

SRIKALAHASTHI PIPES LIMITED
Related Party Transaction Policy

1. Introduction

The Board of Directors (the “Board”) of Srikalahasthi Pipes Limited (the “Company” or “SPL”), at their meeting held on 30th January, 2015, upon the recommendations of Audit committee, has adopted the following policy and procedures with regard to Related Party Transactions as defined below. Any amendment/ changes in the policy will be made by the Audit Committee.

2. Scope

Related Party Transaction Policy lays down a procedure to ensure that all transactions by and between a Related Party (as defined below) and SPL are properly identified and reviewed to ensure that Related Party Transactions (as defined below) are properly approved and disclosed in accordance with applicable law. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. Reasons for the Policy

In terms of requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges, this policy is framed.

The main purpose of this policy is to ensure the proper approval and reporting of transactions between the Company and its Related Parties. In order to properly identify, review and disclose Related Party Transactions, the Company will follow the procedures outlined in this policy in connection with all Related Party Transactions.

4. Definitions

- a. **“Audit Committee or Committee”** means Audit Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.
- b. **“Board”** means Board of Directors of the Company.
- c. **Control** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. The same is mentioned herein below.

“Control” includes right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreement or voting agreements or in any other manner.

Provided that a Director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such positions.

As per Accounting Standard 18, **Control** shall also mean:

- (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 the case of a 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.

d. “Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 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

e. “Material Related Party Transaction” means a transaction with a related party if the transaction / transactions to be entered into either individually or taken together with previous transactions during a financial year, exceeds 10 % (ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the company;

f. “Policy” means Related Party Transaction Policy.

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

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or

indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:

a. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- (i) a director or his relative ;
- (ii) a 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 or his relative 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, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act :

Provided that nothing in sub-clauses (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 a subsidiary ;

(ix) Director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to a company; or

b. has control or joint control or significant influence over the company; or

c. is a key management personnel of the company or of a parent of the company; or

2. An entity is related to a company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or

Further as defined in Accounting Standard 18, the following entities shall also be considered as **related party**:

- (a) 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);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) 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;
- (d) key management personnel and relatives of such personnel; and

- (e) enterprises over which any person described in (c) or (d) 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.

In the context of this Standard, the following are deemed not to be related parties:

- (a) two companies simply because they have a director in common, notwithstanding paragraph 3(d) or (e) above (unless the director is able to affect the policies of both companies in their mutual dealings);
 - (b) a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and
 - (c) the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):
 - (i) providers of finance;
 - (ii) trade unions;
 - (iii) public utilities;
 - (iv) government departments and government agencies including government sponsored bodies.
- h. “Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. Transaction with Related Party shall include a single transaction or a group of transactions in a contract.
- i. “Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
- i. They are members of a Hindu undivided family;
 - ii. They are husband and wife; or
 - iii. Father (including step-father)
 - iv. Mother (including 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)

5. Policy

All related Party Transactions shall require prior approval of the Audit committee.

Provided that omnibus approval i.e. all overall approval of the Audit Committee, upto the transaction value of Rs. 1 crore, may be obtained for related party transactions on the conditions that:

- a) Such RPTs should be repetitive in nature and the Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Related Party Transactions Policy of the company.
- b) Such omnibus approval is needed and is in the interest of the company;
- c) The approval should specify the
 - (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.
- d) Quarterly review of such omnibus approvals by the Audit Committee
- e) Validity of such omnibus approvals shall be for a period of one year.

All proposed Related Party Transactions (RPT) will be disclosed to the Audit committee of the Board by the Management. Thereafter the Audit committee shall review and approve Related Party Transactions.

In the event of transactions involving a Related Party who is a member of the Audit Committee, the transaction must be approved by disinterested members who constitute a majority of disinterested members of the Audit Committee. Audit Committee shall also review and approve any changes or amendment in the Related Party Transactions which are already approved by the Committee.

To enter into transactions mentioned below **prior consent of Board of Directors** is required by passing of resolution in the meeting of Board of Directors followed by **shareholders' approval via special resolution**:

Nature Of Related Party Transaction	Threshold Limits
Sale, purchase or supply of any goods or materials directly or through appointment of agents (or)	Exceeding 10% of the Turnover of Company or Rupees 100 Crore whichever is Lower
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents (or)	Exceeding 10% of Net worth or Rupees 100 Crore whichever is Lower
Leasing of property of any kind (or)	Exceeding 10% of the Net worth of company or 10% of Turnover of Company of Rupees 100 Crore, whichever is lower
Availing or rendering of any services directly or through appointment of agents (or)	Exceeding 10% of Turnover of company or Rupees 50 Crore, whichever is lower.
Appointment to any office or place of profit in the company, its subsidiary company or associate company (or)	Monthly Remuneration Exceeding Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1% of Net worth

Further, all “**Material Related Party Transactions**”, as defined above, shall require approval of the shareholders through Special Resolution and all entities falling under the definition of Related Parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transactions or not.

5.1 Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee may reasonably request. Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.2 Review and approval of Related Party Transactions

- a. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will refrain 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, the benefits to the Company and to the Related Party, 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:

- ◆ Whether the terms of the Related Party Transaction are fair and on Arms Length basis 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 Related Party Transaction and the nature of alternative transactions, if any;
- ◆ Whether the Related Party Transaction would affect the independence of an independent director;
- ◆ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ◆ 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
- ◆ 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.

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

- i. 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, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
 - ii. 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.
- b. Any related party transaction which exceeds the limits as specified in point no. 5, shall require prior approval of the Board. The Agenda placed before the Board shall disclose the following information with respect to the transaction with Related Party:
- (a) the name of the related party and nature of relationship;
 - (b) the nature, duration of the contract and particulars of the contract or arrangement;
 - (c) the material terms 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 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 Board to take a decision on the proposed transaction.

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.

- c. The related party transactions which exceeds the limits as specified in point no. 5, shall require also prior approval of the Shareholders of the Company and the following particulars shall be disclosed in the explanatory statement to be annexed to the notice of a general meeting:

- i. name of the related party ;
- ii. name of the director or key managerial personnel who is related, if any;
- iii. nature of relationship;
- iv. nature, material terms, monetary value and particulars of the contract or arrangement;
- v. any other information relevant or important for the members to take a decision on the proposed resolution.

6. 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 within three months from the date on which such contract or arrangement was entered into. The 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. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

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 such contract or arrangement shall be voidable at the option of the Committee and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

7. Disclosure with respect to Related Party:

- a. A statement in summary form of transactions with related parties in the ordinary course of business shall be placed periodically before the audit committee.
- b. Details of material individual transactions with related parties which are not in the normal course of business shall be placed before the audit committee.
- c. Details of material individual transactions with related parties or others, which are not on an arm's length basis should be placed before the audit committee, together with Management's justification for the same..
- d. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

- e. The company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.
- f. The Company is required to disclose each year in the Board's Report certain transactions between the Company and Related Parties along with the justification to enter into such contract or agreement with Related Parties.

This Policy will be communicated to all concerned persons of the Company.