



ABG Infralogistics Limited

Related Party Transactions Policy

(Effective from October 1, 2014)

Introduction

The Board of Directors of the company has adopted the following Policy and procedure with regard to Related Party Transactions (RPTs). The policy envisages the procedure governing RPTs required to be followed by company to ensure compliance with the Law and Regulations. The Audit committee will review the same from time to time and propose the amendment required in the policy to the board of directors.

Purpose

Security Exchange Board of India (SEBI) has vide circular dated April 17, 2014 and September 15, 2014, amended the clause 49 of listing agreement entered into by the company with the stock Exchanges. The Amended clause 49 applicable from October 1, 2014 requires all listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy has been framed for complying with above requirement.

Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted for audit related purpose.

“Board” means Board of Directors of the Company

“Related Party Transaction” as per Clause 49 of the listing agreement means 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.”

In addition to the transactions covered under Clause 49 of the listing agreement, following transactions entered with a Related Party are considered as Related Party Transactions as per Companies Act, 2013:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- underwriting the subscription of any securities or derivatives thereof, of the company.

“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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.”

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

An entity shall be considered as related to the Company if:

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

“Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- They are members of a Hindu undivided family;
- They are husband and wife; or
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (including step brother)
- Sister (including step-sister)

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies Act, 2013 and includes

- Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- Company Secretary; and
- Chief Financial Officer

“Control” as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 includes 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 which includes (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, and (b) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Provided that a director or officer of a company shall not be considered to be in control over such target company, merely by virtue of holding such position”

“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.

“Significant Influence” means control of at least twenty per cent of total share capital, or of business decisions under an agreement

“Joint venture” means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

Procedure

A. Disclosure by Directors

Every director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

B. Identification of Transaction with related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential RPTs where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a RPTs requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential RPTs is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Review and approval of Related Party Transaction

i. Audit Committee

All the transactions which are identified by the audit committee as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -

- Name of the related party and nature of relationship
- Nature, duration of contract and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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; and
- Any other information relevant or important for the Board to take a decision on the proposed transaction.

Any member of the Committee who has a potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT.

If the committee determines that the a related party transaction is (i) a Material related party transaction or (ii) Transactions are not in the ordinary course of business or not at the arm's length price, the audit committee shall place the matter before the board for obtaining its approval.

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions:

- The Audit Committee shall lay down criteria for granting omnibus approval in line with RPTs of the Company and approval shall be applicable in respect of transactions which are repetitive in nature;
- The Committee shall satisfy itself the need for such omnibus approval and that it is in the interest of the Company;
- Such omnibus approval shall specify (i) name 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 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.
- Committee shall review quarterly the details of RPTs entered into by company pursuant to omnibus approval given;
- Approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

All Material RPTs shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Prior approval of the Audit Committee or the shareholders through special resolution in case of material RPTs shall not be applicable in case of 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.

ii. Board of Directors

Where approval of Board of Directors is required for any related party transaction or if the Board in any case elects to reviews any such matter or it is mandatory under any law for 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 Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

iii. Factors to be considered by Audit Committee and Board of Directors while approving Related Party Transactions

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- 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;
- The commercial reasonableness of the terms of the Related Party Transaction;
- The materiality of the Related Party Transaction;
- Whether the terms of the Related Party Transaction are fair and on the same basis as would apply if the transaction did not involve a Related Party;
- The extent of the Related Party's interest in the Related Party Transaction;
- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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
- 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.

iv. Shareholder approval

In case Board refers a related party transaction for seeking approval of the shareholders as per the provisions of Companies Act 2013 or otherwise, if any member of company is a related party as per this policy, such member of the company shall not vote on resolution passed for approving such related party transaction. In case of wholly owned subsidiary, the Special Resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the holding company.

v. Transactions which do not require approval

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- a. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

vi. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Disclosures

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

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

Disclaimer: This policy has been framed in accordance with requirement of Clause 49 (VII) (C) of the Listing Agreement. This may not cover transactions which are required to be dealt as per Accounting Standard -18.
