



**Related Party Transaction Policy (Effective from 24th March 2015)
(Reviewed/Amended on 31st March, 2019)**

1. **TITLE:**

This policy shall be referred to as the “Policy on Dealing with Related Party Transactions”. (“Policy”)

2. **PREAMBLE:**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) and as amended from time to time, Gravita India Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

3. **OBJECTIVE:**

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

4. **DEFINITIONS:**

- a) **“Act”** means the Companies Act, 2013 and rules made thereunder.
- b) **“Regulation 23”** means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time
- c) **“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
- d) **“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of SEBI Listing Regulations and the Act.
- e) **“Board”** means Board of Directors of the Company.
- f) **“Company”** means Gravita India Limited
- g) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under Section 2(51) of the Act.
- h) **“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 10% (ten percent) of the annual consolidated turnover of the Company as per

the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- i) **“Related Party(ies)”** means a person or an entity:
 - (i) Which is a related party under section 2(76) of the Act, read with rule 3 of the Companies (Specification of definition details) Rules, 2014; or
 - (ii) Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015
- j) **“Relative”** shall have the meaning described to it under Section 2(77) of the Act and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014, as amended from time to time.
- k) **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –
 - 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) appointment to any office or place of profit in the company
 - g) underwriting the subscription of any securities or derivatives thereof, of the company
- l) **“SEBI Listing Regulations”** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended.
- m) **“Transaction(s)”** shall be construed to include a single transaction or a group of transactions arising out of a contract or arrangement entered into between the Company and the Related Party.

5. POLICY:

The Audit Committee shall review and approve all Related Party Transactions proposed to be entered into by the Company in conformity with this Policy.

All the proposed Related Party Transactions must be reported to the Audit Committee for prior approval in accordance with this Policy. The Audit Committee may, however, grant omnibus approval in the case of frequent / regular / repetitive Transactions which are in the normal course of business of the Company, subject to the conditions laid down in Clause 8 of this Policy.

In order to ensure the independence of the decision of the Audit Committee with respect to Related Party Transactions, in the event any member of the Audit Committee has a potential interest in any Related Party Transaction, such member shall not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction. Further, in accordance with the SEBI Listing Regulations, all entities that fall under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular Transaction or not.

It shall be the responsibility of the director and the Company to file the requisite form(s) as mandated under the Act or the relevant rules, containing the particulars of the Related Party Transactions before the prescribed authority.

6. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

Gravita India Limited has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty –5% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

7. AMENDMENT/MODIFICATION/ADDITION:

In case there are any amendments, modifications, additions, etc. in the Act, or the relevant rules, or the SEBI Listing Regulations, as a result of which this Policy is required to be amended, in such event the proposed changes in the Policy shall be placed before the Audit Committee and the Board to be reviewed and accordingly approved. Upon the approval of the changes in the Policy, the Board/ Audit Committee shall provide suitable directions/guidelines to implement the amended Policy.

Further if any contracts/arrangements pertaining to Related Party Transactions that are approved by the Audit Committee before such amendment/modification/addition, then transactions arising out of the same would not be required to be evaluated again at the time of execution of such contracts/arrangements, provided that the price, value or material terms of the contract or arrangement have not been varied / amended. It shall be the responsibility of the Head of the Finance & Accounts to monitor this process in order to ensure timely execution of the Transactions.

8. APPROVAL OF RELATED PARTY TRANSACTIONS BY THE AUDIT COMMITTEE:

The Company shall not enter into any contract or arrangement with a Related Party without the prior approval of the Audit Committee. However in case of frequent / regular / repetitive Transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval, subject to the following conditions:-

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy.

- ii. 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. The omnibus approval shall specify the following:
 - ✓ Name of the related party;
 - ✓ Nature of the Transaction;
 - ✓ Period of the Transaction;
 - ✓ Maximum amount of the Transactions that can be entered into;
 - ✓ The manner of determining the arm's length price for the purpose of transfer pricing, both for international and domestic purposes.
 - ✓ Indicative base price / current contracted price and formula for variation in price, if any;
 - ✓ Such other conditions as the Audit Committee may deem fit.

However, where the need of the Related Party Transaction cannot be foreseen and all the prescribed details are not available, the Audit Committee may grant omnibus approval provided that the value per Transaction does not exceed Rs.1,00,00,000/- (Rupees One Crore only).

- iii. The Audit Committee shall review on quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval granted.
- iv. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Such Transactions which have been granted omnibus approval shall 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 Audit Committee.

The Transactions entered into between the Company and its wholly owned subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, shall not require prior approval of the Audit Committee.

9. APPROVAL OF RELATED PARTY TRANSACTIONS BY THE BOARD:

In the event the Audit Committee determines that the proposed 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 the Act or any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and 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.

10. APPROVAL OF RELATED PARTY TRANSACTIONS BY SHAREHOLDERS:

In the event the Transaction is not in ordinary course of business and not on arm's length basis and exceeds the limits specified in the Act read with rules made thereunder and SEBI Listing Regulations, the Company shall, along with the approval of the Board, also seek approval of the shareholders through ordinary/special resolution as the case may be. In case the member of the Company is a Related Party in the concerned Transaction, such member shall abstain from voting on such resolution.

11. TRANSACTIONS THAT HAVE NOT BEEN GRANTED APPROVAL:

In the event the Company enters into a contract or arrangement with a Related Party which was required to be approved by the Board and/or shareholders but has previously not been so approved by the Board or the shareholders by a special resolution, and if such Transaction has not been ratified by the Board or the shareholders within 3 months from the date on which such Transaction was entered into by the Company with a Related Party, such contract or arrangement shall be voidable at the sole opinion of the Board.

Further, if the Transaction entered into by the Company is with a Related Party of any Director of the Company, or is authorized by any Director of the Company, such director of the Company shall indemnify the Company against the loss it has incurred as a result of undertaking such Transaction.

12. DISCLOSURE:

Appropriate disclosures as required under the Act and the SEBI Listing Regulations shall be made in the Annual Return, Board's Report and to the Stock Exchanges, which are not in ordinary course of business or on an arm's length basis along with the justification for entering into such Transaction. The Company shall disclose the Policy on its website and the web-link shall be provided in the Annual Report.

13. PENALTIES:

The Audit Committee /Board may proceed against the director or the employee of the Company, who had entered into contract or arrangement in contravention of the provisions, for recovery of any loss sustained by result of such contract or arrangement in such manner, it may deem fit and proper. Without prejudice to the above, if any director or any employee contravenes the provisions relating to Related Party Transactions laid down in the Act, such director or employee shall be liable for penalty and other conditions stipulated under the specified provisions of the Act.

14. SCOPE:

In the event of any conflict between the provision of this Policy and of the SEBI Listing Regulations / Act or any other statutory enactments, rules, the provisions of such SEBI Listing Regulations /Act or statutory enactments, rules shall prevail over this Policy.

15. AMENDMENT:

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time.