

**ELECTROSTEEL CASTINGS  
LIMITED**

Related Party Transaction Policy is formulated to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

## **Related Party Transaction Policy**

Effective Date: 01.04.2019

Approval Date: 29.01.2019

Version No.: 4.0

Approved By: Board of Directors

This document is confidential in nature and supersedes any Related Party Transaction Policy existing in the Company and should be read in conjunction with the most recent policies and procedures documented.

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

## TABLE OF CONTENTS

| Sl. No. | Topic  |
|---------|--|
| 1.      | Introduction   |
| 2.      | Scope and Purpose  |
| 3.      | Objective  |
| 4.      | Definitions  |
| 5.      | Identification of Related Parties and Related Party Transactions |
| 6.      | Materiality Threshold for Related Party Transactions             |
| 7.      | Review and approval of Related Party Transactions                |
| 8.      | Related Party transactions not approved under this Policy        |
| 9.      | Administrative Measures and Review of the Policy                 |
| 10.     | Amendment  |
| 11.     | Disclosures  |

### **1. Introduction**

The Board of Directors (the 'Board') of Electrosteel Castings Limited (the 'Company' or 'ECL'), at its meeting held on 29 October 2014, upon the recommendations of the Audit Committee, has adopted the following Policy and procedures with regard to Related Party Transactions.

This Policy was revised by the Board at its meeting held on 29 January 2019, to incorporate amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and the Companies Act, 2013 ('Act').

This amended Policy shall be applicable to the Company with effect from 1 April 2019.

### **2. Scope and Purpose**

Regulation 23 of the Listing Regulations provides, among other things, that the Company shall formulate a policy on dealing with Related Party Transactions.

This Policy intends to comply with the requirements of the Listing Regulations to ensure proper approval and reporting of dealings with Related Parties and shall also be governed by the Act read with Rules made thereunder, as may be amended from time to time.

The Company is committed to transparency and fairness in dealing with all Related Parties and in ensuring adherence to all applicable laws and regulations, as may be amended from time to time.

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

### 3. Objective

The objective of this Policy is to set out:

- a) the materiality thresholds for Related Party Transactions; and
- b) the manner of dealing with the transactions between the Company and its related parties based on the Act and Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

### 4. Definitions

- a) **“Arm’s Length Transaction”** means a transaction between two related parties that it is conducted as if they were unrelated, so that there is no conflict in interest.
- b) **“Audit Committee” or “Committee”** means Audit Committee of the Board of Directors of the Company constituted under provisions of the Act and the Listing Regulations.
- c) **“Board of Directors” or “Board”** means the Board of the Company, as constituted or reconstituted from time to time.
- d) **“Key Managerial Personnel” or “KMP”** shall have the meaning as defined in the Act.
- e) **“Policy” or “this Policy”** means Related Party Transaction Policy.
- f) **“Related Party”** shall have meaning as defined in Section 2(76) of the Act and Clause 2(1)(zb) of the Listing Regulations, as amended from time to time.
- g) **“Related Party Transaction” or “RPT”** means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. A transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- h) **“Relative”** shall have meaning as defined under Section 2(77) of the Act and Rules prescribed thereunder.

Any other term not defined herein shall have the same meaning as defined in the Act and the Listing Regulations or any other applicable law(s) or regulations.

### 5. Identification of Related Parties and the Related Party Transactions

- a) Every Director and Key Managerial Personnel shall, at the time of appointment, annually and whenever there is any change in the information already

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

submitted, provide requisite information about all persons, firms, entities in which he is interested whether directly or indirectly, to the Company Secretary of the Company.

- b) On the basis of the information received referred above in (a) and basis the Act and the Listing Regulations, a consolidated list of related parties shall be prepared.
- c) The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with necessary details for requisite prior approval.
- d) The Chief Financial Officer of the Company, as per existent laws, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

## **6. Materiality Threshold for Related Party Transactions**

Regulation 23 of the Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution.

The Company has fixed its materiality threshold at 10% of the Annual Consolidated Turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(1) of the Listing Regulations.

Further, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a Financial Year, exceed 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

## **7. Review and approval of Related Party Transactions**

### **Review of Related Party Transaction**

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of 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:

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

- a) Whether the terms of the Related Party Transaction are fair and on arms' length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) Whether there are any business reasons for the Company to enter into the Related Party Transaction;
- c) Whether the Related Party Transaction would affect the independence of an Independent Director;
- d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether the transaction would be detrimental to the Company; and
- f) 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.

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 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.

### **Approval of the Audit Committee**

All Related Party Transactions must be reported to the Audit Committee, for its approval in accordance with provisions of the Act and Rules made thereunder, Regulation 23 of the Listing Regulations and this Policy. The Audit Committee may specify the criteria for granting omnibus approval for Related Party Transactions, in accordance with the provisions of the Act and the Listing Regulations. Transactions which are repetitive in nature may qualify for Omnibus Approval.

Further, any subsequent modification of existing transactions of the Company with its related parties will also require approval of Audit Committee.

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

### **Approval of the Board**

Prior consent of the Board by way of resolution is required for all Related Party Transactions if not in ordinary course of business or at arm's length.

No Director who is interested in any such contract or arrangement shall be present at the meeting during discussions on the subject matter of the resolution proposed for Board Approval.

### **Approval by the Shareholders**

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 6 of the Policy, will be placed before the shareholders for approval. For this purpose, no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at arm's length or in the ordinary course of business; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014 will also be placed before the shareholders for their approval.

However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the General Meeting for approval.

Notwithstanding the foregoing, the approval of the Audit Committee shall not be required for 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.

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

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as

|  |   |                            |
|--|---|----------------------------|
| Subject: Related Party Transaction Policy  | Original Issue Date: 29.10.2014                     | Effective Date: 01.04.2019 |
|  | Revision Dates: 09.02.2015, 05.11.2015 & 29.01.2019 | Version: 4.0               |
| <b>Governing Guidelines:</b> The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto as applicable |   |                            |

appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the 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.

## **9. Administrative Measures and Review of the Policy**

Management shall institute appropriate administrative measures to provide that all Related Party Transactions are not in violation of, and are reviewed in accordance with, the applicable Policies and Procedures.

The Policy shall be periodically reviewed by the Audit Committee and appropriate recommendations shall be made to the Board of Directors to amend the Policy. Any changes or modification to the Policy would be approved by the Board of Directors. The Policy shall be reviewed by the Board of Directors at least once in every 3 (three) years and updated accordingly.

## **10. Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments or rules, such provisions or statutory enactments or rules shall prevail over this Policy. Further, in case of any subsequent amendment(s), clarification(s), circular(s), etc., issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc., shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

## **11. Disclosures**

The Company will disclose this Policy on its website.