



BHAGYANAGAR INDIA LIMITED

(CIN- L27201TG1985PLC012449)

Regd. Off: 5th Floor, Surya Towers, S.P.Road, Secunderabad-500 003

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

PREAMBLE

The Board of Directors (“Board”) of Bhagyanagar India Limited (“Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. Considering the requirements of Companies Act 2013 read with Rules made there under and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 there is a need for proper identification, conduct and documentation of the Related Party Transactions (RPT).

In order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors, acting upon recommendation of Audit Committee of the Company (“the Committee”), has adopted the following policy and procedure with respect to Related Party Transactions of the Company.

APPLICABILITY

This Policy applies to all Related Party Transactions entered into by the Company and this amended version as approved by the Board of Directors of the Company shall be applicable from February 10, 2016.

OBJECTIVES OF THE POLICY

The changes carried out through Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, pose many requirements on the Company. One such requirement is that the Company is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

The objectives of this Policy are to set out:

- (a) Identification of the Related Parties
- (b) The materiality threshold for related party transactions
- (c) The manner of dealing with the transaction between the Company and its related parties based on the Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one financial year, and shall require fresh approval for the next financial year. The onus will be on corporate accounts to refer RPT or potential RPT to the Audit Committee.

The Related Party Transactions as detailed in Section 188 of the Companies Act 2013 shall further require Board/Shareholder approval, as applicable.

DEFINITIONS

- "Act" means the Companies Act, 2013, Rules framed thereunder and any amendments thereto;
- "Arm's Length Transaction" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- "Associate" means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements".
- "Audit Committee" shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- "Body Corporate" means an entity as defined in Section 2(11) of the Companies Act, 2013.
- "Company" the words "This Company", "The Company", "Company" wherever occur in the policy shall mean "Bhagyanagar India Limited".
- "Compliance Officer" means the Company Secretary of the Company or any other senior level employee who shall be directed by the Board of Directors of the Company to act as such and designated as the compliance officer of the Company.
- "Director" means a person as defined in Section 2(34) of the Companies Act, 2013.
- "Employees" shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.
- "Key Managerial Personnel" (KMP) means:
 - a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole Time Director;
 - b) the Company Secretary;
 - c) the Chief Financial Officer; and
 - d) any other person appointed as the KMP by the Board of Directors of the Company;
- "Material Related Party Transaction", means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company.
- "Materiality Threshold" means limits for related party transactions beyond which the shareholders' approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto.
- "Ordinary course of business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.
- "Policy" means this policy, as amended from time to time.
- "Related Party" will have the same meaning as defined under Section 2(76) of the Act and/ or

Regulation 2(zb) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendments thereto, if any.

- “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and any amendments thereto.
- "Related Party Transaction” means all transaction(s) between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Regulation 2(zc) and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- “Subsidiary” means a company as defined in Section 2(87) of the Companies Act, 2013.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or any other SEBI Regulation(s) as amended from time to time.

GUIDELINES

Procedure for approval of related party transactions:

- **Approval of the Audit Committee:**

The related party transaction(s), whether fresh or modification in the existing transactions thereof, shall require prior approval of the Audit Committee of the Company, as required under Companies Act, 2013/Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, if not in ordinary course of business or on arm’s length basis.

The Audit Committee shall consider the following while determining the related party transactions:

- Nature of relationship with related party;
- Nature, duration of contract, material terms, monetary values and particulars of the contract or arrangement;
- maximum amount of transaction that can be entered into;
- Any advance paid or received for the contract or arrangement;
- the indicative base price / current contracted price and the formula for variation in the price, if any;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm’s length; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

However, the Audit Committee may grant 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, as per following criteria:

- a) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- b) The maximum value per transaction, or maximum value of all transactions in aggregate, in a financial year, which can be allowed shall be as prescribed under Section 188 read with Rule 15 and other provisions, for a particular kind of transaction;
- c) Minimum disclosure required for seeking approval shall be as prescribed under Section 188 read with Rule 15 and other provisions, for a particular kind of transaction;

d) details of all such related party transactions entered into under authority of omnibus approval of the Committee, be placed before the Committee for its review on atleast quarterly basis and such transactions be placed before the Board within a period of three months from the date of transaction for approval/ ratification of the Board, if required.

e) Where the need for related party transactions cannot be foreseen and required details are not available beforehand, Audit Committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction;

In case such transaction exceeds the threshold limit of Rs. 1 Crore and Company propose to continue the omnibus approval of the Audit Committee for said transaction, in such scenario, to continue the said transaction the Company is required to give the necessary disclosures/ information before the Audit Committee and Audit Committee shall evaluate such transaction in light of the above mentioned criteria's for Omnibus approval of Audit Committee;

f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company or transactions which may require specific approval of the Audit Committee or Board and cannot be considered for omnibus approval under applicable provisions of law;

g) Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals for after the expiry of that financial year;

h) such other conditions as the Audit Committee may deem fit.

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

- **Approval of the Board of Directors of the Company:**

The following related party transactions shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction, if not in ordinary course of business or on arm's length basis.

- (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:

- **Approvals of the Shareholders of the Company:**

All material related party transactions i.e., exceeding ten (10%) of the annual consolidated turnover of the Company as per last audited financial statement shall require approval of shareholders also.

The following related party transactions shall require shareholder's prior approval as prescribed u/s 188 of Companies Act, 2013 or any amendment thereof:

- (a) 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;
- (b) 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;

- (c) Leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of turnover of the Company or rupees one hundred crore, whichever is lower;
- (d) Availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the Company or rupees fifty crore, whichever is lower;
- (e) 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; or
- (f) Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth.

The Company Secretary will keep the policy updated by revising the statutory limits mentioned in policy pursuant to amendment in Act.

- **Handling the RPT not approved under this policy:**

In the event any employee, officer or Director of the Company became aware of any transaction with related party being in deviation from the policy, such person shall promptly notify the Compliance Officer regarding such transaction. The Compliance Officer shall ensure that such transactions are brought to the Notice of the Audit Committee, as early as possible but not later than the first Audit Committee meeting held after the date of such intimation.

The Audit Committee shall evaluate such transaction and decide the action to be taken as it may consider appropriate including ratification, revision or termination of the RPT.

- **Transactions at arm's length:**

The Company adopts generally accepted practices and principles in determining whether the transaction is at "arms length".

DISCLOSURES

The Company shall make the necessary disclosures of related party transactions in the Board' Report as required under the Act. The contents of this policy as amended from time to time shall be displayed on the Company's website viz., www.bhagyanagarindia.com.

AMENDMENT

The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed there under or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.
