

**CREMICA AGRO FOODS LIMITED**

**POLICY**

**ON**

**MATERIALITY OF RELATED PARTY  
TRANSACTIONS**

**AND**

**DEALING WITH RELATED PARTY  
TRANSACTIONS**

## 1. LEGAL FRAMEWORK

This Policy on materiality of related party transactions and on dealing with related party transactions (“the Policy”) has been formulated pursuant to the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Section 177 and 188 of the Companies Act, 2013, which provides for dealing with and approval of related party transactions.

The Policy confirms to the provisions of the Companies Act, 2013 and provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall come into force from the date such regulations taking effect with respect to the Company.

## 2. OBJECTIVE

The objectives of this Policy is to set out

- (a) Identification of the Related Parties
- (b) The materiality threshold for related party transactions
- (c) The manner of dealing, approval and reporting of the transaction between the Company and its related parties in consonance with the Act, Listing Regulations and any other laws and regulations as may be applicable

## 3. INTRODUCTION

- (a) “**Act**” means the Companies Act, 2013.
- (b) “**Accounting Standards**” means the accounting standard as defined under Section 2(2) of Companies Act, 2013.
- (c) “**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.
- (d) “**Audit Committee**” means a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of Listing Regulations.
- (e) “**Board/Board of Directors**” means the Board of Directors of the Company.
- (f) “**Company**” means Cremica Agro Foods Limited.
- (g) “**Compliance Officer**” means Company Secretary designated as such by the Company.
- (h) “**In the Ordinary Course of Business**” means all such acts and transactions undertaken by the Company,
  - in the normal routine in managing trade or business;
  - meets any such other criteria as may be decided by the Board/ Audit Committee.
- (i) “**Key Managerial Personnel**” means key managerial personnel as defined under sub-section (51) of section 2 of the Act as under:
  - (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.
- (j) **“Listing Regulations / SEBI (LODR)”** means the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- (k) **“Material Related Party Transaction”** - Transaction with a Related Party shall be considered material if transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds 10% of annual consolidated turnover of the Company as per last audited financial statements of the Company.
- (l) **“Materiality Threshold”** means limits for related party transactions beyond which the shareholders' approval will be required as specified in Section 188 of the Act and rules thereof (including any amendments thereto).
- (m) **“Policy”** means this policy, as amended from time to time.
- (n) **“Rules”** means the rules made under the Act.
- (o) **“Relative”** means relative as defined under Section 2(77) of the Act and rules prescribed there under.
- (p) **“RPT/Related Party Transaction”** means all transaction(s) between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Regulation 2(zc) of the Listing Regulations.
- (q) **“Stock Exchange(s)”** means such recognized stock exchange on which equity shares of the Company are listed.
- (r) **“SEBI”** means the Securities and Exchange Board of India.

#### 4. MANNER OF APPROVAL OF RELATED PARTY TRANSACTIONS

##### A) Audit Committee

1. All RPTs, whether fresh or modification in the existing transactions thereof, shall require prior approval of the Audit Committee of the Company. The Audit Committee shall consider the following while determining the related party transactions:
  - Name and nature of relationship with related party;
  - Nature, duration of contract, material terms, monetary values and particulars of the contract or arrangement;
  - maximum amount of transaction that can be entered into;
  - Any advance paid or received for the contract or arrangement;
  - the indicative base price / current contracted price and the formula for variation in the price, if any;
  - Method and manner of determining the pricing and other commercial terms;
  - Whether the transaction is at arm's length; and
  - Any other relevant information to enable Audit Committee to take a decision on the proposed transaction.

2. The Audit Committee may grant **omnibus approval** for RPTs proposed to be entered into by the company subject to:
  - a. laying down the criteria for granting the omnibus approval in line with the provision of Act and Listing Regulations and such approval shall be applicable in respect of transactions which are repetitive in nature.
  - b. satisfying itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
  - c. Such omnibus approval by the Audit Committee shall specify:
    - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 RPT 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.

Where such transaction/s exceeds the threshold limit of Rs. 1 Crore and it is proposed to continue the omnibus approval of the Audit Committee, the Company shall give the necessary disclosures/ information to the Audit Committee. The Audit Committee may, upon evaluation of such transaction & disclosures, give omnibus approval;

- d. The Audit Committee shall review, at least on a quarterly basis, the transactions with RPTs entered into by the company pursuant to each of the omnibus approval.
  - e. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company or transactions which may require specific approval of the Audit Committee or Board and cannot be considered for omnibus approval under applicable provisions of law;
  - f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of each financial year at the beginning thereof.
2. The RPTs which are not in the ordinary course of business and/or at arm's length will be reviewed regularly by the Audit Committee and then recommended to the Board of Directors.
  3. A RPT entered into without pre-approval of the Audit Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Committee as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

#### **B) Board of Directors**

1. The following related party transactions, shall require approval of the Board, either prior to the transaction or /ratification within three (3) months from the date of transaction, if not in ordinary course of business and/or not at arm's length basis.
  - (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:
2. The Board of Directors shall review, approve and recommend to the Shareholders for their approval, all Material Related Party Transactions and such transactions as required to be approved by shareholders of the Company in terms of section 188(1) of the Act.
  3. The Board of Directors shall annually review, the details of all RPTs, including the terms of the transaction, the business purpose of the transaction and the benefits to the Company and to the relevant Related Party.

### C) Approval of shareholders

1. contracts or agreements with any Related Party which are not in the ordinary course of business and/or not at arm's length in respect of transactions specified in Section 188(1) of the Act, will require prior approval of the shareholders by a resolution subject to limits mentioned in Rule 15(3) of the Companies (Meetings of Boards and its Powers) Rules, 2014.

The following related party transactions shall require shareholder's prior approval as prescribed u/s 188 of Companies Act, 2013 or any amendment thereof:

S.No.	Transactions covered	Transaction value
1.	Sale, purchase or supply of any goods or materials directly or through appointment of agents *	> = 10% of Turnover
2.	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	> =10% of Net Worth
3.	leasing of property of any kind*	> = 10% of Turnover
4.	availing or rendering of any services directly or through appointment of agents *	> = 10% of Turnover
5.	such Related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration >Rs. 2.5 Lakh
6.	for underwriting the subscription of any securities or derivatives thereof, of the company	Remuneration > 1% of Net Worth

\* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be reviewed by the Audit Committee and sent to the Board with its observations & recommendations for the approval of the Board of Directors. The Board shall recommend the RPTs for the approval of the Shareholders, in case the RPTs exceed the value of transactions as provided under Section 188 of the Companies Act, 2013.

2. All material RPTs in terms of Regulation 23 of the Listing Regulations shall require shareholders' approval.
3. 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.

## **5. IDENTIFICATION OF POTENTIAL RPT**

Each Director and Key Managerial Personnel is duty bound to notice the Compliance Officer of any potential RPT involving him or his relative, including any additional information about the transaction that the Company Secretary may reasonably request.

All directors are required to declare and disclose their concerns or interests in any company or companies or body corporate or firms at the first Board Meeting in every financial year and subsequently whenever there is change in disclosures. In addition, the Directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of this Policy.

Such notice of any potential RPT shall be provided to the Company Secretary well in advance to enable the Audit Committee / Board to adequately and reasonably review information.

## **6. DISCLOSURE OF RPTs**

- i. Every RPT entered into shall be disclosed in the Board's report to the shareholders.
- ii. This Policy shall be uploaded on Company's website and a web link thereto shall be provided in the Annual Report.
- iii. Quarterly/periodic update shall be provided to the Audit Committee/Board on all the related party transactions entered into by the Company.

## **7. RPT NOT APPROVED UNDER THE POLICY**

In the event any KMP, officer or Director of the Company becomes aware of any transaction with related party being in deviation from the policy, such person shall promptly notify the Compliance Officer regarding such transaction. The Compliance Officer shall ensure that such transactions are brought before the Audit Committee, as early as possible as but not later than the first Audit Committee meeting held after the date of such intimation. In such circumstance, the Audit Committee shall evaluate options of ratification, revision or termination of the RPT and compliance with the applicable legal provisions. The Audit Committee shall also examine the facts, reasons and circumstances of failure of reporting such RPTs, and shall take any such action, as it may deem fit and appropriate in the best interest of the Company.

In case where the Audit committee does not ratify a RPT, which has taken place without approval; the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction.

## **8. AMENDMENTS**

The Board may amend any provision(s), substitute any provision(s) or replace the Policy with a new Policy, subject to applicable laws for the time being in force.

## **9. REVIEW**

The Board shall, review the policy as may be deemed necessary but atleast every three year, and in accordance with any regulatory amendments from time to time.

\*\*\*\*\*