

SHILPA MEDICARE LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PREFACE

Shilpa Medicare Limited (the Company) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company's and its stockholders' best interests.

Hence, keeping in view the frequency of transactions entered by the Company with the related parties, the Board has thought to adopt a policy on related party transactions to ensure high level of transparency in all its business dealings, thereby promoting good corporate governance.

The Company has been entering into the transactions with its subsidiaries and group companies in the ordinary course of business and on arms length basis. These transactions were reported to the Audit Committee on quarterly basis.

The Company also have a Code of Conduct for all employees, officers and directors of the Company, which emphasizes that all possible conflicts of interest should be avoided.

Therefore, it is found appropriate to adopt a policy regarding the review and approval of Related Party Transactions in order to set forth the procedures under which certain transactions must be reviewed, approved or ratified.

2. PURPOSE

- 2.1 The policy is intended to provide guidance to the Executive Officers and Directors of the Company to help them recognize and deal with actual or apparent conflicts of interests.

This policy is framed in accordance with the Companies Act, 2013 and Clause 49 of the Listing Agreement to ensure the proper approval and reporting of transactions between the Company and its related party.

3. DEFINITIONS

- 3.1 "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.

- 3.2 "Related party"

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013.

Section 2(76) defines related party as:

- (i) a director or his relative other than Independent Director
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;

- (v) 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;
- (vi) 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;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) a director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party;

- b. has control or joint control or significant influence over the company; or
- c. is a key management personnel of the subsidiary company or of parent company; or

2. An entity is related to a company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity has a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in (1).
- h. A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity);

3.3 “Related party transaction” means contract or arrangement with a related party with respect to the following and includes transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged:

- (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.

3.4 “Material related party transaction” as per amended Clause 49 of the Listing Agreement, means 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.

3.5 “Key Managerial Personnel” under this policy in relation to the company, means—

- (i) the Chief Executive Officer or the Managing Director ;
- (ii) the Company Secretary;
- (iii) the Chief Operating Officer;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed by the Board/ Audit Committee from time to time;

3.6 “Relative”, with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

3.7 “Turnover” means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;

3.8 “Net worth” means 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 on amalgamation

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

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

4.1 Audit Committee approval:

All Related Party Transactions shall require prior approval of the Audit Committee.

Omnibus approval by the Audit Committee:

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the 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;

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. 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.

d. 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;

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Exception: 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.

4.2 Board's approval:

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, company shall not enter into any contract or arrangement with a related party with respect to—

- 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. 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

Exception: However, any of the aforesaid transactions shall not required prior approval of the Board of Directors provided the transaction is in the ordinary course of business and on an arm's length basis.

Disclosures required for obtaining Board approval

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (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.

4.3. Shareholders' approval:

Except with the prior approval of the company by a special resolution:

- (i) a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into as contract or arrangement with respect to the following with criteria, as mentioned below—
 - (a) sale, purchase or supply of any goods or materials directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs. 100 Crores whichever is lower
 - (b) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent exceeding 10% of net worth of the company or Rs. 100 crore whichever is lower;
 - (c) leasing of property of any kind exceeding 10% of the net worth of the company or 10% of turnover of the company or Rs. 100 crore whichever is lower;
 - (d) availing or rendering of any services directly or through appointment of agent, exceeding 10% of the turnover of the company or Rs. 50 crore, whichever is lower;

Explanation: It is hereby clarified that the limits specified in clause (a) to (d) shall apply for transaction or transactions to be entered either individually or taken together with the previous transactions during a financial year.

- (e) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 250,000;
- (f) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth

Exception: However, any of the aforesaid transactions shall not require prior approval of the shareholders provided the transaction is in the ordinary course of business and on an arm's length basis.

Disclosures required for obtaining shareholder's approval:

The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of obtaining shareholders approval shall contain the following particulars namely:-

- (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 members to take a decision on the proposed resolution.

5. RESTRICTIONS ON VOTING:

The members of the Company shall not vote on special resolution for approving contract or arrangement, if such member is a related party to it.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- 6.1 In the event the Company becomes aware of a Related Party Transaction that has not been approved by the Committee, the matter shall be reviewed subsequently by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall examine the facts and circumstances pertaining to the failure of reporting of such Related Party Transaction to the Committee and shall take any such action it deems appropriate.

7. RATIFICATION OF THE UN-APPROVED TRANSACTIONS

- 7.1 If any contract or arrangement is entered into by the Director or any other employee with any related party without obtaining the consent of the Board or shareholders as the case may be. The transaction shall be ratified by the Board/Shareholders at meeting within three (3) months from the date of entering into contract or arrangement.

7.2 If the transaction is not ratified within the said time period, then it shall be voidable at the option of the Board. If the contract or arrangement is with related party to any director or is authorised by any other director, the Directors concerned shall indemnify the Company against any loss incurred by it.

7.3 In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

8. DISCLOSURE REQUIREMENTS:

8.1 All the prospective contracts/arrangements with related parties shall be disclosed to the Company Secretary/CFO in advance.

8.2 All the related party transactions requiring the Board / shareholders approval shall be disclosed in the Board report along with justification for entering into such transactions.

8.3 Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

8.4 The Policy shall also be disclosed on the website and also in the Annual Report of the Company.

9. AMENDNMENT

The Board may as it deems fit amend the policy from time to time. In any case, if there is a contradiction between the policy and the law in force, then the Law shall supersede the policy.