

UDAIPUR CEMENT WORKS LIMITED
Related Party Transaction Policy
Adopted on 13th August 2014
(As amended upto 6th February 2019)

1 Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognize that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors of the Company, has adopted this policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent amendments thereto (the "Act") and SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) in order to ensure the transparency and procedural fairness of such transactions.

2 Objective

This Policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and its related parties, in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons.

3 Applicability

This Policy shall come into force with effect from 13th August 2014 i.e. the date of adoption of the Policy by the Board of Directors of the Company and shall be applicable to the Related Parties, as defined hereinafter.

4 Transactions covered by this Policy

Transactions covered by this Policy include any contract or arrangement with a related party with respect to:-

- (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.
- (h) Transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.
- (i) Others, if any, as covered under - IND AS 24.

5 Definitions

Unless the context otherwise requires, the words, terms and expressions used in this Policy shall have the meanings given in Section 2 of the Act.

- (a) **“Board”** means the Board of Directors of the Company.
- (b) **“Compliance Officer”** means the Officer appointed by the Board or under this Policy from time to time.

(c)“Key Managerial Personnel” includes

- (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-time Director;
 - (iv) the Chief Financial Officer.
 - (v) such other officer, not more than one level below the directors who is in whole time employment, designated as Key Managerial Personnel by the Board; and
 - (vi) such other officer as may be prescribed
- (d) Key management personnel (As per IND AS 24) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity
 - (e) **“Officer”** includes any Director, Manager or Key Managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act.
 - (f) **“Related Party”** with reference to the 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 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 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 body corporate which is—

- (1). a holding, subsidiary or an associate company of the Company;
- (2). a subsidiary of a holding company to which it is also a subsidiary; or
- (3). an investing company or the venturer of the company

For the purpose of this clause, “the investing company or the venturer of the company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) a director, other than an Independent Director or key managerial personnel of the holding Company or his relative,
- (x) Related Parties as defined under – IND AS 24.
- (xi) any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

(g) “Relative” with reference to any person, means anyone who is related to another, if—

- (1). they are members of a Hindu Undivided Family
- (2). they are husband and wife
- (3). Father : Provided that the term “Father” includes step-father
- (4). Mother : Provided that the term “Mother” includes step-mother
- (5). Son : Provided that the term “Son” includes step-son
- (6). Son’s wife
- (7). Daughter
- (8). Daughter’s husband
- (9). Brother : Provided that the term “Brother” includes step-brother

(10). Sister : Provided that the term “Sister” includes step-sister

(h) “Office or place of profit” means any office or place—

- (i) where such office or place 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;
 - (ii) where such office or place 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;
- (i) “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.
- (j) “Associate Company”**, 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 expression” means control of atleast twenty percent of total voting power, or control of or participation in business decisions under an agreement

“Joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

(k) As per IND AS 24, an associate is an entity over which the investor has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(l) “Control” includes the 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 agreements or voting agreements or in any other manner:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

(m) “Material Transaction (s)”:

A transaction with a related party shall be considered material if-

Listing Regulations:

- (i) the transaction(s) to be entered into individually or taken together with previous Transactions 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.
- (ii) the transaction involving payments with respect to brand usage or royalty, to be entered into individually or taken together with previous transactions, during a financial year, exceed two percent or such other percentage as may be specified in the Listing Regulations, from time to time, of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Under Act:

The contracts or arrangements relates to-

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property any kind amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation.- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(applicable as specified from time to time in Section 188 and the Rules thereto, of the Act)

- (v) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

- (vi) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

6 Compliance Officer

- 6.1 For purposes of this Policy, the Chief Financial Officer of the Company shall be the Compliance Officer. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Compliance Officer(s).
- 6.2 The Compliance Officer shall ensure proper implementation of the Policy as approved by the Board/Committee of Directors and may lay down monitoring mechanism for its compliance.
- 6.3 The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

7 Review Mechanism/Approval/Ratification

- 7.1 All related party transactions shall require prior approval of the audit committee
- 7.2 All Related Party Transactions:
- (a) which are in Ordinary Course of Business and not at arm's length basis;
 - (b) which are not in Ordinary Course of Business and not at arm's length basis; and
 - (c) all Material Transactions
- shall also be approved by the Board of Directors at a meeting or through a Resolution passed by Circulation in the case of urgent requirements, in the interest of the Company subject to ratification at their next following Board Meeting.
- 7.3 In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Company and Related Parties.
- 7.4 A quarterly certificate signed by the Chief Financial Officer and the Internal Auditors of the Company shall be placed before the Audit Committee certifying that all transactions entered into with Related Parties during the relevant period were in the ordinary course of business and on arm's length pricing and in due compliance with the Related Party Transaction Policy of the Company. The Statutory Auditors shall also confirm same to the Audit Committee.

7.5 The Audit Committee may grant omnibus approval for Related Party Transactions of repetitive nature, proposed to be entered into by the company, subject to the following conditions:

- (i) 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.
- (ii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company.
- (iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall 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.

- (iv) The 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.
- (v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- (vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company

8 Shareholders Approval for Related Party Transactions

8.1 The provisions of the Listing Regulations and Act and other relevant statutory guidelines/regulations shall be complied with as may be applicable from time to time.

8.2 In the case of wholly owned subsidiary - the Ordinary Resolution passed by the Company shall be sufficient for the purpose of entering into transactions between such wholly owned subsidiary and the Company, within the limits approved by the Shareholders

8.3 Transactions being entered into with the Related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Compliance Officer to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

9. Related Party Transactions not Previously Approved

- 9.1 Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by an Ordinary resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the Shareholders and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.
- 9.2 In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it
- 9.3 The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

10. Disclosure

- 10.1 Particulars of contracts or arrangements with related parties covered under this Policy not at arm's length basis and details of material Related Party Transactions which are at arm's length basis, shall be appropriately referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement pursuant to Section 134 of the Act.
- 10.2 The Company shall place before the Board Register of Contracts or Arrangements containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies for perusal/ signatures of the Directors.
- 10.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report as may be required under the Act and the Listing Regulations.

11. Amendment of Policy

Further, the Chief Financial Officer and the Company Secretary of the Company are severally authorized to carry out any further changes in the Policy, as may be required from time to time, based on the changes in the Act or in the Listing Regulations and the Audit Committee shall be kept informed of the same.