

**VAISHALI PHARMA LIMITED**

**Policy on Related Party Transactions**

## **1. SCOPE AND PURPOSE OF THE POLICY**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under, Vaishali Pharma Limited ("VPL" or "the Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. In light of the above VPL has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

## **2. OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out the manner of dealing with the transactions between the Company and its related parties based on the Act and any other laws and regulations as may be applicable to the Company.

## **3. DEFINITIONS**

**"Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

**"Ordinary Course of Business ('OCB')"** means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MOA') of the Company as amended from time to time, or historical practice with a pattern of frequency, or common commercial practice, or meets any other parameters / criteria as decided by the Board/Audit Committee.

**"Relative"** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.

**"Related Party"**, will have the same meaning as defined under Section 2(76) of the Act.

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and other Authorities from time to time on the interpretation of the term "Related Party"

**"Related Party Transactions"** mean all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act.

**"Key Managerial Personnel"** means in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed

**"Board of Directors or Board"** means the collective body of the Directors of the Company;

**"Audit Committee"** means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act;

**"Chief Executive Officer (CEO)"** means an officer of the Company as defined in Section 2(18) of the Act;

**"Chief Financial Officer (CFO)"** means a person of the Company as defined in Section 2(19) of the Act;

**"Company Secretary (CS)"** means a Company Secretary as defined in Section 2(24) of the Act;

**"Managing Director"** means Managing Director as defined in Section 2(54) of the Act;

**"Whole-time Director"** means Whole-time Director as defined in Section 2(94) of the Act;

**"Transaction"** shall be construed to include single transaction or a group of transactions in a contract;

#### **4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS**

##### **a. Identification of Related Parties**

The Company identifies and updates the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under. The related parties u/s 2(76) are defined as under

**“Related Party” with reference to a company, means**

- (i) a director or his relative
- (ii) a KMP or his relative
- (iii) a firm in which a director, manager or his relative is a partner
- (iv) a private company in which a director or manager is a director or member.
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid up share capital
- (vi) 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
- (vii) any person on whose advise, directions or instructions a director or manager is accustomed to act,  
Provided nothing in sub clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity
- (viii) Any company which is
  - (A) a holding, subsidiary or associate company of such company or
  - (B) a subsidiary of a holding company to which it is also a subsidiary
- (ix) Such other persons as may be prescribed

Further, Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014 provides that a director or key managerial personnel of the holding company or his relatives with reference to a company shall be deemed to be a related party.

A list of Related Parties with reference to the Company is prepared as per the definition of Related Party as provided above. The Company may seek external professional opinion/certification for the purpose as may be advised by the Audit Committee.

**b) Identification of related party transactions**

The Company identifies the related party transactions in accordance with Section 188 of the Act. The management determines whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.

### **c) Procedure for approval of related party transactions**

#### **(i) Approval of the Audit Committee**

All Related Party Transactions require prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The omnibus approval shall provide details of (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.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 Crore per transaction;

- The Audit Committee shall review, at least 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 approval shall be valid for 1 year.

#### **(ii) Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e.

value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

- Transactions which are referred by the Audit Committee.

Any member of the Board who is interested in any Related Party Transaction shall abstain from the discussion and voting and shall not be counted in determining the quorum which such transaction. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek inter alia the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

Benchmarking information that may have a bearing on the arm's length basis analysis, such as market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

- third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
- management assessment of pricing terms and business justification for the proposed transaction;
- comparative analysis, if any, of other such transaction entered into by the company.

### **(iii) Approval of the Shareholders of the Company**

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

**DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction. The Company is required to disclose each year in the Financial Statements all material transactions between the Company and Related Parties. The Company is also required to disclose the policy on dealing with Related Party Transactions on its website and in the Annual Report.

**RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

**AMENDMENT**

Any subsequent amendment in applicable laws in this regard shall apply automatically to this Policy.