



# **SIMRAN FARMS LIMITED**

**(Farmers' Friends Since 1989)**

**CIN:- L01222MP1984PLC002627**

## **POLICY**

### **ON**

## **RELATED PARTY**

## **TRANSACTION**

**(\*\*Policy on Materiality of Related Party Transaction and Dealing with Related Party Transaction\*\*)**

**SIMRAN FARMS LIMITED**  
**POLICY ON RELATED PARTY  
TRANSACTION**

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# **POLICY ON RELATED PARTY TRANSACTION**

## **SIMRAN FARMS LIMITED**

### **1. PREFACE**

The revised clause 49 of the SEBI Equity Listing Agreement issued under circular no. CIR/CFD/POLICY/CELL/2/2014 dated 17<sup>th</sup> April, 2014 provides that company shall formulate a policy on materiality of Related Party Transactions and also on dealing with the Related Party Transaction.

Further amendments were made in revised Clause 49, vide SEBI circular No. CIR/CFD/POLICY/CELL/7/2014 dated September 15, 2014.

Section 177 and 188 of the Companies Act, 2013 read with relevant rules provides for certain compliance requirements such as **Audit Committee Approval, Board Approval and Shareholder's Approval under specific circumstances**. Keeping in view the above mentioned compliance requirements stated in Companies Act, 2013 read with related Rules issued thereon and revised Clause 49 of the Equity Listing Agreement including any amendment thereof, the Board of Directors (the "Board") of Simran Farms Limited (the "Company") acting upon the recommendation of the Audit Committee of the Company, has approved and adopted the following policy and procedures with regard to **Related Parties and Related Party Transactions** of the Company.

### **2. PURPOSE**

This policy is intended to ensure **effective approval mechanism and reporting of transactions between the Company and its Related Parties** as defined in the policy. If there exist more than one set of requirements due to applications of multiple laws and regulations, the endeavor must be based on the compliance principle which would meet the higher governance standards.

### **3. DEFINITIONS**

- **"Arm's Length Transaction"** as per Explanation (b) to Section 188(1) of the Companies Act, 2013 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 associate company as defined in Section 2(6) of the Companies Act, 2013. Accordingly, “Associate Company”, in relation to another company, means a company in which that other 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 same meaning as defined in Section 2(27) of the Companies Act, 2013. Accordingly, “Control” shall 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.

- **“Holding Company”** means “Holding Company” as defined in Section 2(46) of the Companies Act, 2013. Accordingly, “Holding Company”, in relation to one or more other companies, means a company of which such companies are subsidiary companies;

- **“Key Managerial Personnel” (KMP)** means as defined in Section 2(51) of the Companies Act, 2013. Accordingly, “Key Managerial Personnel”, in relation to a company, means—
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the Company secretary;
  - (iii) the Whole-time director;
  - (iv) the Chief Financial Officer; and
  - (v) such other officer as may be prescribed;

- **“Material Related Party Transactions” (Material RPT)** means a Material RPT as per Clause 49 of Listing Agreement viz., a transaction with related party shall be considered as material if the **transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.**

- **“Office or Place of Profit”** as per the Explanation (a) to Section 188 (1) of the Companies Act, 2013 means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration

to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

➤ **“Related Party”** means “related party” as defined in **Clause 49 of the Listing Agreement** which is as follows:

(A) Such entity is a related party under **Section 2(76) of the Companies Act, 2013**.

As per sec 2(76) of the Companies Act, 2013, Related Party with 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 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) such other person as may be prescribed;

(B) Such entity is a related party **under the applicable Accounting Standards.**

**As per Accounting Standard 18, Para 10:-**

**Related party** - Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

**Control** – (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or

(b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or

(c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

**Significant influence** - Participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies.

The Accounting Standard 18 further provides explanations and illustrations in relation to the above mentioned definitions in Para 3,11,12,13 and 14 of the standard.

- **“Related Party Transactions” (RPT)** means **as per Clause 49 of the Listing Agreement**, transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

*Explanation:* A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract

- **“Specified Related Party Transactions (Specified RPT)”**, means, in accordance with Section 188 (1)(a) to (g) of the Companies Act, 2013, contract or arrangement with a related party with respect to:

- (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; an Related party transactions.

(g) underwriting the subscription of any securities or derivatives thereof, of the Company.

➤ **“Relative”** means relative as defined in section 2(77) of the Companies Act, 2013. Accordingly, “relative”, with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed;

As per **Rule 4 of Companies (Specification of definitions details) Rules, 2014** includes a person who shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:-

- (1) Father ( includes 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)
- (8) Sister (including step-sister)

➤ **“Subsidiary company”** means subsidiary company as defined in Section 2(87) of the Companies Act, 2013. Accordingly, “subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company) means a company in which the holding company—

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

## **4. POLICY**

### **4.1 Approval mechanism for entering into related party transactions**

#### **A. Under SEBI Clause 49,**

1. All Related Party Transactions shall require prior approval of the Audit Committee. The Audit Committee may grant **omnibus approval** for Related Party Transactions proposed to be entered into by the company provided it is satisfied that there is a need to grant such

approval in the interest of the company. Such approval may be granted by Audit committee for the proposed transaction after considering the following criteria's of the transaction:

- (i) Repetitive in nature.
  - (ii) Sufficient details shall be provided to the Audit Committee such as:-
    - (a) The name(s) of the related party.
    - (b) Nature of transaction.
    - (c) Period of transaction.
    - (d) Maximum amount of transaction that can be entered into.
    - (e) The indicative base price / current contracted price and the formula for variation in the price, if any and
    - (f) Such other conditions as the Audit Committee may deem fit;
2. In case, need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for any transaction/transactions subject to their value not exceeding Rs.1 Crore per transaction.
  3. All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions, whether the party is a party to particular transaction or not.

The provisions of Clause 49 with respect to Related Party Transactions shall be applicable to all prospective transactions. All existing material related party contracts or arrangements as on the date of SEBI circular (17th April 2014) which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014.

4. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
5. The provisions mentioned in points 1 to 4 above shall not be applicable in following cases:
  - (i) Transactions entered into between two government companies;
  - (ii) 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.

#### **B. Under Companies Act, 2013**

1. Under section 177(4) of the Companies Act, 2013, Audit Committee's terms of reference shall, inter alia, include approval or any subsequent modifications of transactions of the company with related parties.



2. As per section 188 of the Companies Act, the contract or arrangement with respect to the specified transactions which are not on an arm's length or in the ordinary course of business and are within the threshold limits as specified in the rules (reproduced below), shall be entered into with a related party only with the consent of the Board of Directors given by a resolution at the Board Meeting.

The contract or arrangement with respect to the specified transactions which are not on an arm's length or in the ordinary course of business and exceeds the threshold limits as specified in the rules (reproduced below), shall be entered into with a related party after prior approval from shareholders of the Company by special resolution.

<b>S.No.</b>	<b>Particulars</b>	<b>Company Law Requirement</b>
1.	Sale, Purchase or Supply of any goods or Materials directly or through appointment of agents*	10% of turnover <b>OR</b> Rs. 100 Crores, <b>whichever is less**</b>
2.	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	10% of networth <b>OR</b> Rs. 100 crores, <b>whichever is less**</b>
3.	Leasing of any Property of any kind directly or through appointment of agents*	10% of turnover <b>OR</b> 10% of networth <b>OR</b> Rs. 100 crores, <b>whichever is less**</b>
4.	Rendering or Availing of any Services directly or through appointment of agents*	10% of turnover <b>OR</b> Rs. 50 crores, <b>whichever is less**</b>
5.	Appointment of any agent for purchase or sale of goods, materials, services or property*	As stated above under respective transactions**
6.	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company*	Monthly remuneration > Rs. 2.5 Lakh**
7.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company.*	>1% of Net worth**

\*The limits specified above for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

\*\*The Turnover or Net Worth referred in the above transactions shall be computed on the basis of Audited Financial Statement of the preceding financial year.

Note: 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.

3. No member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:
4. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the Board Meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
5. Where any contract or arrangement, which is considered as a Related Party Transaction exclusively as per Companies Act, 2013 is entered into by a director or any other employee, without obtaining the consent of the Board or shareholders of the Company, such transaction shall be 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.

**The summary of the approval mechanism under SEBI Clause 49 and Companies Act 2013 is provided as under:**

<b>Details of Transaction</b>	<b>Approving Authority</b>
All related party transactions (other than those mentioned below) and any modifications to the contracts/arrangements	<ul style="list-style-type: none"> <li>• Audit Committee (including Omnibus Approval for a maximum period of one year)</li> </ul>
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	<ul style="list-style-type: none"> <li>• Recommendations by Audit Committee</li> <li>• Approval by Board of Directors.</li> </ul>
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)	<ul style="list-style-type: none"> <li>• Recommendations by Audit Committee to Board</li> <li>• Recommendations by Board to Shareholders</li> <li>• Approval by shareholders</li> </ul>
Material RPTs	<ul style="list-style-type: none"> <li>• Recommendations by Audit Committee to Board</li> <li>• Recommendations by Board to Shareholders</li> <li>• Approval by shareholders.</li> </ul>

In respect of material RPTs existing as on 17<sup>th</sup> April 2014, which are likely to continue beyond March 31, 2015, it shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014.

In the event of inadvertent omission to seek the approval of the Related Party Transactions in accordance with the policy, the Audit Committee/Board/Shareholders reserve the right to ratify as they may deem fit.

#### **4.2 Procedure for approval of related party transactions/contracts/arrangements.**

1. For the purpose of obtaining approval of Related Party Transactions from **Audit Committee** including omnibus approval, the following should be disclosed in the agenda:-

- (i) The name(s) of the related party,
- (ii) Nature of transaction,
- (iii) Period of transaction,
- (iv) Maximum amount of transaction that can be entered into,
- (v) The indicative base price / current contracted price and the formula for variation in the price, if any, and,
- (vi) Whether transaction is at arm's length basis/in ordinary course of business and;
- (vii) Such other conditions as the audit committee may deem fit;

2. For the purpose of obtaining approval from the **Board of Directors** of the Company of any contract or arrangement with the related party which is not at arm's length or ordinary course of business, the following shall be disclosed in the agenda:-

- (i) The name(s) of the related party and nature of relationship,
- (ii) The nature, duration/period and particulars of the transaction, contract or arrangement;
- (iii) The material terms of the contract or arrangement including the value, if any;
- (iv) Any advance paid or received for the contract or arrangement;
- (v) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors.

3. For the purpose of obtaining approval from the **Shareholders** in respect of transactions beyond threshold limits entered into with the related party under any contract or arrangement and which are not at arm's length or ordinary course of business, the following shall be included in the explanatory statement annexed to the notice of general meeting-

- (i) The name/s of the related party;
- (ii) Name of the director or key managerial personnel who is related, if any;
- (iii) The nature of relationship;
- (iv) Nature, material terms, monetary value and particulars of the contract or arrangement;

- (v) Any other information relevant or important for the members to take a decision on the proposed resolution.

## **5.DISCLOSURE:**

1. Every contract or arrangement entered into with related parties to which section 188 of the Companies Act, 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
2. Details of all Material Related Party Transactions as per Clause 49 of Listing Agreement with related parties shall be disclosed quarterly along with the compliance report on Corporate Governance.
3. The company shall disclose the policy on dealing with Related Party Transaction on its website and a web link thereto shall be provided in the Annual Report.
4. Name of all related parties, nature of relationships & details of all Related Party Transactions should be disclosed in the Financial Statement in line with the requirements of Accounting Standard 18.

## **6.GOVERNANCE OF THE POLICY**

This policy on Related Party Transactions shall be governed by Clause 49 of the Listing Agreement or such other rule/regulations, as may be notified by SEBI from time to time as well as the Companies Act, 2013 read with rules made therein under, as may be notified by MCA and in force for the time being. Accordingly, interpretation of any of the provisions should be, made in consistent thereto in the implementation of this policy. Any subsequent notification, circular, guidelines or amendments under Companies act, 2013, revised listing agreement, accounting standards and all other applicable laws/rules, as may be issued from time to time shall be mutatis mutandis applicable.