

GRAPHITE INDIA LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

I) Definitions

- (i) Key managerial Personnel (KMP) [Section 2(51) of the Act] - KMP means (i) the CEO or the MD or the manager; (ii) company secretary; (iii) the whole-time director (WTD); (iv) the CFO; and (v) such other officer as may be prescribed.
- (ii) “Material Related Party Transactions” 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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- (iii) ‘Related party’ with reference to a company means – Section 2 (76) of Companies Act, 2013 (Act)
 - a. a director or his relative;
 - b. a key managerial personnel (KMP) or his relative;
 - c. a firm, in which a director, manager or his relative is a partner;
 - d. a private company in which a director or manager is a member or director;
 - e. 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;
 - f. 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;
 - g. 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;
 - h. 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;
 - i. such other person as may be prescribed

Prescribed by Rule 3 of the Companies (Specification of definition details) Rules 2014 (Definition Rules) and Rule 2(e) of Company’s (Meetings of Board and its Powers) Rules 2014 (Board Rules)

- j. a director or KMP of the holding company or his relative with reference to the company

Under Clause 49 of Listing Agreement

An entity shall be considered as related to the company if -

- a. such entity is a related party under Section 2(76) of Companies Act, 2013 ; or

b. Such entity is a related party under the applicable accounting standards.

- (iv) 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 or
 - (3) one person is related to the other in such manner as may be prescribed.

Prescribed (Rule 4 of Definition Rules)

A person shall be deemed to be relative of another, if he or she is related to another in the following manner: - (1) Father including step-father; (2) Mother including step-mother; (3) son including step-son; (4) son's wife; (5) daughter; (6) daughter's husband; (7) brother including step-brother; and (8) sister including step-sister. (Step-son's wife, step-daughter and her husband are not relatives within this definition).

II) Transactions which may be treated as Related Party Transactions (RPT) (as per Section 188 of Companies Act, 2013)

“Related Party Transactions” (RPT) means any contract or arrangement with related party with respect to-

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party's appointment to any office or place of profit in the company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company.

III) Transactions which may not be construed as RPT

The following transaction, even though entered into between related parties, may not amount to RPT- (i) that does not fulfill the nature of transactions mentioned in paragraph II above; (ii) that is entered into by the company in its ordinary course of business and is concluded on arm's length basis and (iii) arising out of compromises, arrangements and amalgamations dealt with under specific provisions of the Companies Act, 1956 or the Act.

The expression “arm's length” transaction means transaction between two related parties that is concluded as if they were unrelated, so that there is no conflict of interest.

IV) Manner of entering into RPT

(i) Approval by Audit Committee (AC)

RPT involving the transactions mentioned in Para II would require prior approval by the AC. However, where transactions are repetitive in nature, AC can grant omnibus approvals (OA) subject to -

- (a) Laying down criteria for grant of OA in line with this policy.
- (b) AC shall satisfy itself the need for such OA and that such approval is in the interest of the Company.
- (c) Such OA 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) Review on quarterly basis of details of such RPTs

Where the need for RPT 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.

(ii) Approval of Board of Directors (Board)

On approval by the AC, RPTs shall be entered into with the consent of the Board accorded by a resolution passed at a meeting. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(iii) Approval of members of the company

Except with the prior approval of the company by a special resolution, the company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,—

(a) as contracts or arrangements with respect to clauses (i) to (v) of (II) here-in above with criteria as mentioned below -

- (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, as mentioned in clause (i) and clause (v) of (II) here-in above;
- (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, as mentioned in clause (ii) and clause (v) respectively of (II) here-in above;

(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, as mentioned in clause (iii) of (c) here-in above;

(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 (iv) and clause (v) of (II) here-in above;

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 (vi) of (II) here-in above; or

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth as mentioned in clause (vii) of (c) here-in above;

Explanation - The Turnover or Net Worth referred shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

V) Materiality

All material RPT covered by the definition mentioned in I (ii) above shall in terms of the provisions of Clause 49 (VII) (E) shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

VI) Exemptions-

Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval are exempt from the requirements of obtaining audit committee and shareholders approval [Proviso to Clause 49 (VII) (D) & (E) of Listing Agreement].

However, no such exemption exists under the provisions of Companies Act, 2013.

This policy was approved by Board of Directors on 10.11.2014