

POLICY ON RELATED PARTY TRANSACTIONS

Policy on dealing with Related Party Transactions and Materiality of Related Party Transactions

1. PREAMBLE

- 1.1. Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Regulation 23 of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation”) which had come into full effect from 1st December, 2015 every listed entity shall formulate a policy on dealing with related party transactions and determining materiality of related party transactions.
- 1.2. In line with the legislative intent, SMS Lifesciences India Limited has framed this Policy on Related Party Transactions incorporating the procedure to be followed for Related Party Transactions both material and non-material.

2. OBJECTIVE

- 2.1. The objective of the policy is that at SMS Lifesciences India Limited, the Company shall ensure that the Related Party Transactions are allowed only after due compliance with the law in letter and spirit. Such transactions shall have prior approval of the Audit committee and in case the prior approval cannot be procured for some reasons, the ratification of such transactions shall be done within the period of 3 months.
- 2.2. The Policy shall ensure:
 - a. Due and timely identification of Related Parties;
 - b. Evaluation of Related Party Transactions;
 - c. Set out the materiality thresholds for related party transactions
 - d. Prior approval and/or ratification;
 - e. Recording of Related Party Transactions; and
 - f. Making Proper disclosures as required in law.

3. SCOPE

- 3.1. This Policy shall be applicable to all related party transactions across all verticals of Company. This Policy shall supplement Company’s other policies & practices/ delegation of authorities / manual of authorities etc. which require approval of the Contracts or Arrangement in specified manner and by specified authority. If there exists more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principle which would meet the higher governance standards.

4. DEFINITIONS

- 4.1. **“Act”** means the Companies Act, 2013 and rules made thereunder.
- 4.2. **“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 as defined in explanation to Section 188 (1) of the Companies Act, 2013.
- 4.3. **“Associate company”** shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards. i.e. “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 purposes of this clause, “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement;
- 4.4. **“Company”** shall mean SMS Lifesciences India Limited.
- 4.5. **“Holding Company”** means a holding company as defined in sub-section (46) of section 2 of the Companies Act, 2013;
- 4.6. **“Key Managerial Personnel”** have the same meaning as given in Section 2(51) of the Companies Act, KMP in relation to a company, means—
- the Chief Executive Officer or the managing director or the manager;
 - the company secretary;
 - the whole-time director;
 - the Chief Financial Officer; and
 - such other officer as may be prescribed;
- 4.7. **“Manager”** have the same meaning as given in Section 2(53) of the Companies Act, “Manager” means 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 or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not;
- 4.8. **“Net Worth”** means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013; i.e. 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;
- 4.9. **“Office or place of profit”** means any office or place as defined in explanation of Section 188 (1) —
- 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;
 - 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;

- 4.10. **“Ordinary Course of Business”** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:
- a. is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.)
 - b. is frequent and regular
 - c. involves significant amounts of money
 - d. is a source of income for your business
 - e. involves significant allocation of resources
 - f. is involved in a service or product that is offered to customers
- 4.11. **“Policy”** means this policy on dealing with related party transactions and determining materiality of related party transactions.
- 4.12. **“Related Party”** with reference to a company, means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards, i.e.:
- a. a director or his relative;
 - b. a key managerial personnel or his relative;
 - c. a firm, in which a director, manager or his relative is a partner;
 - d. a private company in which a director or manager is a member or director;
 - e. a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
 - f. 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;
 - g. any person on whose advice, directions or instructions a director or manager is accustomed to act;
 - h. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
 - i. any company which is—
 - i. a holding, subsidiary or an associate company of such company; or
 - ii. a subsidiary of a holding company to which it is also a subsidiary;
 - j. such other person as may be prescribed;
- 4.13. **“Relatives”** means relative as defined under Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as under:
- a. Members of a Hindu Undivided Family;
 - b. They are husband and wife; or
 - c. Father includes step-father
 - d. Mother includes the step-mother
 - e. Son includes the step-son
 - f. Son’s wife
 - g. Daughter
 - h. Daughter’s husband
 - i. Brother includes the step-brother
 - j. Sister includes the step-sister
- 4.14. **“Related Party Transaction”** means a transaction as defined in Regulation 2(1)(zc) of the regulation i.e. a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- 4.15. **“Material Related Party Transaction” shall mean a transaction with a related party if the transaction(s) 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 listed entity as per the last audited financial statements of the listed entity.

4.16. **“Regulation”** shall mean Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

4.17. **“Subsidiary Company or Subsidiary”** means a company as defined in sub-section (87) of section 2 of the Companies Act, 2013; i.e. “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—

- a. controls the composition of the Board of Directors; or
- b. 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:

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 anybody corporate;
- d. “layer” in relation to a holding company means its subsidiary or subsidiaries;

4.18. **“Material Subsidiary”** shall mean a subsidiary as defined in Reg. 16(1)(c) of the Regulation, whose income or net worth **exceeds twenty percent of the consolidated** income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

5. Identification of Related Party

Each director and Key Managerial Personal is responsible for providing notice to the Board or Audit Committee regarding persons and entities to be considered as “related Party” by virtue of his/her being Director/KMP in the entity or holding certain shareholding percentage. 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.

6. Identification of Potential Related Party Transactions

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

7. MATERIALITY THRESHOLDS FOR RELATED PARTY TRANSACTIONS UNDER THE ACT

Except with the **consent of the Board of Directors** given by a resolution at a **meeting of the Board** and subject to **such conditions** as may be prescribed, **the company shall not enter** into any contract or arrangement with a related party with respect to—

Transaction or Contract or Arrangements Stands For	Applicable Limits as per Rule 15 of the Companies (Meetings of Board and Its Powers) Rules, 2014
sale, purchase or supply of any goods or materials; directly or through appointment	Whichever is lower: Exceeding 10% of the turnover of the

of agent,	company or INR 100 crore,
selling or otherwise disposing of, or buying, property of any kind; directly or through appointment of agent,	Whichever is lower: Exceeding 10% of the Net worth of the company or INR 100 crore,
leasing of property of any kind;	Whichever is lower: Exceeding 10% of net worth of the company or exceeding 10% of the turnover of the company or INR 100 crore,
availing or rendering of any services; directly or through appointment of agent,	Whichever is lower: Exceeding 10% of the turnover of the company or INR 50 crore,
such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;	A monthly remuneration exceeding two and half lakh rupees
underwriting the subscription of any securities or derivatives thereof, of the company:	Exceeding 1% of the net worth of the Company

Explanation- the Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the **Audited Financial Statement of the preceding financial year.**

8. CRITERIA FOR APPROVAL OF A RELATED PARTY TRANSACTION

All related party transactions must be reported to the Audit Committee for its prior approval in accordance with this policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

8.1. APPROVAL FROM AUDIT COMMITTEE

- a. All Related Party Transactions shall require prior approval of the Audit Committee either at a meeting or by resolutions by circulations. Any member of the committee who has potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- b. Audit Committee shall have all rights to call for information/documents in order to understand the scope of the proposed related party transactions.
- c. To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms and conditions of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, competitive quotes from third parties and any such other information reasonably required to decide whether such transaction is Related Party Transaction or not including any additional information about the transaction that the Audit Committee may reasonably request.
- d. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:
 - i. The Audit Committee shall lay down the criteria for granting omnibus approval 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;
 - ii. The Audit Committee shall satisfy 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 following:
 - ◆ Name(s) of the Related Party;
 - ◆ Nature of the 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.
- e. In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction;
- f. The Audit committee shall review, at least on a quarterly basis, the details of Related party transactions entered into by the Company pursuant to each of the omnibus approval given;
- g. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- h. All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
- i. Any 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 is exempt from above mentioned requirements.

8.2. APPROVAL FROM BOARD OF DIRECTORS

- a. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve a Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- b. All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- c. Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

8.3. APPROVAL FROM SHAREHOLDERS

- a. All the Material Related Party Transactions and Any Related Party Transactions in breach of the Materiality Thresholds as determine by the Rule 15 of the Companies (Meetings of Board and Its Powers) Rules, 2014.
 - i. shall require PRIOR APPROVAL OF THE SHAREHOLDERS**
 - ii. through ORDINARY RESOLUTION and**
 - iii. The Related Parties shall abstain from voting on such resolution.**

iv. The related parties referred here shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

- b. All the Transactions with Related Parties which are not in the Ordinary Course of Business OR not at Arms' Length Price shall require the approval of the Audit Committee or the Board or the Shareholders, as the case may be, through Ordinary Resolution and the Related Parties shall abstain from voting on such resolution.
- c. The 'Related Party' referred here has to be construed with reference only to the contract or arrangement for which, the said special resolution is being passed. Thus, the term 'Related Party' in the given context, refers to only such related party as may be a related party in the context of the contract or arrangement for which, the said resolution is being passed.
- d. However, In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

8.4. TRANSACTION NOT REQUIRING APPROVAL OF AUDIT COMMITTEE, BOARD OR SHAREHOLDERS

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

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

8.5. TRANSACTION NOT REQUIRING APPROVAL OF BOARD OR SHAREHOLDERS

Pursuant to clarification provided in circular No.30/2014 dated 17th July, 2014 of Ministry of Corporate Affairs, Contracts entered into by companies, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

9. RATIFICATION OF THE RELATED PARTY TRANSACTION

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

- 9.1. The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board.
- 9.2. It shall be open to the Company to proceed against a Director or any other employee who had entered into such a contract or arrangement in contravention of

the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.

- 9.3. Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a Director or KMP who had entered in to such contract or arrangement in contravention of the provisions of the Act or SEBI(LODR)Regulations, 2015.
- 9.4. Any Director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.
- 9.5. If such contract or arrangement is with a related party with reference to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.
- 9.6. For the ratification of the related party transactions as mentioned above the process for approval of the transaction shall be followed as provided in the policy for approving the related party transactions.

10. DISCLOSURE OF RELATED PARTY TRANSACTION

- 10.1. The following information shall be provided to **the Board** for approval of Related Party Transaction(s) –
 - a. The name of the related party and nature of relationship;
 - b. The nature, duration of the contract and particulars of the contract or arrangement;
 - c. The material terms 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 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 Board to take a decision on the proposed transaction.
- 10.2. The following information shall be provided to **the Shareholders** in the Explanatory Statement for approval of Related Party Transaction(s) –
 - a. Name of the related party;
 - b. Name of the Director or KMP 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 members to take a decision on the proposed resolution.

11. DISCLOSURES

- 11.1. Every Contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Companies Act 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- 11.2. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.

- 11.3. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- 11.4. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18.
- 11.5. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requires approval of the Board.

12. AMENDMENT OF THE POLICY

- 12.1. The Board of Directors of the Company on its own and / or as per the recommendations of Audit Committee shall review the policy periodically and amend or modify this Policy in whole or in part, as required to commensurate with the legislative amendments, if any, and within the ambit of the legal provisions applicable to the related party transactions.
- 12.2. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
- 12.3. 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.smslife.in