

BANCO PRODUCTS (INDIA) LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

PREAMBLE:

The Board of Directors (“the Board”) of Banco Products (India) Limited (“the Company”) has adopted the following policy and procedures with regard to Related Party Transactions.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations on the Company.

This Policy may be amended at any time by the Board of Directors of the Company (“the Board”) and is subject to

- a) Further guidance from SEBI or amendments to or re-enactment of Listing Agreement,
- b) Consequential actions taken by the Board of Directors or the Audit Committee of the Company

OBJECTIVE:

This policy is framed as per requirement of Section 188 of Companies Act, 2013 read with Rules made thereunder and Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

DEFINITIONS (As in force from time to time):

- “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated
- “Audit Committee” or “Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.
- “Board” means Board of Directors of the Company.
- “Company” means Banco Products (India) Limited.
- “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- “Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.
- “Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable. 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 a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.
- “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

Note: Since interpretation of whether an activity would fall within the definition of “Ordinary Course of Business” is ultimately a question of judgement, in case of any difficulty, matters will be referred to the Board for ultimate consideration.

- “Policy” means Policy on Related Party Transactions.
- “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- “Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Clause 49(VII) (B) of the Listing Agreement.
- “Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder and Clause 49(VII)(A) of the Listing Agreement including any amendment or modification thereof, as may be applicable. Provided however that transactions entered into between the 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 shall be excluded from the scope of this definition.

POLICY AND PROCEDURES:

A. Approval Process:

The Company will enter into any Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- Transactions which are repetitive in nature;
- The Audit Committee satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- Such omnibus approval shall specify the following:
 - i. Name(s) of the Related Party;
 - ii. Nature of the transaction;
 - iii. Period of transaction;
 - iv. Maximum amount of transaction that can be entered into;
 - v. The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - vi. Such other conditions as the Audit Committee may deem fit.
- 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 Rs. 1.00 crore per transaction;
- The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions 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.

The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

In the case of Material Related Party Transaction, the approval of the shareholders by way of special resolution is also required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and the Related Party shall abstain from voting on such resolutions.

In the event transaction, contract or arrangement with the Related Party exceeding the limits prescribed under Companies Act, 2013 and rules made thereunder is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

The following types of transactions require approval from shareholders:

- i. Transactions not in the ordinary course of business;
- ii. Transactions in the ordinary course of business if not done at an arm's length; and
- iii. Material Transactions as defined under clause 49 (VII) (C) of the Listing Agreement.

B. Transactions at Arm's Length:

The Company has laid down a framework to assess whether transactions with related parties are done at an arm's length and company adopts generally accepted practices and principles in determining whether the transaction is at "Arms' Length".

For the Transactions which are not in Ordinary Course of Business or not as per Arm's Length pricing or both for any Wholly Own Subsidiary of the Company, the same will be put up for prior approval to the Audit Committee, Board and Shareholders of the Company (Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014).

C. Disclosure by Directors / KMPs:

- All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.
- Details of all material transactions with related parties shall be disclosed, quarterly in the

D. Identification of Transaction with Related Parties:

Each Director and Key Managerial Personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and Key Managerial Personnel will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

Every director or KMP shall, at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, make revised disclosures. However, when any change which has an effect of making transaction of the Company which was otherwise a non related party transaction into a clause 49 of the Listing Agreement or Companies Act 2013 Related Party Transaction, such change shall be intimated to the Compliance officer immediately or where possible, in advance.

E. Dealing with Related Party Transactions:

In dealing with a clause 49 Related Party Transaction, the Audit Committee/Board, shall ensure that the proposed transaction/contract/arrangement is neither prejudicial to nor in conflict with the interest of the Company and its shareholders in any manner whatsoever.

The Audit Committee shall (except in the case of permitted omnibus approvals) review the following information when assessing a clause 49 Related Party Transaction:

- (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) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (e) Whether all factors relevant to the contract have been considered; and
- (f) any other information relevant or important for the Audit Committee/Board to take a decision on the proposed transaction.

F. Principles for approval of a Related Party Transactions by the Audit Committee / Board / Shareholders thereof:

Audit Committee:

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by circular resolution, grant an omnibus approval for Related Party Transactions proposed to be entered into by the Company which are in Ordinary course of business and on Arm's Length basis, subject to compliance of the conditions contained in Clause 49 of the Listing Agreement.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction

To review a Related Party Transaction, the Audit Committee shall be provided with all the necessary information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required.

Board:

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modifications as may be necessary or appropriate under the circumstances.

Shareholders:

All the material Related Party Transactions shall require approval of the shareholders through Special Resolution and the Related Parties with whom transactions are entered shall abstain from voting on such resolution.

G. Related Party Transactions not approved under this Policy:

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. In connection with any review of a Related Party Transaction, the Committee has authority to propose to the Board to modify or waive any procedural requirements of this Policy.

Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

H. Prior Period Transactions/Contracts/Arrangements :

All existing Material Related Party contracts or arrangements as on 17th April, 2014, (the date of SEBI circular No. CIR/CFD/POLICY CELL/2/2014) which are likely to continue beyond 31st March, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to 1st October, 2014.

Contracts for Companies Act, 2013 Related Party Transactions entered into by the Company, after making necessary compliances under Section 297 of the Companies Act, 1956, which already came into effect before 1st April, 2014 will not require fresh approval under the said section 188 and under this policy 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 and this policy will have to be complied with.

EXCEPTION:

Notwithstanding the foregoing, the following Companies Act 2013 Related Party Transactions (only if they are not Material Related Party Transactions) shall not require approval of Board or the Shareholders:

- Any transaction that involves the providing of remuneration to a Director or KMP which he is entitled as Director or KMP, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise as per the policies of the Company.
- 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 as the Related Party.

GENERAL PRINCIPLES:

- The Audit Committee shall have the following powers with respect to Related Party Transactions:

- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if considers necessary.
- To investigate any Related Party Transaction.
- The Chief Financial Officer of the Company is authorised to issue necessary guidelines / instructions for implementation of this Policy.
- The Company while entering into any Related Party Transaction shall ensure that such Related Party Transactions shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

NON-COMPLIANCE:

- Non-compliance may lead to invocation of punitive provisions under the Companies Act, 2013.
- Such a Contract shall be voidable at the discretion of the Board.
- The Company may proceed against the concerned Director/ employee and recover the loss sustained as a result of such transaction.

DISCLOSURES:

- The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.
- The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.
- This Policy will be communicated to all operational employees and other concerned persons of the Company.

INTERPRETATION:

- 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 thereunder, SEBI Act or Rules and Regulations made thereunder, 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 and the decision of the Audit Committee in such a case shall be final. 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.

For Banco Products (India) Limited

Sd/-

Chairman & Managing Director