

# FGP LIMITED

## Policy on Related Party Transactions

### 1.0 Objective:

This Policy aims to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made thereunder (the Act), Accounting Standard AS-18 issued by the Institute of Chartered Accountant of India (AS-18) and Clause 49 of the Listing Agreement (Clause 49), as amended or re-enacted from time to time and which relate to the identification of the Related Parties (as defined in Clause 2.04 below) and governance & approval of the Related Party Transactions, (as defined in Clause 2.06 below), wherever required.

### 2.00 Definitions:

**2.01 Arms' Length Transactions:** The expression "Arm's Length Transaction" shall mean:

(a) The transaction carried on between the Company and the Related Party on similar terms and conditions as those with an unrelated party, including the price, and

(b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income-tax Act, 1961.

### 2.02 Material Transactions:

A Transaction(s) with a Related Party shall be considered material if such transaction(s) to be entered into with a Related Party individually or taken together with previous transaction(s) during a financial year, exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

### 2.03 Ordinary Course of Business:

The term "Ordinary Course of Business" in relation to a Related Party Transaction shall mean and include:

(i) the usual transactions, customs and practices carried on generally by the Tyre Industry and also by the Company as well. However, it shall not include the following transactions:

(a) Complex equity transactions such as corporate restructuring or acquisitions.

(b) Any unusual transactions with off shore entities.

(c) Leasing of surplus space in the premises or rendering of management services by the Company to any Related Party without consideration, and vice versa.

(d) Sales transactions with unusually large discounts or returns.

(e) Transactions with circular arrangements viz. sales with a commitment to repurchase.

(f) Transactions under contracts, whose terms are changed before expiry.

(ii) In the light of (i) above, the following transactions shall, inter alia, be deemed to have been made in the ordinary course of business:

(a) Any transaction covered in the Main Objects or the Objects incidental to attainment of the Main Objects, as envisaged in the Memorandum and Articles of Association of the Company.

(b) Any transaction which is usually carried on by any Tyre Company within India or overseas.

(c) Any transaction which has been done by the Company quite frequently in the last three years.

(d) Any transaction done with a Related Party on similar basis as with a Third Party.

**2.04 Related Party:** "Related Party" or "Related Parties" shall mean and include the following:

(i) the persons/ entities defined in Section 2(76) of the Act

(ii) Relationships of persons and entities with the Company as described in Paragraph no. 3 (a) to (e) of AS-18.

(iii) The following will, however, not be deemed to be Related Parties:

a. a single customer, supplier, franchiser, distributor, or general agent with whom an enterprise transacts a significant volume of business merely by virtue of the resulting economic dependence; and

b. the parties listed below, in the course of their normal dealings with an enterprise by virtue only of those dealings (although they may circumscribe the freedom of action of the enterprise or participate in its decision-making process):

(i) providers of finance;

(ii) trade unions;

(iii) public utilities;

(iv) government departments and government agencies including government sponsored bodies.

c. Contributions made by the Company to an approved charitable organization of which a Related Party is a trustee, provided that the contribution given do not exceed Rs. 50 lakhs in any financial year.

**2.05 Relative:** "Relative" in respect of the Company's Directors and Key Managerial Personnel shall mean and include the following:

(i) Members of HUF

(ii) Husband and wife

(iii) Father, including step father

(iv) Mother, including step mother

(v) Son, including step son

- (vi) Son's Wife
- (vii) Daughter, including step daughter,
- (viii) Daughter's husband
- (ix) Brother, including step brother
- (x) Sister, including step sister

**2.06 Related Party Transaction(s):**

(i) A Related Party Transaction(s) shall mean the transactions, contracts and arrangements prescribed in Section 188 of the Act, AS-18 & Clause 49 and shall include transfer of any resources, services or obligations between a Company and a Related Party, regardless of whether a price is charged or not. Any transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract. The following transactions shall, inter alia, qualify to be Related Party Transactions:

- (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;
- (ii) For the purposes of this Policy, the words "Contract or Arrangement" shall include the "Transactions" which are used inter-changeably.

**3.00 Identification of Related Parties:**

3.01 Each Director, Key Managerial Personnel or any other employee whenever he wishes to enter into a Related Party Transaction with the Company involving either him/her or his /her Relative, shall give a Notice to the Company along with all the relevant details and documents.

3.02 Notice of any Related Party Transaction, referred to in Clause 3.01, shall be given well in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.

3.03 Every Director, Key Managerial Personnel shall also make annual disclosures as under:

- a. List of Relatives as defined in Clause 2.05 above.

- b. List of private companies where the Company's Director is either a director or a member.
- c. List of firms where the Company's director or his relatives are partner.
- d. List of Public companies in which any FGP's director is also a director and he, along with his/her relatives also holds more than 2% of the shareholdings.
- e. Any other relevant information/disclosure required under the Act, AS-18 and Clause 49.

3.04 Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned in Clause 3.03.

#### **4.00 Review and Approval of Related Party Transactions**

4.01 Approval by the Audit Committee:

4.02 The Company shall not enter into any Related Party Transactions with any Related Party without prior approval of the Audit Committee.

4.03 The Notices referred to in Clause 3.01 above received by the Company from the Directors, Key Managerial Personnel or any other employee shall be forwarded to the Company Secretary with a direction to convene a meeting of the Audit Committee.

4.04. The Company Secretary shall convene the meeting of the Audit Committee, as directed, and shall place all the relevant information/documents relating to the proposed Related Party Transaction(s) before the Audit Committee, which inter-alia shall include:

- (a) The name of the Related Party and nature of relationship;
- (b) The nature, duration and particulars of the contract or arrangement; such as business purpose of the transaction, the benefit of the contract or arrangement to the Company/Related Party etc.
- (c) The material terms and conditions of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms, both included as part of contract and also not considered as part of the contract;
- (f) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) Any other information relevant or important for the Audit Committee and/or Board of Directors to take a decision on the proposed Related Party Transaction.

- 4.05 The Audit Committee may appoint an expert preferably a Chartered Accountant conversant with and having relevant experience in the area of Transfer Pricing Regulations as a Related Party Transaction Auditor (RPT Auditor) who shall peruse and review all the transactions and provide a report whether the Related Party Transactions are in the ordinary course of business and on an arms' length basis. The Company Secretary shall provide all relevant papers and information regarding the transactions to the RPT Auditor.
- 4.06 The Audit Committee will consider the information/documents related to Related Party Transactions placed before it and also consider the report of the RPT Auditor and either approve or reject the same on merit.
- 4.07 If any member of the Audit Committee is interested in any Related Party Transaction with a Related Party, such member shall not be present at the Audit Committee Meeting, neither during the discussions on the subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.
- 4.08 Wherever necessary, the Audit Committee may, after examining all the documents and the Report of the RPT Auditor, if any, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company, subject to the following conditions:
- i The following criteria for granting omnibus approvals are fulfilled:  

The transactions qualify to be in the "Ordinary Course of business" as defined above and satisfy "Arm's length price" condition.  
The transactions are repetitive in nature
  - ii. The Audit Committee has satisfied itself the need for such omnibus approval and that such approval is in the interest of the Company.
  - iii. Such omnibus approval shall specify the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, the indicative base price/current contracted price and the formula for variation in the price if any, and such other conditions as the Audit Committee may deem fit.
  - iv. Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs. 1.00 crore per transaction.
  - v. Audit Committee shall review on a quarterly basis, the details of Related Party Transactions, entered into by the Company pursuant to any omnibus approval granted.
  - vi. The omnibus approval granted shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

#### **5.00. Approval of the Board:**

- 5.01. The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for approval:
- a. Transactions not in arm's length.
  - b. Transactions not in ordinary course of business.
  - c. Material transactions defined in Clause 2.02.

- d. Any other transaction(s) which may not qualify to be a Related Party Transaction under the Act but which qualifies to be a Related Party Transaction under Clause 49 and which require the approval of the shareholders.

5.02 The Board of Directors shall consider the information/documents placed before it and either approve or reject the proposed Related Party Transactions with a Related Party, referred to in Clause 2.04.

5.03 The Board of Directors shall also obtain approval of the shareholders by way of a Special Resolution for the approval of the Related Party Transactions on transactions with Related Parties which are not in the Ordinary Course of Business mentioned in clause 2.03 and / or which are not on Arm's Length basis as mentioned in clause 2.01 or which are material transactions as defined in Clause 2.02, provided that the value of such transactions does not exceed the threshold limit prescribed under Section 188 of the Companies Act, 2013 and the Rules made thereunder.

5.04 The Board of Directors shall, for the purpose of Clause 5.03, decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot in accordance with the Companies Act 2013 and Rules thereunder.

5.05 If the approval of the shareholders is proposed to be sought at the General Meeting, the Board of Directors shall fix the date of such General Meeting and shall also approve the Notice of the same. The Explanatory Statement to be attached to such Notice shall inter alia include the following particulars name:

- a. Name of the Related Party ;
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or important for the shareholders to make an informed decision.

5.06 In case approval is proposed to be sought through Postal Ballot, the Board of Directors shall approve the Notice and Explanatory Statement (including therein the particulars mentioned in (a) to (e) of Clause 5.05) of the same and the Special Resolution proposed to be passed by the shareholders.

5.07 If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

## **6.00 Approval by the Shareholders:**

- 6.01. No transaction, contract or arrangement referred to in Clause 5.03 shall be carried out/entered into with a Related Party, without the prior approval of the shareholders by way of a Special Resolution.
- 6.02. The Notice and Explanatory Statement for approval of the Related Party Transactions by the shareholders at a General Meeting or through a Postal Ballot:
- i. Shall be sent to the shareholders at least 21 (twenty one days) in advance, and;
  - ii. Shareholders shall be given option to cast their votes through e.voting.
- 6.03. All entities falling under the definition of Related Parties shall abstain from voting on such Special Resolution relating to any transaction, contract or arrangement which is proposed to be entered into by the Company, with such Related Party., irrespective of whether the entity is a party to the particular transaction or not.

## **7.00 Ratification of Exceptional Cases:**

- 7.01. Any transaction, contract or arrangement entered into by a Director or any other employee with the Company, without obtaining the consent of the Audit Committee or Board of Directors or approval by a Special Resolution of the General Meeting, wherever applicable, can in genuine cases be ratified by the Audit Committee and/or the Board of Directors or the shareholders, as the case may be, at a General Meeting, as permitted in the Act, provided that such Director or any other employee who had authorised such transactions agrees to indemnify the Company against any loss incurred by the Company.
- 7.02 Approval for such exceptional Related Party Transactions shall be granted by the Audit Committee and/or Board of Directors, as the case may be on merit and approval of the shareholders by way of Special Resolution shall also be obtained, wherever required.
- 7.03 If the approval sought from the Audit Committee, Board of Directors and the shareholders under Clause 5.02, is not granted, the transaction, contract or arrangement shall stand cancelled with immediate effect and the Director or the concerned employee shall be liable to indemnify the losses, if any, caused to the Company on account of the said Related Party Transaction.
- 7.04 For the purpose of indemnification of loss, as referred to in Clause 5.03, it will be open for the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery of such loss.

## **8.00 General Exemption:**

- 8.01 There is no approval required for transactions entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders of the Company for approval.

## **9.00 Disclosures:**

- 9.01. The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.
- 9.02. Every transaction, contract or arrangement entered into with Related Parties shall be referred to in the Report of the Board of Directors to the shareholders along with the justification for entering into such transaction, contract or arrangement.
- 9.03 Details of all material transactions, as defined in Clause 2.02, with Related Parties shall be disclosed to the Stock Exchanges where the securities of the Company are listed, on quarterly basis along with the compliance report on corporate governance pursuant to Clause 49.

## **10.00 Miscellaneous:**

- 10.01 This Policy, as amended up to date, has come into force w.e.f. 1<sup>st</sup> October, 2014 and may be revised by the Board, if it so deems fit.
- 10.02 If any provision of this Policy contravenes any provision of the Act, AS-18 and Clause 49, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the Act, AS-18 and Clause 49.