

ANDHRA PRADESH TANNERIS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1.00 OBJECTIVE:

The Company understands that certain transactions with related parties may lead to a potential conflict of interest and it is of utmost importance that such transactions adhere to the applicable laws for the time being in force and are subjected to strict scrutiny and procedural compliance in concurrence with the best corporate governance practices. This Policy aims to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made there under, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or re-enacted from time to time and such other regulatory provisions as maybe applicable, which relate to the identification of the Related Parties and governance & approval of the Related Party Transactions (RPTs), wherever required.

2.00 DEFINITIONS:

2.01 “Act”

The term “Act” means the Companies Act, 2013, to the extent notified and the Companies Act, 1956, to the extent in force and rules made there under as amended from time to time.

2.02 “Arm’s 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 of 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.

2.03 “Associate Company”

The term “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-

(a) the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

2.04 “Listing Regulations”

The term “Listing Regulations” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

2.05 “Material Related Party Transactions”

a. Under the Companies Act, 2013

Sr. No.	Transaction or contract or arrangements for	*Limits for the time being in force (as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014)
1.	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Lower amongst the following: (i) exceeding 10% of the turnover of the company ; or (ii) Rs. 100 crore For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year
2.	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	Lower amongst the following (i) exceeding 10% of the net worth of the company; or (ii) Rs.100 crores For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year
3.	Leasing of property of any kind	Lower amongst the following (i) exceeding 10% of the net worth of the company ; or (ii) 10% of the Turnover of the

		company; or (iii) Rs.100 crores For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year.
4.	Availing or rendering of any services, directly or through appointment of agent	Lower amongst the following amount (i) exceeding 10% of Turnover of the Company; or (ii) Rs.50 crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year.
5.	For appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company	Where monthly remuneration exceeds Rs. 2,50,000
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of Net Worth of the Company
* shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014. Annual turnover and net worth referred above shall be computed as per audited financial statements for the preceding financial year.		

b. Under the Listing Regulations

A Related Party Transaction(s) with a Related Party shall be considered material if the transaction(s) to be entered into with a Related Party individually or taken together with previous transaction(s) 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,

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

2.06 “Ordinary Course of Business”

The term “Ordinary Course of Business” shall mean and include:

- (i) the usual transactions, customs and practices carried on generally in the 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 an off shore entity.
 - c. Leasing of surplus space in the premises or rendering of management services by the Company to any Related Party without adequate 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 having material adverse impact on the Company.
- (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 objects for which the company is incorporated and any matter considered necessary in furtherance thereof; as envisaged in the Memorandum and Articles of Association of the Company.
 - b. Any transaction which is usually carried on by any Company having similar business within India or overseas.
 - c. Any transaction which has been done by the Company frequently in the last three years.
 - d. Any transaction done with a Related Party on similar basis as of a Third Party.

2.07 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, as amended from time to time or under the applicable accounting standards

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)

(ii) The following will, however, not be deemed 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.

2.08 “Related Party Transaction(s)”

(i) A Related Party Transaction(s) shall mean the transactions, contracts and arrangements prescribed in Section 188 of the Act, & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 and a "transaction" with a related party shall be construed to include a 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.

2.09 “Relative”

“Relative” means relative as defined under the Companies Act, 2013 and includes 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)

3.00 IDENTIFICATION OF RELATED PARTIES:

- 3.01 Each Director, Key Managerial Personnel whenever 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 2.09 above.

- b. List of private companies where the Company's Director or his relative 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 director of the Company is also a director and he, along with his/her relatives also holds more than 2% of the paid-up share capital.
- e. List of bodies corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of the director.
- f. List of persons on whose advice, directions or instructions a director is accustomed to act.

Provided that nothing in sub-clauses (e) and (f) above shall apply to the advice, directions or instructions given in a professional capacity

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 MECHANISM FOR APPROVAL OF RELATED PARTY TRANSACTIONS

4.01 Transactions which are on arm's length basis and are in ordinary course of business:

- (a) Prior approval of Audit Committee.
- (b) Prior approval of shareholders by way of ordinary resolution if such transactions are "Material Related Party Transactions" as defined above.

4.02 Transactions which are either not on arm's length basis and / or not in ordinary course of business

- (a) Prior approval of Audit Committee.
- (b) Prior approval of Board of Directors.
- (c) Prior approval of shareholders by way of ordinary resolution if such transactions are "Material Related Party Transactions" as defined above.

4.10 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

4.11 Approval by the Audit Committee:

1. The Company shall not enter into any Related Party Transactions with any Related Party without prior approval of the Audit Committee.
2. The Notices referred to in Clause 3.01 above received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene a meeting of the Audit Committee.
3. 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 to take a decision on the proposed Related Party Transaction.
4. 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 this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature. The criteria for making the omnibus approval shall include the following, namely:-
 - (i) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (ii) the maximum value per transaction which can be allowed;
 - (iii) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;

- (iv) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- (v) transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - 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 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 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, at least 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.
 - f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
5. The Audit Committee will consider the information/documents related to Related Party Transactions placed before it and either approve or reject the same on merit.
6. 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.

4.12. Approval of the Board:

- 1. 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 RPTs defined in Clause 2.05
2. 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 4.12(a).
 3. 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 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 Board of Directors to take a decision on the proposed Related Party Transaction.
 4. The Board of Directors shall obtain approval of the shareholders by way of an Ordinary Resolution for the approval of the “Material Related Party Transactions” as defined under Clause 2.05 and for that purpose, decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot.
 5. 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 and the Explanatory Statement of the same. The Explanatory Statement to be attached to such Notice shall inter alia include the following particulars:
 - 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 which is relevant to enable the members to take an informed decision.
- 6. 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 (i) to (v) of Clause 4.12(g).
- 7. 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.

4.13 Approval by the Shareholders:

- 1. All material related party transactions shall require approval of the shareholders through ordinary resolution.
- 2. The Notice and Explanatory Statement for approval of the Related Party Transactions by the shareholders at a General Meeting or through a Postal Ballot:
 - a. Shall be sent to the shareholders at least 21 (twenty one clear days) in advance, and;
 - b. Shareholders shall be given option to cast their votes through e-voting.
- 3. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

5.00 RATIFICATION OF EXCEPTIONAL CASES:

- 5.01. Any transaction, contract or arrangement entered into by the Company with a Related Party, without obtaining the consent of the Board of Directors or approval of shareholders by an Ordinary Resolution, as the case maybe, can in genuine cases be ratified by the Board of Directors or the shareholders at a General Meeting, respectively, as permitted under the Act,
- 5.02 If the approval sought from the Board of Directors and the shareholders under Clause 5.01, 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.
- 5.03 For the purpose of indemnification of loss, as referred to in Clause 5.02, 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.

6.00 DISCLOSURES:

- 6.01. 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.
- 6.02. 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.
- 6.03 Details of all material transactions, as defined in Clause 2.05, 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 Regulation 27(2) of Listing Regulations.
- 6.04 Disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results shall be submitted to the stock exchanges within 30 days from the date of publication of Company's standalone and consolidated financial results for the half year, and shall also be published on website of the Company.

7.00 MISCELLANEOUS:

- 7.01 This Policy shall be deemed to have come into force with effect from the date of its adoption.
- 7.02 If any provision of this Policy contravenes any provision of the Act and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the said law.

The parties which are covered under the definition of Related Party in terms of the Accounting Standard – 18 issued by the Institute of Chartered Accountants of India but not covered under this Policy, transactions with such party(ies) shall be governed in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.