



*Deccan Cements Limited*

# ***Related Party Transactions Policy***

## **Preamble**

The Board of Directors (the "Board") of Deccan Cements Limited (the "Company" or "DCL"), has adopted the following policy regarding Related Party Transactions (RPTs) and also on dealing with RPTs in terms of Clause 49(VII)(C) of the Listing Agreement and Section 188 of Companies Act, 2013. The Board / Audit Committee will review and may amend this policy from time to time.

## **Purpose**

This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of the "Related Party" as defined below. This includes disclosure to be made each year in Director's Report about particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 of Companies Act, 2013 in the prescribed form. In addition, the Audit Committee and the Board have to review any RPT involving Independent Directors as part of the annual determination of their independence as provided under Section 149 of Companies Act, 2013.

## **Definitions**

"**Act**" means Companies Act, 2013.

"**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.

"**Committee**" shall mean the Audit Committee.

"**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 for:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees one hundred crore, whichever is lower;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower;
- (iii) leasing of property of any kind exceeding ten per cent of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower;

- (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower.
- (v) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees; or
- (vi) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth of the company.

**"Related Party"**, under Section 2(76) of Companies Act, 2013 with reference to a company, means-

- (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 is a member or director;
- (v) a public company in which a director or manager is a director or 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 on 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;

Further as per the Companies (Specification of Definition Details) Rules, 2014, a Director or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

### Under Clause 49 of the Listing Agreement

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; 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);

Explanation: For the purpose of Clause 49(V) and Clause VII(B), the term "control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**"Related Party Transaction"** under Clause 49 of Listing Agreement means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**"Relative"** as per Section 2(77) of Companies Act, 2013 means, with reference to any person, means anyone who is related to another, if

- They are members of a Hindu Undivided Family
- They are husband and wife

Further as per Rule 4 of Companies (Specification of Definition Details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father ("Father" includes step-father)
- (2) Mother ("Mother" includes the step-mother)
- (3) Son ("Son" includes the step-son)
- (4) Son's wife
- (5) Daughter
- (6) Daughter's husband
- (7) Brother ("Brother" includes the step-brother);
- (8) Sister ("Sister" includes the step-sister).

### **Transactions**

As per Section 188 of the Companies Act, 2013 any contract or arrangement with a related party with respect to any of the following transaction shall be covered under the policy:

- 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:

### **Policy**

All RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

- I) Identification of RPTs: Each director and Key Managerial Personnel is responsible for providing notice to the Audit Committee or Board of any RPT involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee/Board may reasonably request. Audit Committee / Board will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy. The Company strongly prefers to receive such notice of any RPT well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

- II) Prohibitions related to RPTs: All RPTs shall require prior approval of Audit Committee/Board. Further, all Material RPTs and transactions as per the provisions of Section 188 of the Companies Act,2013 & Rules made thereof as amended from time to time shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.
- III) Review and Approval of RPTs: All RPTs 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 RPT will recuse himself or herself and abstain from discussion and voting on the approval of that RPT.
- IV) Omnibus Approval by the Committee: In the case of transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require prior approval of the Committee. Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1 Crore. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

For review of a RPT, the Committee will be provided with all relevant information of the RPT, 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 RPT, the Committee will consider the following factors, among others, to the extent relevant to the RPT:

- Whether the terms of the RPT are fair and on arms length basis to the Company;
- Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- Whether the RPT would affect the independence of an independent director;
- Whether the Company was notified about the RPT 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;
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, and
- any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the RPT, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances. However, transactions which have been entered into by the Company in its "ordinary course of business" and which are on an "arm's length" basis are exempted.

The Company shall enter into any contract or arrangement with a Related Party provided the agenda of the Committee / Board meeting at which the resolution is proposed to be moved shall disclose:

- 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 along with justification
- 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 discussion on the subject matter of the resolution in relation to such contract or arrangement.

### **RPTS not approved**

In the event the Company becomes aware of a RPT 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 of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action it deems appropriate.

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

**Effective Date**

This policy is applicable to the Company with effect from 1<sup>st</sup> October 2014.

**Amendments to the Policy**

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deem fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

**Disclosure**

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance. The Company shall disclose the policy on dealing with RPTs on its website and also in the Annual Report. Furthermore all the related party transactions shall be disclosed in the Annual Report of the Company. This Policy will be communicated to all operational employees and other concerned persons of the Company.

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