

POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015

SCOPE AND PURPOSE

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (LODR) Regulations, 2015 (“Regulation 23”). Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, such policy shall be reviewed by the Audit Committee and recommend the changes to the board of directors at least once in every 3 (Three) years or as per the discretion of the audit committee as per amendments made in the Companies Act, 2013 and Listing Regulations and will updated accordingly.

DEFINITIONS

“**Arm’s length Transactions**” means a transaction between two or more Related Parties that is conducted as if they are unrelated so that there is no conflict of interest.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.

“**Board**” means the Board of Directors of Dilip Buildcon Limited, as constituted from time to time.

“**Company**” means a company incorporated under the Companies Act, 2013 or under any previous company law.

“**Control**” shall have the same meaning as defined in SEBI (SAST) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

“**Ordinary course of Business**” means a transaction which is:-

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

“Material Related Party Transaction” 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.

Further, 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 Company as per the last audited financial statements of the of the Company.

“Policy” means Related Party Transaction Policy.

“Related Party” means Related Party as defined under Section 2 of the Companies Act, 2013, and regulation 2(1)(zb) of the Listing Regulations and/ or under the applicable accounting standards, as amended from time to time which has a wider scope for identification of Related Party.

“Related Party Transaction” shall have the same meaning as defined under Regulation 2(1)(zc) of the Listing Regulations.

“Relative” means relative as defined under section 2(77) of the Companies Act, 2013, as amended from time to time.

MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations and section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the all the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

The Company has fixed its materiality threshold limit as follows:

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	10% or more of Turnover or Rs.100 Crores, whichever is lower	All transactions with one party exceeding 10% of the annual consolidated turnover
Buying, selling or disposing of property of any kind directly or through appointment of agents	10% or more of Networth or Rs.100 Crores, whichever is lower	
Leasing of any kind of property	10% or more of Networth or 10% or more of Turnover or Rs.100 Crores, whichever is lower	
Availing or rendering of any services directly or through appointment of agents	10% or more of Turnover or Rs.50 Crores, whichever is lower	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 250,000	
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	

Transfer of resources (e.g. loans and advances, interest thereon, guarantees)		
Transaction involving payments made to a related party with respect to brand usage or royalty		Transactions with one party exceeding 2% of the annual consolidated turnover

Here, Net worth and turnover would be as per Audited accounts of preceding financial year and the Company has defined Material RPTs basis the thresholds defined in the Companies Act 2013 and Regulation 23 of the SEBI LODR Regulations.

IDENTIFICATION OF RELATED PARTY AND 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.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Approval by Audit Committee:

- D) All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
 - i. Maximum value of the transaction, 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 omnibus approval made;
 - v. transactions which cannot be subject to the omnibus approval by the Audit Committee
 - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
 - c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
 - d. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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 transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- g. All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

- h. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- i. Any other conditions as the Audit Committee may deem fit
- j. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy.
- k. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 1. Transactions which are not at arm's length or not in the ordinary course of business
 2. Transactions which are not repetitive in nature
 3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy
 4. Transactions in respect of selling or disposing of the undertaking of the company
 5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

Approval by members in General Meeting/through Postal Ballot:

- a) All the transactions with related parties exceeding the materiality thresholds, laid down in Materiality Threshold Limit as specified in the Policy, are placed before the shareholders for approval.
- b) For this purpose, 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. However, this condition shall not apply in respect of a resolution plan approved u/s 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- c) All kinds of transactions specified under Section 188 of the Act which
 - are not at Arm's Length or not in the ordinary course of business; and
 - exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.
- d) However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- e) At the time of taking the approval of members, the company is required to disclose certain items in the Explanatory statement u/s 101 of the Companies Act, 2013 and shall contain all the particulars as specified in Rule 15 of the Companies (Meeting of Board and Its Powers) Rules, 2014, as amended from time to time.

DISCLOSURES

The Company shall disclose the following:-

- 1) In the Board's report, transactions prescribed in Section 188(1) as specified in Form AOC-2;
- 2) In Corporate Governance Report which is required to be submitted to the Stock exchange on Quarterly Basis;
- 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;
- 4) In the Annual Report as prescribed in Para A of Schedule V of the SEBI (LODR) Regulations, 2015;
- 5) The company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website;
- 6) The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee and recommend the changes to the board of directors at least once in every 3 (Three) years and updated accordingly due to any regulatory amendments or otherwise and shall be binding on the concerned Directors. KMPs and Senior Management Persons in the manner described as above.

The Policy is approved by the Board of Directors at their meeting held on March 30, 2019. and save as otherwise specifically provided in this policy, the policy shall come into force w.e.f. 01.04.2019

By orders of the Board
For, Dilip Buildcon Limited

Sd/-
Abhishek Shrivastava
Company Secretary and Compliance officer
Place:Bhopal