



SHREE RENUKA SUGARS LIMITED

Policy on Related Party Transactions

Related Party Transaction Policy

1. PREAMBLE

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party Transactions and defined the term related parties, related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

The Board of Directors ("Board") of Shree Renuka Sugars Limited ("Company") based on the recommendation of the Audit Committee, has adopted this Policy, at its Meeting held on 13th August, 2014, effective 1st October, 2014 . The said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The Board of Directors has also reviewed the requirements of Domestic Transfer Pricing Regulations and Accounting Standards 18 requirements of Related Party Transactions.

The Audit Committee may review this policy from time to time and recommend amendments for consideration by the Board.

2. PURPOSE/OBJECTIVE

This policy is largely framed based on Listing Agreement entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties and to ensure transparency while dealing in Related Party Transactions.

This policy is created in assisting the Audit Committee, the Board and the Management in reviewing, approving and ratifying related party transactions and act as guidance to help recognize and deal with actual or apparent conflicts of interests that may raise questions whether such transactions are consistent in the best interests of the Company and its stakeholders.

3. DEFINITIONS AND EXPLANATIONS

i) Associate Company - Section 2(6) :

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.

Explanation: For the purposes of this clause, :

“significant influence” means control of at least 20% of the total share capital, or of business decisions under an agreement.

“Total Share Capital” means the aggregate of the;

- paid-up equity share capital; and
- convertible preference share capital;

ii) Holding Company – Section 2 (46) :

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

iii) Key Managerial Personnel - Section 2 (51) :

In relation to a company means:

- the Chief Executive Officer (CEO) and /or the Managing Director (MD) or the Manager;
- the Whole- time Director (WTD);
- the Chief Financial Officer (CFO);
- the Company Secretary (CS); and
- Such other officer as prescribed under the Companies Act from time to time.

iv) Manager - Section 2(53) :

An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director and any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

v) Net Worth - Section 2(57) :

The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

vi) Ordinary Course of Business :

Ordinary course of business shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to “income from other sources”.

vii) Policy :

Policy means this Related Party Transactions Policy

viii) **Related Party :**

(a) **Under Clause 49 -**

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

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

As per Accounting Standard 18:

- i) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- iii) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv) key management personnel and relatives of such personnel; and
- v) Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

(b) **Under Section 2(76) of the Act -**

With reference to a company, Related Party means:

- A director or his relative
- Key Managerial Personnel or his/ her relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager or his relatives is a member or director
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- Any company which is:
 - A Holding, Subsidiary or an Associate company of such company; or
 - A Subsidiary of a Holding company to which it is also a Subsidiary
- A Director, other than an Independent Director, or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a Related Party

ix) Relatives-Sec 2 (77) :

With reference to any person Related Party means any one person, who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife, or
- One person is related to the other if he or she is related to another as under:
Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother* and Sister* (*including step)

x) Subsidiary Company or Subsidiary – Section 2 (87) :

In relation to any other company, that is the Holding company, means a company in which the holding company:

- controls the composition of the Board of Directors; or
- exercises or controls more than one-half of the Total Share Capital
 - either at its own; or
 - together with one or more of its subsidiary companies:

Explanation:

- a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c) the expression "company" includes anybody corporate;
- d) "layer" in relation to a holding company means its subsidiary or subsidiaries;
- e) "Total Share Capital" means the aggregate of the;
 - paid-up equity share capital; and
 - convertible preference share capital;

xi) Related Party Transaction :

a. Under Clause 49 -

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

b. Under Section 188 of the Act -

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- 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;
- appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
- under writing the subscription of any securities or derivatives thereof of the Company

Explanation:

(i) Arms' length transaction - Section 188 (1)

The expression "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.

(ii) Office or place of profit - Section 188 (1)

Office or place of profit means any office or place of profit:

- is held by a **director**, if the director holding it receives from the company anything by way of remuneration, over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- is held by **an individual** other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

xii) Material Related Party Transactions :

a. Under Clause 49 -

A Related Party Transaction shall be considered Material 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.

b. Under the Act –

Sr.	Transaction or contract or arrangements for	*Threshold Limits
1	<i>Sale, purchases or supply of any goods or materials, services or property, directly or through appointment of agent</i>	<i>(i) exceeding 10% of the #Net Worth of the company; or (ii) Rs.100 Crores ; whichever is lower For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year</i>
2	<i>Selling or otherwise disposing of, or buying services or property of any kind, directly or through appointment of agent</i>	<i>(i) exceeding 10% of the Annual #Turnover of the company; or (ii) Rs.100 Crore ; whichever is lower For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year</i>
3	<i>Leasing of property of any kind</i>	<i>i) exceeding 10% of the Net Worth of the company ; or ii) 10% of the Annual Turnover of the company; or iii) Rs.100 Crore ; whichever is lower</i>

		<i>For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year</i>
4	<i>Availing or rendering of any services, directly or through appointment of agent</i>	<i>(i) exceeding 10% of Annual Turnover of the Company; or (ii) Rs.50 Crore; whichever is lower</i> <i>For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year</i>
5	<i>For appointment to any office or place of profit in the Company, its Subsidiary or Associate Company</i>	<i>Where monthly remuneration exceeds Rs.2,50,000</i>
6	<i>Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company</i>	<i>For amount exceeding 1% of Net Worth of the Company</i>

** The threshold limits shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government*

#Turnover and Net worth as per Audited Financial Statement of preceding Financial Year.

4. POLICY

All proposed Related Party Transactions must be reported to the Audit Committee for its approval prior to initiation of actual transaction in accordance with this Policy. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy, from time to time, as it may deem fit/appropriate.

4.1. Identification of Potential Related Party and Transactions

Each Director and Key Managerial Personnel is responsible for providing Notice to the Audit Committee/Board of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company has to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

4.2. Review and Approval of Related Party Transactions

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation or through electronic mode. A member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction and shall not be counted for the purpose of quorum, when such transaction is being considered.

The Committee will be provided with all relevant material information of the Related Party Transaction while reviewing a 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.

4.3. Consideration by the Audit Committee while approving Related Party Transactions

While assessing a proposal placed before the Audit Committee/Board for approval, the Audit Committee/Board may review/consider the following documents/factors, inter alia , to determine whether the transaction is in the ordinary course of business and on arm's length basis:

- i) main terms of the transaction, i.e. price and other commercial/non-commercial covenants/consideration of the proposed transaction, including value & quantum;
- ii) Nature of transaction i.e. details of goods/property to be acquired/transferred or services to be availed/rendered, risks to be assumed, etc. ;
- iii) Benchmarking information that may have a bearing on the proposed transaction –
 - market analysis, research report, industry trends, business strategies,
 - financial forecasts, etc.;
 - third party comparables, valuation reports, price publications, including commodity market/spot market quotes/prices;
 - management's assessment of pricing terms and justification for the proposed transaction;
 - comparative analysis of similar transaction entered into by the company.
- iv) Whether there are any undue business reasons for the Company to enter into Related Party Transaction and the nature of alternative transactions, if any;
- v) Whether the Related Party Transaction would affect the independence of the directors/KMP;
- vi) Whether the proposed transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction;
- vii) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- viii) Whether the Related Party transaction would present an improper conflict of interest for any director/KMP, 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/KMP'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.

In case of ongoing Related Party Transactions, the Audit Committee may establish guidelines for the management to follow for such ongoing dealings with Related Parties. The Committee shall periodically review and assess such ongoing relationships with Related Parties. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

The Committee while considering the arm's length nature of any transaction, shall take into account the facts and circumstances as were applicable at the time of entering into such transactions with Related Party. The Committee shall take into consideration that subsequent events like evolving business strategies/short term commercial decisions to improve/sustain the Company's market share, changing market dynamics, local competitive scenario, economic/regulatory conditions affecting the global/domestic sugar industry impacting the Company's profitability but which may not have a bearing on the otherwise arm's length nature of the transaction.

4.4. Omnibus approval by Audit Committee

In case of any repetitive/frequent/regular transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such proposed transactions to be entered into by the Company. While granting the approval the Audit Committee shall satisfy itself of the need for such omnibus approval and that the same is in the interests of the Company. The omnibus approval shall specify the following:

- a. Name of the related party;
- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transactions that can be entered into;
- e. Indicative base price / current contracted price and formula for variation in price, if any; and
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied or amended. Any proposed variations or amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1,00,00,000/- (Rupees One Crore only) per transaction, details of which shall be reported at the next meeting of the Audit Committee for ratification. The Audit Committee shall on a quarterly basis review and assess such transactions, including the limits to ensure that the same is in compliance with this Policy. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of one year.

4.5. Approval of the Board

Transactions with related parties within the scope of Section 188 of the Companies Act, 2013 which are not in the ordinary course of business nor at arm's length basis, shall require Board's approval.

4.6. Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, as per the Company's Policy, needs to be placed before the shareholders for its approval. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a 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 in the ordinary course of business and at arm's length basis; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014

shall be placed before the shareholders for its approval.

4.7. Decision regarding transaction in ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. The Company may seek the opinion/certification of any external professional or Statutory/Internal Auditor or Practising Chartered Accountant for determining whether any transaction is in the ordinary course of business and at arm's length basis, if necessary. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

4.8. Material Related Party Transaction

A transaction with a related party shall be considered to material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the higher of

- (a) ten percent of the consolidated annual turnover of the Company; or
- (b) twenty percent of the net worth of the company as per the last audited financial statements of the company.

5. EXCEPTIONS

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

- (a) Any transaction with Wholly owned subsidiaries in the ordinary course of business/operations;
- (b) 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, and in line with the terms of Appointment ; and
- (c) 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.

6. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all 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 failure of the internal control systems, and shall take any such remedial action that it may deem appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 related party, etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.renukasugars.com

7. DISCLOSURE

Every Related Party Transaction entered into by the Company shall be disclosed in the Directors' Report on an annual basis and also as part of the financial statements of the Company, along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

8. AMENDMENTS AND UPDATES

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time, as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

9. LIMITATION/SCOPE

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 or any other statutory enactments, rules/Listing Agreement then the provisions of the Companies Act, 2013 or statutory enactments, rules or the Listing Agreement shall prevail over this Policy.

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Agreement, Accounting Standards or any other relevant legislation/law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee for its decision. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert, as it deems fit.