

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. Preamble**

The Board of Directors (the “Board”) of Agro Tech Foods Limited (the “Company” or “ATFL”), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent modifications, amendments or re-enactment thereto (the “Act”) and Revised Clause 49 to the Listing Agreement entered into with the Stock Exchanges, in order to ensure transparency and procedural fairness of such transactions.

### **2. Objective**

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Revised Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

### **3. Definitions:**

- i. “**Board**” means the Board of Directors of the Company.
- ii. “**Related Party**”-means related party as defined in Revised Clause 49 of the 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 the Companies Act, 2013; or
  - b. Such entity is a related party under the applicable accounting standards.

iii. **“Related Party”** means related party as defined in under section 2 (76) of the Act which are as follows:

- a. a director or his relative;
- b. a key managerial personnel 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 or his relative 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;
- h. any company which is-
  - 1. a holding, subsidiary or an associate company of such company; or
  - 2. a subsidiary of a holding company to which it is also a subsidiary;
- i. such other person as may be prescribed from time to time:  
a director (other than independent director) or key managerial personnel of the holding, company of such company or his relative;

iv. **“Relatives”**-with reference to any person, means anyone who is related to another, if

- a. They are members of a Hindu Undivided Family;
- b. They are husband and wife;
- c. Father including step father
- d. Mother including step mother
- e. Son including step son
- f. Son's Wife
- g. Daughter
- h. Daughter's Husband
- i. Brother including step brother
- j. Sister including step sister

v. **“Related party transactions”** –transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

**a. As per Revised Clause 49:**

A related party transaction is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

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

**b. As per Section 188 of the Act:**

1. Sale, purchase or supply of any goods or materials;
2. Selling or otherwise disposing of, or buying, property of any kind;
3. Leasing of property of any kind;
4. Availing or rendering of any services;
5. Appointment of any agent for purchase or sale of goods, materials, services or property;
6. Such related party's appointment to any office or place of profit\* in the Company, its subsidiary Company or associate Company; and
7. Underwriting the subscription of any securities or derivatives thereof, of the Company;

**"Office or place of profit"** means any office or place—

- 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;
- 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;

**vi. "Control" : As defined as follows:**

- a. **As per Revised Clause 49:** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- b. **As per Section 2(27) of the Act:** 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.

**vii. "Material related party transactions as per Revised Clause 49"** means a transaction(s) with a related party if the transaction(s) to be entered into individually or

taken together with previous transaction(s) during a financial year, exceeds 10% of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

- viii. **“Transactions on 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.
- ix. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes;
- a. the Chief Executive Officer or the Managing Director or the Manager;
  - b. the Company Secretary;
  - c. the Whole-time Director;
  - d. the Chief Financial Officer
- x. **“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.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

- xi. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and the Companies Act, 2013

#### 4. **Policy**

In accordance with the provision of the Companies Act, 2013 and Revised Clause 49 of Listing agreement, all proposed Related Party Transactions will be reviewed and approved by the Audit Committee, Board of Directors and shareholders of the Company, as the case may be and disclosed by the Company.

##### 4.1 **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. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company 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.

## 4.2 Prohibitions related to Potential Related Party Transactions

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

All Related Party Transactions which are neither in the ordinary course of business nor at arm's length price require Board approval. Also the shareholder approval is required through special resolution if the transaction value exceeds the threshold given under the Companies Act 2013.

S.no.	Transactions covered in Section 188	Threshold criteria mentioned in rules
1	Sale, purchase or supply of any goods or materials (directly or through agent)	More than 10% of annual turnover or INR 100 crores whichever is lower
2	Selling or otherwise disposing of, or buying, property of any kind (Directly or through agent)	More than 10% of net worth or INR 100 crores whichever is lower
3	Leasing of property of any kind	More than 10% of net worth or 10% of turnover or INR 100 crores whichever is lower
4	Availing or rendering of any services (directly or through agent)	More than 10% of net worth or INR 50 crores whichever is lower
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Remuneration exceeds INR 250,000 per month
6	Underwriting the subscription of any securities of the company or derivatives thereof	Remuneration exceeds 1% of net worth

Related Party Transactions shall not require approval of Audit Committee and shareholders where transactions entered into between holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before shareholders at general meeting for approval.

## 4.3 Review and Approval of Related Party Transactions

Potential Related Party Transactions will be referred to the next meeting of the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

In case the dis-interested members of the Audit Committee do not constitute the quorum, those matters shall be referred to the Board of Directors for necessary approvals.

To review a Related Party Transaction, the Committee will be provided with all relevant material information on the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are at arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction, and the ongoing nature of any proposed relationship and any other factors the Board/ Committee deems relevant;
- vii. If the Committee determines that a 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 any law for the Board to approve the Related Party Transaction, then 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.

Any member of the Committee who has an interest in the transaction under discussion will abstain from voting and will not be present in the meeting. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

In case there is any conflict between this policy and the applicable laws including clarifications etc. the matter shall be considered in view of the applicable laws including clarifications etc.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such transactions, provided that the Audit Committee shall lay down criteria for granting such approval, the Committee shall satisfy itself of the need for such

omnibus approval and it is in the interest of the Company, and 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. 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. The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

## **5. Determination of Arm Length Price**

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income-tax Act, 1961 ('IT Act') and any other subsequent modifications / amendments / enactments thereof, as well as associated domestic and international guidance shall be referred to determine arm length price relating to all related party transactions.

## **6. Transitional provisions**

### **i. Under the Companies Act 2013**

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required 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 any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

Contracts entered into under Section 297 of 1956 Companies Act, which already came into effect before the commencement of Section 188 of Companies Act, 2013 will not require fresh approval, till the expiry of original term of such contracts. If any modification in such contract is made on or after 1 April 2014, the requirements under section 188 will have to be complied with.

## **ii. Under the Revised Clause 49**

All existing material related party contracts or arrangements, which are likely to continue beyond 31 March 2015, should be placed for approval of the shareholders in the first General Meeting subsequent to 1 October 2014. However, a listed company may choose to get such contracts approved by the shareholders even before 1 October 2014.

## **7. Disclosures -**

The company shall comply with all reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Companies Act, 2013 and Revised Clause 49 of the Listing Agreement.

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.

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

## **8. Amendment**

The Audit Committee or Board has all the right to amend this Policy. However, this policy may stand amended because of any regulatory amendments, clarifications etc. in the applicable Laws.