

AKUMS DRUGS & PHARMACEUTICALS LTD.

**POLICY ON
RELATED PARTY TRANSACTIONS
AND
THEIR MATERIALITY**



AKUMS DRUGS & PHARMACEUTICALS LTD.

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1. Introduction

The Board of Directors (“Board”) of Akums Drugs & Pharmaceuticals Ltd. (“Akums” or the “Company”) has adopted this Policy (“Policy”) upon the recommendation of the Audit Committee and the said Policy includes materiality threshold of Related Party Transactions and dealing with Related Party Transactions.

This Policy has been formulated in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Regulations”) read with the provisions of Section 177 and 188 of the Companies Act, 2013 (“the Act”) & relevant rules made thereunder as amended from time to time to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

Section 188 (1) of the Companies Act, 2013 provides that no contract or arrangement shall be entered into with a related party, unless approved by the Board or Audit Committee. Further, third proviso of sub-section 1 of Section 188 of the Companies Act, 2013 provides that if transactions entered into by the company are in its ordinary course of business and the transactions are at arm’s length, then nothing contained in sub-section 1 of Section 188 of the Companies Act, 2013 shall apply i.e. no approval is required.

In terms of Section 177 of the Companies Act, 2013 read with, the Companies (Meeting of Board and its Powers) Rules, 2014, review and approval of related party transactions of the company, is one of the functions of the Audit Committee.



2. Policy Objective

- a) The Company recognises that most of the related party transactions entered into by the Company are at arm's length and are in ordinary course of business, still as an abundantly cautionary measure, the Audit Committee approval should be sought for the related party transactions entered into by the Company.
- b) The Company recognizes that Related Party Transactions ("RPT") may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. The policy is also prepared for the identification and regulation of the RPTs keeping in view the provisions of Companies Act, 2013 read with the rules made thereunder and SEBI Regulations.
- c) In respect of transactions of Repetitive nature like purchase/ sale of goods, payment of properties rentals, giving loans & advances, reimbursement of expenses; the quantum of each of such transactions cannot be exactly apprehended in advance. Therefore, it is necessary that omnibus approval of amounts of each such transaction should be sought; Keeping in view past experience & budget projections including capex & cash flow requirements.

3. Applicability

The policy shall be applicable to Akums Drugs & Pharmaceuticals Ltd. and its subsidiaries and associates.



4. Definitions

- a. "Act" means companies Act 2013 and rules made thereunder as amended from time to time.
- b. "Audit Committee" means "Audit Committee" constituted by the Board of Directors of the Company from time to time under the provisions of the Act and SEBI Regulations.
- c. "Board of Directors" means the "Board of Directors" of the Company
- d. "Company" means **Akums Drugs & Pharmaceuticals Ltd.** and other Akums group entities.
- e. "Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- f. "Akums Group" means **Akums Drugs & Pharmaceuticals Ltd.** and any of its subsidiaries companies and associates.
- g. "Material Related Party Transaction" means the following transactions:

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 10% of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company.

A transaction with related party, if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year which is not in ordinary course of business or not on arm's length basis, exceeds the limit prescribed under the Companies Act, 2013 and rules made thereunder.



- h. “Policy” means policy on materiality of Related Party Transactions and dealing with related party transactions.
- i. Related Party means a related party as defined under the Act or rules made thereunder and SEBI Regulations.
- j. “Related Party Transaction” means such transactions as specified under Section 188 of the Act or rules made thereunder and Regulation 2(zc) & 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 including any amendment or modification thereof, as may be applicable.
- k. “Relative means a relative as defined under the Act and SEBI Regulations.
- l. “Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Regulations 2015, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

5. Policy

All RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy, whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

a) Disclosure by Directors

- i. Every year, the Directors shall provide declaration to the Company Secretary his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals in the format prescribed under the Companies Act, 2013.



- ii. The declarations will be updated by the Directors, in case of any change and intimated to the Company Secretary for placing before the Board of Directors.
- iii. Any individual appointed as director shall provide declaration to the Company Secretary in the prescribed format.

b) Identification of Potential RPTs, & presentation disclosure before Audit Committee

- i) Each director is responsible for providing disclosures as above to the Company, if not given already in the first Board Meeting of the financial year, involving him/her or his/ her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee/ Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.
- ii) **Presentation of RPT before the Audit Committee Company should be in SEBI LODR format & where applicable RPT should give a reference Affirmative Voting Rights of the Investor.**
- iii) The Company Secretary will ensure that their notice of any potential RPT is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
- iv) Where any director is interested in any contract or arrangement with a related party, such director shall not participate at the meeting during discussions on the subject matter of the resolution relating to such transaction.



c) Review and Approval of RPTs

i. Audit Committee

(1) Omnibus Approval

All RPTs shall require prior approval of the Audit Committee. However, 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 grant omnibus approval in respect of transactions which are repetitive in nature and / or quantum of which may not specifically be identifiable.
- The Audit Committee shall grant satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The Audit Committee shall approve all transactions even if these which are in the ordinary course of business.
- Such omnibus approval shall specify the following:
 - the name(s) of the related party
 - nature of transaction,
 - period of transaction,
 - maximum amount of transaction that can be entered into,
 - such other conditions as the Audit Committee may deem fit;

Provided that where the need for RPT 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.10.00 crore per transaction.



- Audit Committee shall review, preferably at least on a quarterly basis, but at least twice in a financial year the details of RPTs 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 financial year and shall require fresh approvals after the expiry of one financial year. However, for first quarter of any financial year, approval given in respect of immediate previous quarter shall be a deemed approval, till a fresh approval is given by the committee.
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the whole or substantially the whole of undertaking of the Company.

In determining whether to approve a RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- Whether the terms of the RPT are fair and on arm's length basis to the Company.
- Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- Whether such type of RPTs are entered in the past;
- Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;



- Any other factor the Audit Committee deems relevant for reviewing and approving such RPT.

(2) Other Approvals

- The Audit Committee, apart from Omnibus approval shall also take into consideration and approve other RPTs as applicable
- While intercompany transactions within Akums group for purchase of goods, sale of goods, providing of service, payment of brand royalty, renting of premises, reimbursement of expenses, making investments, giving loans, interest charges, Corporate Guarantees given etc. are within the provisions of Memorandum and articles of association of Companies and are treated as “in the ordinary course of business”, the other approvals with Directors and Key Managerial approvals like payment of sitting fee, reimbursement of expenses, payment of managerial remuneration, commission incentives variable pays professional charges, consultancy fee etc. to Directors and relatives should be got approved by Board or its concerned committees. Rentals payable to Directors or their relatives should be at fair market value and shall be covered by Omnibus approval.

ii. Board of directors

The Board shall consider and approve the RPT as required to be approved under the Act or rules made thereunder and/or SEBI Regulations and/or transactions referred to it by the Audit Committee.



iii. Shareholders' Approval

All the Material RPTs shall require approval of the shareholders (unless exempted pursuant to SEBI Regulations and Act). The transactions which fall under Section 188 of the Act which are not in the ordinary course of business and / or not an Arms' length basis and which exceeds the threshold limits prescribed under the rules made thereunder, shall require approval of the shareholders.

Provided that the requirement under this point shall not apply in respect of resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of resolution plan being approved.

iv. Decision regarding transaction in the ordinary course of business and at arm/s length basis

“Ordinary course of business” would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

The following transactions should be treated as “In the ordinary course of business”

- a) Inter Company RPTs within Akums group in respect of purchase & sales of goods, services of routine nature, payment of brand royalty, renting of premises, reimbursement of expenses, making / receiving / refund of loans and payment of interest thereon, investment in shares and giving corporate guarantees and other RPTs as the Board / committee may consider appropriate.



- b) Payment of Rentals, Professional services and consultancy charges paid to KMPs, Directors, and their relatives.

The Audit Committee or the Board shall, in respect of the RPTs referred to them for approval and after considering the matter placed before them, shall judge if the transaction is the ordinary course of business and at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, it may seek advice from any outside specialist(s) / professional(s) from the relevant field in helping them to arrive at a decision.

In case there is still no consensus amongst the Audit Committee Members, the matter then shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis.

6. Documentation by the company

- a) The Company shall maintain proper documentation for each RPT which should demonstrate that each transaction is at "fair market Price" and is backed by supporting evidence. The transactions should demonstrate that these are at 'Arms Length' and are done in a manner as if done by with unrelated parties
- b) The transactions should be got validated by internal Auditors or by an internal team appointed by the company.
- c) A certificate in this regard be placed before the Audit Committee by CFO or Company secretary or internal auditors or head of specific internal team, annually.



7. Disclosures

- a. Details of all material transactions with related parties shall be disclosed preferable quarterly along with the compliance report on corporate governance; however at least two disclosures in a year are mandatory.
- b. The Company shall disclose the policy on dealing with RPTs on its website and a web link thereto shall be provided in the Annual Report.
- c. A register of contracts shall be maintained as per the Act and placed before the next Board Meeting and signed by all the directors present at the Meeting.

8. RPTs not approved under this Policy

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

In any case, 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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Company etc. In connection with any review of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.



9. Review/Amendment(s)

The Board of Directors may review or amend this policy, in whole or in part, from time to time, at least once in every three years, after taking into account the recommendations from the Audit Committee.

10. Interpretation

In the event of any conflict between the provisions of this Policy and the Act or SEBI Regulations 2015 or any other statutory enactments/ rules, the provisions of such Act or SEBI Regulations or statutory enactments as applicable shall prevail over this Policy.