



## INDSIL HYDRO POWER AND MANGANESE LIMITED

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### POLICY FOR RELATED PARTY TRANSACTIONS

#### 1. PREAMBLE

The Board of Directors of the Company at its meeting held on 13<sup>th</sup> November, 2014 has approved the Policy of Related Party Transactions (RPTs) as a measure to regulate the approval process involving RPTs pursuant to the provisions of Clause 49 of the Listing Agreement. The main purpose of this Policy is to regulate the transactions between the Company and the Related Parties as defined herein. This Policy is subject to review and approval by the Audit Committee.

#### 2. NEED FOR RPT POLICY

Clause 49 of the Listing Agreement makes it mandatory for the Company to have a policy to decide on the materiality of RPTs and to govern and regulate RPTs. This Policy is expected to act as a governance tool in transactions involving Related Parties.

#### 3. DEFINITIONS

- A. **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- B. **"Board"** means Board of Directors of the Company.
- C. **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- D. **"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and includes
- i. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-Time Director;
  - ii. Company Secretary; and
  - iii. Chief Financial Officer

- E. “Material Related Party Transaction”** means a transaction with a related party entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company (1% in case of remuneration for underwriting the subscription of securities or derivatives of the Company) as per the last audited financial statements of the Company.
- F. “Policy”** means Related Party Transaction Policy.
- G. “Related Party”** is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
- i. A person or a relative of that person’s family is related to a company if that person:
    - a. is a related party under Section 2(76) of the Companies Act, 2013; or
    - b. has control or joint control or significant influence over the Company; or
    - c. is a key management personnel of the Company or of a parent of the company; or
  - ii. An entity is related to a company if any of the following conditions applies:
    - a. The 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.
- H. “Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A Related Party Transaction shall be construed to include a single transaction or a group of transactions in a contract.

WHERE SPECIAL RESOLUTION IS NECESSARY :

A 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 Clause (a) to (e) of sub-section (1) of Section 188 with criteria, as mentioned below :
  - (i) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding twenty-five percent of the annual turnover as mentioned in Clause (a) and Clause (e) respectively of sub-section (1) of Section 188 ;
  - (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of networth as mentioned in Clause (b) and Clause (e) respectively of sub-section (1) of Section 188;
  - (iii) leasing of property of any kind exceeding ten percent of the networth or exceeding ten percent of turnover as mentioned in Clause (c) of sub-section (1) of Section 188 ;
  - (iv) availing or rendering of any services directly or through appointment of agents exceeding ten percent of the networth as mentioned in Clause (d) and Clause (e) of sub-section (1) of Section 188 ;
- (b) 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 (f) of sub-section (1) of section 188 ; or
- (c) remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the networth as mentioned in Clause (g) of sub-section (1) of Section 188 ;

- I. **“Relative”** means relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –

They are members of a Hindu undivided family / or ;

- i. Husband and Wife ; or
- ii. Father (including step-father)
- iii. Mother ( including step-mother)
- iv. Son ( including step-son)
- v. Son’s wife
- vi. Daughter
- vii. Daughter’s husband
- viii. Brother (including step-brother)
- ix. Sister (including step-sister)

#### 4. **ADHERENCE TO POLCY**

RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

##### **A. Identification of Potential RPT**

Each director and Key Managerial Personnel is responsible for providing notice to the Audit Committee of any potential RPT involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee may reasonably request. Such notice shall comprise of the following information:

- i. Parties to the transaction
- ii. Subject matter of transaction
- iii. Merits of the transaction including description about entering in ordinary course of business and / or at arms length.
- iv. Quotes or proposals from third parties for the identical or similar transactions.
- v. Justification of the transaction with the Related Party.
- vi. Volume, value and period of the proposed transaction.
- vii. Documents in support thereof.

The Audit Committee will thereupon determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

**B. Prior approval for RPT**

RPTs shall require prior approval of Audit Committee. Further, all Material Related Party Transactions (MRPT) shall require the unanimous approval of the Board and also the shareholders through a special resolution when such value of RPTs exceed the limits prescribed under the Act and the Related Parties shall abstain from voting on such resolutions.

**C. Approval Process**

The Audit Committee shall within reasonable time convene its meeting and shall discuss the transactions proposed considering the material placed before it. If the Audit Committee concludes that the proposed transaction is in the ordinary course of business and at arm's length and further it not being a Material Related Party Transaction (MRPT), then it shall issue its opinion to the Board accordingly. In such a case, the subject RTP shall not be placed before the Board for any discussion.

If the Audit Committee concludes that the proposed RPT is not in ordinary course of business and / or not on arm's length basis or it being a MRPT then it shall issue its opinion accordingly and forward the proposal to the Board. Thereafter the Board may take up the same for discussion in its next or subsequent meeting for its approval. The proposed RPT or MRPT, as the case may be, if agreed to by the Board shall be by means of a unanimous resolution and the Board shall then recommend for shareholders approval by means of special resolution, of the value of such RPTs exceeds the limit prescribed under the Act. The Audit Committee and / or the Board shall consider the following while approving a RPT or MRPT:

- i. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- ii. Whether the RPT would affect the independence of an independent director;

- iii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- iv. Whether the Company was notified about the RPT 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
- v. Whether the RPT 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, 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.

Audit Committee can provide omnibus approval for RPT (including MRPT) which are repetitive in nature if the following conditions are satisfied:

- i. RPTs which are in the ordinary course of business are eligible for omnibus approval subject to facts and circumstances in the opinion of the Audit Committee is in the interest of the Company entitling omnibus approval.
- ii. While according omnibus approval the Audit Committee shall consider identity of the Related Party, nature of transaction, frequency of the transaction, value of the transaction, indicative price and any price revisions over a period of time and such other factors which are in the interest of the Company prior to granting omnibus approval. The Audit Committee can impose such conditions as it may deem fit while approving
- iii. The omnibus approvals given by Audit Committee shall be valid for a period of one year and is further review by the Audit Committee every quarter.

## **WHERE APPROVAL OF SPECIAL RESOLUTION BY SHAREHOLDERS NECESSARY**

### **D. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a RTP that has not been approved as per this Policy prior to its consummation or commencement, it shall be immediately referred and shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding such RTP, and shall evaluate all options available to the Company, including ratification, revision or termination of the RTP.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RTP to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

Where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. The Audit Committee shall also bring to the immediate notice of the Board about such RPT.

### **E. Waiver**

The Audit Committee for reasons recorded in writing has authority to modify or waive any procedural requirements of this Policy.

## **5. COMMUNICATION**

The Policy shall be communicated to all the directors, Key Managerial Personnel and employees of the Company.

## **6. REVIEW OF POLICY**

The Board of Directors or the Audit Committee with the approval of the Board of Directors shall review the efficacy of the Policy and can amend the same from time to time.

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