

Policy

On

**Materiality of Related Party Transactions and also on dealing with
Related Party Transactions**

(Effective from 1st October 2014)

1. Preamble

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transactions (“Policy”) is prepared and adopted to build a framework for the Related Party Transactions of VCCL Limited (“Company”), in accordance with the requirement of Clause 49 of the Listing Agreement as amended with effect from 1st October, 2014 entered into between the Company and the Bombay Stock Exchange and the Uttar Pradesh Stock Exchange (“Stock Exchanges”) read with the provisions of the Companies Act, 2013 and relevant rules made there under; as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws and regulations.

2. Applicable Definitions

2.1. Act means Companies Act, 2013;

2.2. 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.

2.3. Board means the Board of directors of VCCL Limited;

2.4. Committee means the Audit committee as defined under the Companies Act, 2013 and the Listing Agreement

2.5. Company means VCCL Limited;

2.6. Key Managerial Personnel or KMP 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

2.7. Listing Agreement means the Equity Listing Agreement with the Stock Exchange;

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

2.9. “Related Party transactions” means Contract or arrangement as defined under section 188 of the Companies Act, 2013 and the rules made there under with a related party.

2.10. Policy means this Policy on materiality of related party transactions and also on dealing with Related Party Transactions;

2.11. Rules means the Company (Meetings of Board and Its Powers) Rules, 2014;

2.12. Related Party means related party as

An entity 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.

2.13. Relative means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

- 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)

2.14. Transaction(s) means Related Party Transaction(s);

2.15. “Interested director” means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement, or proposed contract or arrangement, entered into or to be entered into by or on behalf of a company.

3. The Policy

Following is the structure of dealing with transactions with Related Parties with the Company:

- Identification of potential Related Party Transactions;
- Restrictions relating to Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

3.1. Identification of potential Related Party Transactions;

In terms with the Companies Act, 2013, the Transactions which shall be considered as Related Party Transactions, if entered into between the Company and its Related Party are any contracts or arrangements that the Company enters into with a Related Party with respect to:

- 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;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company.
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged (as per the Listing Agreement).

Each director, its nominee, executive officer or employee and the KMP of the Company shall be responsible for providing the information and notice of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that may be reasonably requested, to the Chairman of the Board or the Audit Committee, in writing.

The Audit Committee will determine whether or not such a transaction constitutes a Related Party Transaction, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction, and refer it to the Board of Directors for its approval.

3.2. Approval of Related Party Transactions:

3.2.1 Audit Committee

All Related Party Transactions shall require 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:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
3. 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.

4. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

The Agenda of the Meeting at which such Related Party Transaction is proposed to be reviewed/approved by the Audit Committee shall disclose the following: -

- i. the name of the related party and nature of relationship;
- ii. the nature, duration of the contract and particulars of the contract or arrangement;
- iii. the material terms of the contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

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:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
- ii. 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;
- iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;

- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- vi. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

3.2.2. Board of Directors

The Board shall consider and approve the Related Party Transaction at a meeting as required under the Companies Act, 2013 or rule made there under and statutory modification or enactment thereof.

The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose-

- name of the Related Party and nature of relationship;
- nature, duration and particulars of the contract or arrangement;
- material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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
- any other information relevant or important for the Board to take a decision on the proposed transaction.

3.2.3 Shareholders' Approval

- a. All the Material Related Party Transactions shall require approval of the shareholders through special resolution.

- b. The transactions which fall under the provisions of Section 188 of the Companies Act, 2013 and the rules made there under shall require approval of the shareholders through special resolution.

The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of approving such related party transactions shall include the following particulars namely:-

1. Name of the related party;
2. Name of the director or key managerial personnel who is related, if any;
3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution.

3.2.4 All entities falling under the definition of the Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not in the above transactions.

3.2.5. Transactions in ordinary course of the business:-

The approval of the audit committee will be required for all the transaction with the Related Party even if the transaction is in ordinary course and at arm's length.

All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis to the Company. It shall also consider whether the Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any director or Key Managerial Personnel of the Company or any Related Party.

3.3. Disclosure of Related Party Transactions

- 3.3.1 Particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 in the prescribed form shall be disclosed in the Board's Report.
- 3.3.2 Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
- 3.3.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- 3.3.4 A register of Related Party Transactions as required under Section 189(1) of Companies Act, 2013 shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the directors present at the Meeting.

4 Related Party Transactions not approved under the Policy:

In the event the Company comes to know 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. The Committee shall consider all the relevant facts & circumstances regarding the said transaction and shall evaluate all options available with the Company including revision, ratification or termination of the Related Party Transaction. The Committee shall also examine the reasons for not reporting the Related Party Transaction to the Committee and shall take any reasonable action in this regard as it deems appropriate.

In case the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with the review of the Related Party Transaction, the Committee has authority to modify/waive any procedural requirements of this Policy.

5 Review

The Committee shall, as and when required, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.

6 INDEMNITY AGAINST LOSSES TO THE COMPANY AND PENALTY

If the contract/ arrangement is with a party related to a Director, or is authorized by another Director, then the concerned Directors shall indemnify the company against any losses incurred by it.

As per the Companies Act, 2013: -

- (i) The Company can also proceed against a Director or any other employee for recovery of any loss sustained by it as a result of a contract/ arrangement entered into by such person in contravention of the provisions of the law relating to Related Party Transactions.
- (ii) Any Director or any other employee of the Company, who had entered into or authorized the contract or arrangement in violation of the provisions of Section 188 of the Act, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than rupees 25,000 but which may extend to rupees 5,00,000 or with both.