



BIRLA PRECISION TECHNOLOGIES LIMITED

RELATED PARTY TRANSACTION POLICY

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BIRLA PRECISION TECHNOLOGIES LIMITED

RELATED PARTY TRANSACTION POLICY

1. Preamble

Pursuant to the provisions of Section 188 of the Companies Act, 2013 ("the Act") read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and Clause 49 of the Listing Agreement with the Stock Exchanges, the Board of Directors (the "Board") of Birla Precision Technologies Limited (the "Company" or "BPTL"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below in order to ensure the transparency and procedural fairness of such transactions. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. Purpose

The Securities Exchange Board of India vide its Circular No.CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 notified the revised Clause 49 of the Listing Agreement which for the first time contained provisions regulating the related party transactions. The said clause was further modified on September 15, 2014 vide Circular No.CIR/CFD/POLICY CELL/7/2014.

While complying with the Corporate Governance norms as enlisted in Clause 49 and the Accounting Standards, a 'Policy on Related Party Transactions' is framed to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. Definitions

"Audit Committee" means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

"Board" means Board of Directors of the Company.

"Key Managerial Personnel" means and includes Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

“Material Related Party Transaction” means a transaction with a related party if the transaction/transactions to be entered in to 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 Related Party Transaction Policy.

“Related Party” means Related Party as defined under Section 2(76) of the Act and means with reference to a Company:-

- (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 percent 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) Director (other than Independent Director), Key Managerial Personnel of Holding Company or his relative;

“Related Party Transaction” shall have the same meaning as provided under provisions of Section 2(76), 2(77) and Section 188 of Companies Act, 2013, Clause 49 (VII) of Listing Agreement and Accounting Standard 18.

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013 and includes any one who is related to another if:-

- i. they are members of a Hindu undivided family
- ii. They are husband and wife
- 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).

"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. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

"Ordinary Course of Business":

The term "Ordinary Course of Business" shall mean and include:

- (i) The usual transactions, customs and practices of a business and of a Company, however it shall not include the following transactions :
 - a. Complex equity transactions such as corporate restructuring or acquisitions, merger de-merger and amalgamation.
 - b. Sales transactions with unreasonably large discounts or returns.
 - c. Transactions under contracts, whose terms are changed before expiry having material adverse impact on the Company.
- (ii) In regards to above point following transaction shall inter alia be deemed to have been made in the ordinary course of business:
 - a. Any transactions covered in the Main Objects or the objects incidental to attainment of the main objects as envisaged in the memorandum and Articles of Association of the Company.
 - b. Any transactions which is usually carried on by any PVC manufacturing Company within India or Overseas.
 - c. Any transaction which has been done by the Company frequently in last three years.
 - d. Any transactions done with a related party on a similar basis as of a third party.
 - e. Any transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money by allocating resources which generates income for the Company.

"Associate Company" shall have the meaning as ascribed under Section 2(6) of the Act and mean any other company, in which the 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 purposes of this clause, “significant influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“**Control**” shall have the meaning as ascribed under Section 2(27) of the Act and means to include 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.

4. Scope

This Policy shall be applied in:

- a. Identifying related parties, updating and maintaining the database of such persons/entities;
- b. Identifying the ordinary course of business and Arms’ Length transactions in relation to the Company and such persons/entity;
- c. Identifying related party transactions;
- d. Obtaining approvals before entering into any transactions with such persons/entities;
- e. Documenting the Arms’ Length pricing of transactions and;
- f. Determining the disclosures to be made about those transactions.

5. (1) Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or 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 Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Senior management shall make disclosures to the Board relating to all material financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large (for e.g. dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives etc.)

Every Director, Key Managerial Personnel shall also make Annual Disclosures as required under Section 184(1) of the Companies Act, 2013 read with rule 9(1) of Companies (Meetings of Board and its Powers) Rules, 2014 in form MBP-1.

Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned above.

Explanation: For this purpose, the term "senior management" shall mean personnel of the company who are members of its core management team excluding the Board of Directors). This would also include all members of management one level below the executive directors including all functional heads.

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

(2) Identification of Materiality of Related Party Transaction.

At the beginning of the financial year where the Audit Committee meets to consider and review the Audited Annual Results for the previous financial year it shall also determine materiality of related party transaction.

6. Implementation of Related Party Transactions

I. Approval by the Audit Committee:

- a. All Related Party Transactions, entered after implementation of this policy, must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

All Related Party Transactions shall require prior approval of Audit Committee.

Omnibus Approval:

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

- a. 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.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.

- c. 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.
 - d. 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.
 - e. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
 - f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- b. The Notices referred in point no. 6(a) above received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene the meeting of the Audit Committee.
 - c. The Company Secretary shall convene the meeting of Audit Committee as directed, and shall place all relevant information/documents relating to the proposed related party transactions before the Audit Committee, which inter alia shall include :
 - i. The name of the related party and nature of relationship;
 - ii. The nature and duration of the Contract and particulars of the Contract or arrangement;
 - iii. The material terms of the Contract or an agreement including the value, if any;
 - iv. Any advance paid or received for a 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 a part of the contract;
 - vi. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with rationale for not considering those factors and;
 - vii. Any other information relevant or important for the Audit Committee and/or Board to take decision on proposed transaction.
 - d. If any member of the Audit Committee is interested in any related party transactions with a related party, such member shall not be present at the

Audit Committee Meeting neither during the discussions on subject matter nor at the time of voting on the resolution relating to such related party transaction.

II. Approval by the Board:

All Related Party Transactions, which are not at arm's length or not in ordinary course of business will require approval of Board of Directors and the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions where the transaction or transactions to be entered into.

Board of Directors shall consider the information/documents placed before it and either approve or reject the proposed related party transactions.

The Board of Directors shall also obtain an approval of Shareholders by way of Special Resolution for approval of related party transactions as referred to in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

An Interested Director shall not remain present during the discussion on such related party agreement or contract.

III. Approval of the Shareholders:

No related party transactions shall be entered into except with the prior approval of the Company by a special resolution where the transaction or transactions to be entered into:-

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below:-
 - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent 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, exceeding ten percent 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 of any kind exceeding ten percent of the net worth of the company or ten per cent 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, exceeding ten per cent 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-clauses (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.

- (b) 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 half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- (c) 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 in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.
- (2) In case of a wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

However, approval of the shareholders shall not be required where the transactions entered into between holding company and its wholly owned subsidiary company and whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

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.

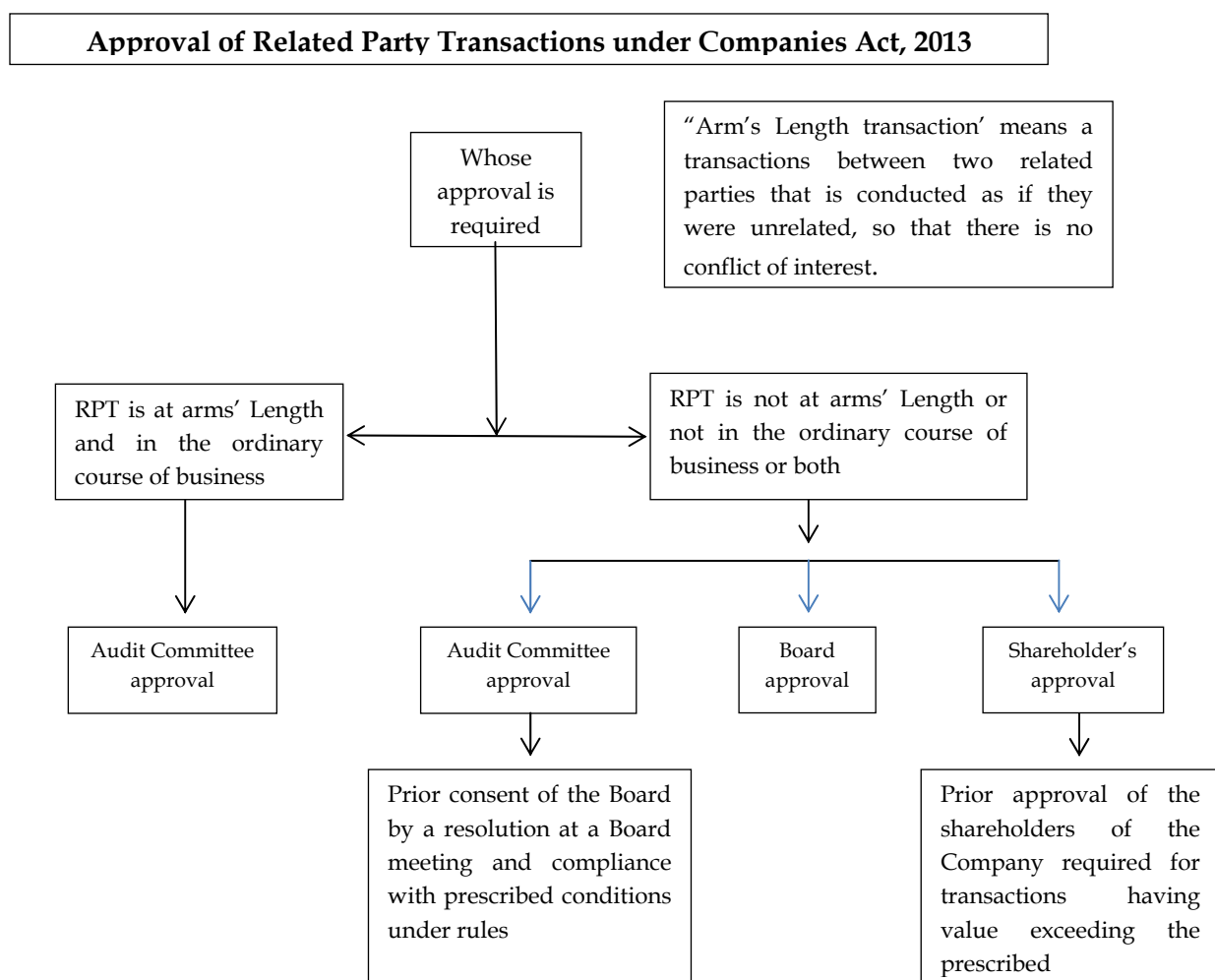
7. Review and Approval of Related Party Transactions

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 shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement and will also abstain from voting on such resolutions.

8. Approvals of Past Contracts with Related Parties

Pursuant to clarification provided in circular No.30/2014 dated 17th July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

9. Related Party Agreements/Contracts



10. 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 or as may be required pursuant to applicable provisions, the matter shall be reviewed by the Committee and it shall take any such action it deems appropriate. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

11. Disclosures

Particulars of contracts of arrangement with related parties as referred above shall be included in the Board Report pursuant to the provisions of Section 134 of the Act.

As per Clause 49 of the Listing Agreement, all Related Party Transaction shall be disclosed on quarterly basis along with the Compliance Report on Corporate Governance. This policy shall be made available on the Company's web site and a web link thereto shall be provided in the Annual Report.

Disclosures under AS-18:

Related party disclosure requirements as laid down in this Standard do not apply in circumstances where providing such disclosures would conflict with the reporting enterprise's duties of confidentiality as specifically required in terms of a statute or by any regulator or similar competent authority. No disclosure is required in consolidated financial statements in respect of intra-group transactions. No disclosure is required in the financial statements of state-controlled enterprise as regards related party relationships with other state-controlled enterprises and transactions with such enterprises. Name of the related party and nature of the related party relationship where control exists should be disclosed irrespective of whether or not there have been transactions between the related parties.

If there have been transactions between related parties, during the existence of a related party relationship, the reporting enterprise should disclose the following:

- i. The name of the transacting related party;
- ii. A description of the relationship between the parties;
- iii. A description of the nature of transactions;
- iv. Volume of the transactions either as an amount or as an appropriate proportion;
- v. Any other elements of the related party transactions necessary for an understanding of the financial statements;

- vi. The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
- vii. Amounts written off or written back in the period in respect of debts due from or to related parties.

12. General Principles

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - To seek information from any employee.
 - To obtain outside legal or other professional advice.
 - To secure attendance of outsiders with relevant expertise, if it considers necessary.
 - To investigate any Related Party Transaction.
- iv. The CEO/CFO of the Company is authorized to issue necessary guidelines/instructions for implementation of this Policy.
- v. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

13. Indemnity

Where any contract or arrangement is entered into by a Director or any other employee, 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 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 and if the contract or arrangement is with a related party to authorize any Director, or is authorized by any other Director, the Directors concerned indemnify the Company against any loss in.

14. Penalties

The Company may proceed against the Director(s)/Employee(s) who had entered into contract or arrangement in contravention of the provisions, for recovery of any loss sustained by it as a result of such contract or arrangement.

15. Amendments in Law

Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

The policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.