



# **SHREE RENUKA SUGARS LIMITED**

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## **Policy on Related Party Transactions**

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## **Related Party Transaction Policy**

### **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.

Securities and Exchange Board of India (SEBI), 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. Subsequently, SEBI replaced the listing agreement with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations).

The Board of Directors (“Board”) of Shree Renuka Sugars Limited (“Company”) based on the recommendation of the Audit Committee, had adopted this Policy, effective 1<sup>st</sup> 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. In view of the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 effective from 1<sup>st</sup> April, 2019, the policy has been amended by the Board of Directors on the recommendation of the Audit Committee and the revised policy shall be effective from 1<sup>st</sup> April, 2019.

## 1. PURPOSE/OBJECTIVE

This policy is framed based on the requirements of Listing Regulations and also to comply with the applicable provisions of the Companies Act, 2013. It is 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.

## 2. DEFINITIONS AND EXPLANATIONS

“**Act**” shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars thereof.

"**Associate company**", 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 purpose of this clause,

(a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

"**Holding company**", in relation to one or more other companies, means a company of which such companies are subsidiary companies;

*Explanation.*—For the purposes of this clause, the expression "company" includes any body corporate.

"**Key managerial personnel**", 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

"**Net worth**" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss 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;

“**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”.

“**Policy**” means this Related Party Transactions Policy.

“**Related party**” means a person or an entity:

- (i) which is related party under the Act; or
- (ii) which is related party under the applicable accounting standards.

“Related party” under section 2(76) of the Act and rules made thereunder are as follows-

- (i) a director or his relative;
- (ii) a key managerial personnel 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 or his relative is a member or director;
- (v) a public company in which a director and manager is a director and holds along with his relatives, more than two per cent 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 advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is
  - (A) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company;”;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- (ix) Director (other than an independent director) or Key Managerial Personnel of the holding company or his relative; or

“**Related Party**” in pursuance of Ind-AS 24, is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity’).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**“Related party transaction”** means:

- (i) related party transaction under the Act; or
- (ii) related party transaction under SEBI Listing Regulations

“Related party transaction” in pursuance of Section 188 of the Act, means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and includes:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

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

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.

The expression “office or place of profit” means any office or place

- (i) where such office or place 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;
- (ii) where such office or place 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;

“Related party transaction” in pursuance of SEBI Listing Regulations, means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged.

**“Material Related Party Transactions”** in pursuance of SEBI Listing Regulations:

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.

Notwithstanding the above, 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

In pursuance of the Act, a company shall not enter into a transaction or transactions except with the prior approval of the company by a resolution, where the transaction or transactions to be entered into, as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below-

Sr.	Transaction or contract or arrangements for	*Threshold Limits
1	Sale, purchase or supply of any goods or material, directly or through appointment of agent	(i) 10% or more of turnover of the company; or (ii) Rs.100 Crores ; whichever is lower
2	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	(i) 10% or more of net worth of the company; or (ii) Rs.100 Crores ; whichever is lower
3	Leasing of property of any kind	(i) 10% or more of turnover of the company; or (ii) Rs.100 Crores ; whichever is lower
4	Availing or rendering of any services, directly or through appointment of agent	(i) 10% or more of turnover of the company; or (ii) Rs.50 Crores ; whichever is lower
5	For appointment to any office or place of profit in the Company, its Subsidiary or Associate Company	Where monthly remuneration exceeds Rs.2,50,000
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	For amount exceeding 1% of net worth of the Company

\* 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.

Explanation: Limits specified in 1 to 4 above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

"**Relative**", "Relative" with reference to any person, means any one who is related to another, if

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner

For the purpose of (iii) above, one person shall deem to be the relative of another, if he or she is related to another person in the following manner namely:

- (a) Father (including step-father)
- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Sister (including step-sister)

"**Subsidiary company**", "Subsidiary company" or "subsidiary, in relation to any other company (that is to say the holding company), means a company in which the holding company-

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

*Explanation.*—For the purposes of this clause,

(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 any body corporate;

(d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

**“SEBI Listing Regulations”** means Security and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including modifications, amendments, Circulars, clarifications thereto.

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Companies Act, 2013 and the rules and regulations made thereunder, Accounting Standards and applicable laws, to the extent relevant in connection with this Policy, as the case may be or in any amendment thereto.

### **3. 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.

#### **3.1. 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.

#### **3.2. 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.

### 3.3. 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.

### 3.4. 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 as per the threshold limit mentioned below 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.

### Threshold limits

Pursuant to Regulation 23 of SEBI Listing Regulations, the threshold limits for RPTs for granting omnibus approval for each financial year, as per the criteria approved by the Board is as under:

Sr. No.	Criteria	Amount in Rs.
1	Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year <ul style="list-style-type: none"> <li>- Purchase of Goods and Services</li> <li>- Sale of Goods and Services</li> </ul>	# Upto any limit provided the aggregate of Related Party transactions (including transactions already approved earlier in the year) is less than 10% of the annual consolidated turnover of the Company as per the last audited financial statements
2	Maximum value per transaction which can be allowed <ul style="list-style-type: none"> <li>- Purchase of Goods and Services</li> <li>- Sales of Goods and Services</li> </ul>	

*# Any omnibus approval granted by the Audit Committee above the threshold limit, shall be subject to the approval of the shareholders as per the Companies Act, 2013 and SEBI Listing Regulations.*

### 3.5. 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.

### 3.6. Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality definition as defined above, 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 not vote to approve the transaction 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.

### **3.7. 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. 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.

### **5. 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](http://www.renukasugars.com)

### **6. 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.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of RPTs on a consolidated basis, in the format specified in the relevant accounting standards for annual results and publish the same on its website.

## **7. AMENDMENTS AND UPDATES**

The Audit Committee shall periodically 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.

## **8. 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 Regulations then the provisions of the Companies Act, 2013 or statutory enactments, rules or the Listing Regulations 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.