



SOM Distilleries & Breweries Limited

Policy on Related Party Transactions

April 2016





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1. INTRODUCTION

In accordance with Section 188 of the Companies Act 2013 (the Act) and the Rules made thereunder and Regulation 23 of the SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015 (the Regulations) for dealing with related party transactions, SOM Distilleries & Breweries Ltd (“the Company”) has adopted this policy upon the recommendation of the audit committee to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act and the Rules.

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

2. DEFINITIONS

“**Related party**” means an entity shall be considered as related to the Company if:

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

“**Related Party Transaction**” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged

“**Related Party Transactions**” (RPT) means any contract or arrangement with related party with respect to-

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party’s appointment to any office or place of profit in the company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company.

The following transaction, even though entered into between related parties, may not amount to RPT- (i) that does not fulfill the nature of transactions mentioned above; (ii) that is entered into by the company in its ordinary course of business and is concluded on arm’s length basis and (iii) arising out of compromises, arrangements





and amalgamations dealt with under specific provisions of the Companies Act, 1956 or the Act.

The expression “arm’s length” transaction means transaction between two related parties that is concluded as if they were unrelated, so that there is no conflict of interest.

“Materiality of Related Party Transactions” A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“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.

“Audit Committee or Committee” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing Agreement and the Companies Act, 2013, from time to time.

“Board of Directors” or “Board” means the Board of Directors of SOM Distilleries & Breweries Ltd, as constituted from time to time.

“Key Managerial Personnel” or “Key Management Personnel (KMP)” means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made there under and includes:

- Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- Company Secretary; and
- Chief Financial Officer

3. Policy

Audit Committee approval: All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

Board of Directors approval: All Related Party Transactions that are not in the ordinary course of business, or in the ordinary course of business but not at arms’ length or neither in the ordinary course of business nor at arms’ length shall require the prior approval of the Board of Directors at a Meeting of the Board.

Shareholders’ approval: All Material Related Party Transactions shall require prior Shareholders’ approval, through a Special Resolution passed at a General Meeting. All Related Parties shall abstain from voting on such Resolution.





4. PROCEDURES

- A. The Audit Committee will determine, in line with this Policy, whether the transaction submitted to it does, in fact, constitute a Related Party Transaction, requiring compliance under this Policy.
- B. The Audit Committee shall lay down the criteria for granting case to case approval or omnibus approval as may be considered appropriate by the Committee in line with the policy on Related Party Transactions of the Company
- C. *Omnibus approval for Related Party:* The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
- Omnibus approval shall be accorded as per the laid down criteria and in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - Such omnibus approval shall specify (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;
 - Provided that where the need for Related Party Transaction 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.1 crore per transaction.
 - Audit Committee shall review, atleast on a quarterly basis, 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 year and shall require fresh approvals after the expiry of one year,
- D. *Identification of Potential Related Party Transactions:* Each Director and Key Managerial Personnel is responsible for providing notice to the Board regarding persons and entities to be considered as `Related Parties` by virtue of his/her being Director/ KMP in the company. Such Notice shall be provided to the Company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.
- E. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and on the approval of the Related Party Transaction.
- F. *Material Related Party Transactions:*





A Related Party Transaction under Clause 49 of listing agreement 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.

However, In terms of Section 188 of the Companies Act, 2013 read with sub rule (3) of Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014, in following cases prior approval of shareholders will be required:

- sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the Company or rupees one hundred crore whichever is lower;
- selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten percent of net worth of the company or rupees one hundred crore, whichever is lower;
- leasing of property of any kind exceeding ten percent of the net worth of the company or ten percent of turnover of the company or rupees one hundred crore, whichever is lower;
- availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower;
- appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees;
- remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth.

Explanation.- The Turnover or Net Worth referred in as above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

- G. The Prior approval of Audit Committee and approval of shareholder through special resolution in terms of Clause 49 of the Listing Agreement shall not be applicable in case where transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- H. Except as provided herein above, in terms of Section 188 of the Companies Act, 2013, the approval of the shareholder is not required if transactions entered into by the company is in its ordinary course of business and on arm's length basis.

Explanation: for the aforementioned purpose, "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"

- I. Wherever the Board consent / shareholders' approval is required, a) the agenda of the Board meeting at which the resolution is proposed to be moved and b) explanatory statement to be annexed to the notice of such general meeting, shall





disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014

- J. *Policy Review*: The Board reserves the right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However no such amendment or modification shall be inconsistent with the applicable provisions of the Listing Agreement Act or any law for the time being in force

