

## **IVP LIMITED**

### **POLICY ON RELATED PARTY TRANSACTIONS**

#### **1. PREAMBLE:**

Based on the recommendation of the Audit Committee, the Board of Directors of the Company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the Laws and Regulations. The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

#### **2. PURPOSE:**

The Companies Act, 2013 (“the Act”) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (“the Rules”) contains specific provisions on Related Party Transactions (RPTs).

Securities and Exchange Board of India (SEBI), vide its Circular dated 17 April 2014, has amended the Clause 49 of Listing Agreement entered into by the Company with the Stock Exchanges. The amended Clause 49 requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

This policy has been framed for complying with above requirement.

#### **3. DEFINITIONS:**

“**Arm’s length Basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Associate Company**” means a Company which has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture Company.

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Listing agreement as well as the Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and Companies Act, 2013.

“**Joint Venture**” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

“**Key Managerial Personnel**” mean key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Chief Executive Officer or the Managing Director or the Manager,
- (ii) Whole-time Director;
- (iii) Company Secretary;
- (iv) Chief Financial Officer; and
- (v) such other Officer as may be prescribed.

**“Listing Agreement”** means the Agreement which the Company has entered into with the Stock Exchanges, as an issuer of shares and securities, as may be amended from time to time.”

**“Material Related Party Transaction”** means a transaction with a related party, where in the value of 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 of the Company as per the last audited financial statements of the Company.

**“Policy”** means this Policy on Related Party Transactions.

**“Relative”** shall have the same meaning as assigned to it under section 2(77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.

**“Related Party”** means related party as defined in Clause 49 (VII) (B) 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 in 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;
- (ix) any other person as may be prescribed; 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 shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013, as laid down in Clause 1 above; or
- (ii) such entity is a related party under the applicable accounting standards.

**“Significant Influence”** means control of at least 20% of the total share capital or of business decisions under an agreement.

**“Related Party Transaction” (“RPTs”)** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, and includes the following transactions, either single or a group of transactions in a contract:

- a. sale, purchases 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 purchases 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;
- g. underwriting the subscription of any securities or derivatives thereof, of the company.”

#### **4. MATERIALITY THRESHOLDS**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual turnover of the Company as per last audited financial statements of the company for the purpose of Clause 49(VII)(C) of the Listing Agreement.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

##### **a) Identification of related parties**

IVP has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.

##### **b) Identification of related party transactions**

IVP has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. IVP has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company seeks external professional opinion, if necessary.

##### **c) Procedure for approval of related party transactions**

###### **□ APPROVAL OF THE AUDIT COMMITTEE**

All related party transactions require prior approval of the Audit Committee. Omnibus approval.

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide -
  - (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 (for ex: +/- 5%) and
  - (iii) such other conditions as the Audit Committee may deem fit. However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction;
  - comparative analysis, if any, of other such transaction entered into by the Company.

#### **APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also required to be placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval, in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

□ **APPROVAL OF THE SHAREHOLDERS OF THE COMPANY**

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval. For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

□ **RELATED PARTY CONTRACTS ENTERED WITHOUT PROPER APPROVAL OF BOARD/SHAREHOLDERS:**

Where any contract or arrangement is entered into by a Director or any other employee of the Company, without obtaining the consent of the Board or approval by a Special Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at the Meeting within 3 months from the date from which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with the related party to any Director or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

Without prejudice to the above, it shall be open to the Company to proceed against the Director or any other employee who had entered into such contract or arrangement for recovery of any loss sustained by it as a result of such contract or arrangement.

The Director or any other employee responsible for the violation shall be punishable with imprisonment and fine as prescribed under the Companies Act, 2013.

**6. FOLLOWING TRANSACTIONS NOT TO BE CONSIDERED AS RELATED PARTY TRANSACTIONS:**

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

1. 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 or any of

associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

2. 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.

3. Any transaction arising out of Compromises, Arrangements and Amalgamations dealt with under specific provisions of the Companies Act, 1956/ Companies Act, 2013.

#### **7. EXISTING CONTRACTS, IF ANY:**

The Policy shall operate prospectively and all the Contracts entered into by companies, after making necessary compliances under the Companies Act, 1956, which already came into effect before the commencement of the Companies Act, 2013, i.e. April 1, 2014, will not require fresh approval till the expiry of the original term of such contracts.

#### **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

In the event the Company becomes aware of a Related Party Transactions with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transactions, and shall evaluate all options available to the Company, including ratification by it or recommending the Board for their ratification or seeking approval of Shareholders, revision or termination of the Related Party Transactions. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transactions 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 Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Committee has authority to modify or waive any procedural requirements of this Policy.

#### **9. DISCLOSURES/DISSEMINATION:**

This policy on RPT should be uploaded on the website of the Company.

RPTs shall be disclosed in the Directors' Report as prescribed under the Companies Act, 2013 and the Listing Agreement and such other disclosures as may be prescribed under these laws.

This Policy, including any amendment(s) or modification(s), should be communicated to all operational employees and other concerned persons of the Company, to whom it is or may be applicable.

#### **10. MISCELLANEOUS:**

The right to interpret/amend/modify this Policy vests in the Board of Directors of the Company as may be recommended by the Audit Committee. This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.