



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS  
AND DEALING WITH RELATED PARTY TRANSACTIONS

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## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. INTRODUCTION**

The Board of Directors (the "Board") of Apis India Limited (the "Company") has adopted the following Policy and procedures with regard to Related Party Transactions as defined below.

This Policy shall regulate the transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and the Policy shall also provide for materiality of related party transactions.

### **2. PURPOSE**

This Policy has been framed as per the requirements of Regulation 23 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations, 2015**") and primarily intended to ensure good Corporate Governance and reporting of related party transactions between the Company and its Related Parties.

### **3. DEFINITIONS**

- i. "**The Act**" means the Companies Act, 2013, together with the rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force
- ii. "**Audit Committee or Committee**" means "Audit Committee" constituted by the Board of Directors of the Company under the provisions of Listing Regulations, 2015 and the Act
- iii. "**Board of Director" or "Board"** means the Board of Directors of Apis India Limited, as constituted from time to time.
- iv. "**Company**" means Apis India Limited.
- v. "**Industry Standards**" shall mean the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" as notified and amended by SEBI, from time to time.
- vi. "**Key Managerial Personnel**" means Key Managerial Personnel as defined under the Act.
- vii. "**Material Related Party Transaction**" A transaction with a Related Party shall be considered material, if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the thresholds specified in Schedule XII of the Listing Regulations, 2015.

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

viii. **"Material Modifications"** shall mean: triggering of any of the following conditions whether individually or in aggregate:

- a. Change in overall transaction value of Related Party Transaction beyond 20%; or
- b. Extension in duration of Related Party Transaction contract beyond a period of 6 months.

Provided that Audit Committee while granting approval to any related party transaction, may also outline the criteria for determining material modification for the said transaction.

ix. **"Policy"** means Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions.

x. **"Related Party"** shall have the meaning as described to it in Listing Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.

xi. **"Related Party Transaction"** shall have the meaning as described to it in SEBI Listing Regulations and the Act, including all amendments and modifications thereof as applicable to the Company from time to time.

xii. **"Relatives"**: "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 or wife; or
- iii. One person is related to the other in such manner as may be prescribed, which are as follows:
  - a) Father( including step-father)
  - b) Mother( including step-mother)
  - c) Son (including step-son)
  - d) Son's wife
  - e) Daughter
  - f) Daughter's Husband
  - g) Brother (including step-brother)
  - h) Sister (including step-sister)

Any other term not defined herein shall have the same meaning as defined in the Act, Rules issued thereunder and the Listing Regulations, 2015.

#### **4. POLICY**

All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Committee or Board or the shareholders, as the case may be, in accordance with this Policy.

##### **4.1 Disclosure of interest by Directors and Key Managerial Personnel (KMP)**

Every year, the Directors shall provide declaration to the Company Secretary, with respect to his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals in the format prescribed under the Act.

In case of any change, the declarations will be updated by the Directors and intimated to the Company Secretary for placing before the Board of Directors. Directors will also be required to submit the said declaration at the beginning of every financial year.

Any individual appointed as director or KMP shall provide declaration to the Company Secretary in the prescribed format.

#### **4.2 Identification of Potential Related Party Transactions**

- i. Each director and KMP are responsible for providing notice to the Company of any potential RPT, if not given already in the first Board Meeting of the financial year, involving him/her or his/ her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee/ Board. The Board shall record the Disclosure of Interest, and the Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.
- ii. The Directors and KMPs will ensure that their notice of any potential RPT is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
- iii. Additionally, at the end of every financial year, a list of shareholders who at any time during the immediately preceding financial year have held prescribed percentage of shareholding as provided under SEBI Regulations, will be prepared for the purpose of identification of Related Party.
- iv. The Subsidiary Company(ies) of the Company shall provide list of its Related Party and RPTs on quarterly basis and update the same, in case of any change, intimate the same.
- v. Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- vi. transaction in consultation with management and with outside counsel, if required, to determine whether the transaction or relationship does, in fact, constitute a RPT, requiring compliance with this Policy.
- vii. Once identified as a RPT by the Officer, all such RPTs shall be reported to the Audit Committee by the Officer, or in the event that the Officer has an interest in the RPT, the transaction shall be reported to the Audit Committee by the Managing Director of the Company.

#### **4.3 Review and Approval of Related Party Transactions**

##### **Audit Committee**

##### **1. For approval of Related Party Transactions**

- a) Every Related Party Transactions except the exempted RPTs under the Act and/or the Listing Regulations 2015 and subsequent Modifications therein shall be subject, to the prior approval of the Audit Committee.

- b) Related Party Transactions to which subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee if the value of the transaction (individually or taken together with previous transactions during a financial year) exceeds the thresholds as prescribed under Regulation 23 of the Listing Regulations 2015.
- c) Approval of Audit Committee is not required in case remuneration and sitting fees is paid by the Company or its subsidiary to its director, key managerial personnel or senior management, (except who is part of promoter or promoter group), if the same is not material in terms of provisions of Listing Regulations 2015.
- d) Only those members of the Audit Committee who are Independent Directors shall approve any related party transaction. Any member of the Committee who has a potential interest in any related party transaction will recuse himself or herself and abstain from discussion and voting on the approval of the said transaction.

## **2. For Omnibus approval of Related Party Transactions**

- a) The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary(ies), which are repetitive in nature. subject to the following conditions:
  - i. The Audit Committee shall satisfy itself the need for omnibus approval and that such approval is in the interest of the Company;
  - ii. The Audit Committee shall with the approval of Board, consider the following criteria's before granting any omnibus approval which shall include the following:-
    - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
    - the maximum value per transaction which can be allowed;
    - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
    - review, at such intervals as the Audit Committee may deem fit, related party transactions entered into by the Company pursuant to each of the omnibus approval made;
    - transactions which cannot be subject to the omnibus approval by the Audit Committee.
  - iii. 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 and (iv) such other information which is relevant or important for the Audit Committee to take a decision on the proposed transaction;

Provided that where the need for Related Party Transaction cannot be foreseen and

aforsaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. One Crore per transaction.

- iv. Audit Committee shall review, atleast one quarterly basis, the details of RPTs entered into by the Company or its subsidiaries pursuant to each of the omnibus approval given.
- v. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

To approve a Related Party Transaction (Omnibus or otherwise), the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether such Related Party Transaction were entered in the past;
- iv. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- v. Whether the Related Party Transaction would affect the independence of the directors/**KMP**;
- vi. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- vii. Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

.In addition, the Audit Committee may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

- viii. While considering any modification in any Related Party Transaction: the Audit Committee shall consider the following:
  - (i) Need for the modification and factors on account of which modification is necessary.

- (ii) Whether subject of modification could have been assessed at the time of approval of original transaction itself.

### **Board of Directors**

Following transaction shall require the approval of the Board

Related Party Transactions as specified in Section 188(1) of the Act and/ or modifications thereto and which are either not on arm's length basis or not in ordinary course of business

Transactions other than those mentioned in section 188 and/ or subsequent modifications, which are referred by the Audit Committee, for approval of the Board.

Material Related Party Transactions and/or subsequent Material Modification thereto.

Any Board member who has a potential interest in any related party transaction will recuse himself or herself and abstain from discussion and voting on the approval of the said transaction.

### **Members of the Company**

Following transactions shall require the approval of the members of the Company

Related Party Transactions as specified in Section 188(1) of the Act and/ or modifications thereto, which are either not on arm's length basis or not in ordinary course of business and which exceeds the limits prescribed in Rule 15 of Companies (Meeting of Board and its Powers) Rules, 2014 shall require the prior approval of members of the Company

All Material Related Party Transactions & subsequent Material Modifications therein can be entered into only after obtaining the prior approval of the Company's shareholders by way of a resolution, as prescribed in the Act and/or Listing Regulations, 2015, irrespective of whether such Related Party Transactions have been entered into in the ordinary course of business of the Company or otherwise, and the Related Parties shall abstain from voting on such resolution.

Provided that the requirement under this point shall not apply in respect of 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 resolution plan being approved.

The omnibus approval granted by the shareholders for Material Related Party Transactions in an Annual General Meeting (AGM) shall be valid till the date of the next AGM held within the timelines prescribed under Section 96 of the Act or rules, notifications, or circulars issued thereunder from time to time.

In case of omnibus approvals for Material Related Party Transactions, granted by shareholders in general meetings other than **AGM**, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

The Notice seeking shareholders' approval shall include the information as required under the Act, SEBI Regulations r/w Industry Standards and other relevant circulars/notifications/notes issued thereunder as a part of the explanatory statement.

#### **4.4 Decision regarding transaction in ordinary course of business and on arm's length basis**

"Transaction in ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake.

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business and at arm's length basis. The Audit Committee can take necessary professional help in order to determine whether the transaction is in ordinary course of business and on arm's length basis.

In case there is still no consensus amongst the Audit Committee members, the matter shall then be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length basis. Audit Committee may also disapprove/ suggest modification to the proposed RPT and record reason for the same.

#### **4.5 Information to be placed for approval**

To determine the need of a Related Party Transaction, the Committee/Board/Shareholders will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- i. The name of the related party and nature of relationship;
- ii. The nature, duration of the contract and particulars of the contract or arrangement;
- iii. The material terms of the contract or arrangement including the value, if any;
- iv. Any advance paid or received for the contract or arrangement, if any;
- v. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- vi. 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
- vii. Such other minimum information as required to be placed before Audit Committee and Shareholders prescribed under the Industry Standards r/w the Listing Regulations 2015 and the Act and rules framed thereunder and relevant circulars/ notes issued and amended from time to time.

#### **4.6 Threshold Limit**

The Related Party Transactions during a financial year shall not exceed 25% of the consolidated turnover of the Company during the last financial year.

#### **4.7 Non-applicability of Provisions of this Policy**

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

- (a) 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.
- (b) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- (c) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- (d) Such other transactions as may be specified by Listing Regulations, 2015 and/or the Act from time to time.

## **5. RATIFICATION OF RELATED PARTY TRANSACTIONS**

### **By Audit Committee**

The members of Audit Committee who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (a) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (b) the transaction is not material in terms of the provisions of SEBI Listing Regulations.
- (c) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (d) the details of ratification shall be disclosed along with the disclosures of related party transactions;
- (e) other conditions as specified by Audit Committee.

If the related party transaction has not been ratified by the Audit Committee or if there is failure to seek the ratification such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any Director or is authorized by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may recommend the same for approval of Board and/ or direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the Company etc.

### **By Board and shareholders**

If any related party transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be, the same need to be ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction has not ratified by Board or Shareholders as mentioned above, such

related party transaction shall be voidable at the option of the Board or, as the case may be, of the Shareholders and if the related party transaction is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

If the Audit Committee/Board/Shareholders decides, not to ratify a particular transaction, then it may direct additional actions including, but not limited to, immediate discontinuation of the transaction, as appropriate.

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.apisindia.com](http://www.apisindia.com).

## **6. DISCLOSURES**

- a. Every material Related Party Transaction or Related Party Transaction which are not on arm's length basis, entered during the financial year into shall be disclosed to in the Board's report to the shareholders in such manner as may be prescribed under the relevant laws.
- b. Adequate disclosure of Related Party Transactions shall be made from time to time and in such manner as required under SEBI Listing Regulations.
- c. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- d. The particulars of Related Party Transactions should be entered in the register(s) maintained under the Act, wherever applicable.

## **11. POLICY REVIEW**

The Board shall assess and review the adequacy of this Policy at least once every three years from last review and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices. The Audit Committee may from time to time suggest suitable amendments to the Policy to the Board.

Any subsequent amendment/ modification in the Listing Regulations 2015 or the Act or any other governing Act / Rules / Regulations or re-enactment, or the Industry Standards impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be modified and / or amended to that extent, even if not incorporated in this Policy. The Company Secretary, Chief Financial Officer or any Director of the Company is authorised to carry out any further changes in the Policy to make it consistent with the amended Act, Listing Regulations, applicable Standards or other governing law.