the concerned employee shall be liable to indemnify the losses, if any, caused to the Company on account of the said Related Party Transaction.

**5.03** For the purpose of indemnification of loss, as referred to in Clause 5.03, it will be open for the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery of such loss.

## **6.00 Disclosures:**

**6.01** The Company shall maintain a register pursuant to Section 189 of the Act Register of Contract in form no MBP-4 and enter therein the particulars of all the Related Party Transactions with a Related Party.

**6.02** Every transaction, contract or arrangement entered into with Related Parties shall be referred to in the Report of the Board of Directors to the shareholders along with the justification for entering into such transaction, contract or arrangement.

**6.03** Details of all material transactions, as defined in Clause 3.05, with Related Parties shall be disclosed to the Stock Exchanges where the securities of the Company are listed, on quarterly basis along with the compliance report on corporate governance pursuant to Clause 49.

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## 7.00 Miscellaneous:

**7.01** This Policy shall be deemed to have come into force w.e.f. date of its adoption by Audit Committee & approval by the Board.

**7.02** If any provision of this Policy contravenes any provision of the Act, and Clause 49, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the Act, AS-18 and Clause 49.

**7.03** The parties which are covered under the definition of Related Party in terms of the Accounting Standard - 18 issued by the Institute of Chartered Accountants of India but not covered under this Policy, transactions with such party(ies) shall be governed in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.

**7.04** This Policy can be amended, modified, or revised from time to time and if there is no bar under the Listing Agreement or the Act, then the same can be abrogated by the Board of Directors of the Company.

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