

## **BAL PHARMA LIMITED**

### **POLICY ON DEALING WITH RELATED PARTY TRANSACTION**

#### **1. Scope:**

With regard to the Related Party Transactions (or “**Related Party Transaction Policy**”) of the Company in line with the requirements of Section 177(iv) and 188 of Companies Act,2013 (or the “**Act**”) read with the rules made there under and Revised Clause 49 of the Listing Company on Corporate Governance and subsequent amendments. The Board of Directors of Bal Pharma Limited (or the “**Company**”) have adopted the following policy and procedures on recommendation of Audit Committee. Going forward, the Audit Committee would review and amend the policy, as and when required, subject to the approval of the Board.

#### **2. Objective:**

The objective of this Policy is to set out:

-The manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

#### **3. Definition**

**i) Arms Length Transaction '(ALP)'** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**ii) Related Party**, with reference to the Company, means-

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which director or manager or his relative is a member or director.
- e) 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;
- f) 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;  
g) any person on whose advice, directions or instructions a director or manager is accustomed to act:

h) 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;

i) director, other than independent director, or key managerial personnel of the holding company or his relative with reference to a company;

j) an entity that is related party under the accounting standards.

**iii) Key Managerial Personnel** in relation to a Company means

a) The Chief Executive Officer or the Managing Director or the Manager

b) The Company Secretary

c) The Whole-time Director

d) The Chief Financial Officer

**iv) Related Party Transaction** is a transfer of resources, service or obligations between a company and related party, regardless whether a price is charged.

**v) Material Related Party Transaction** is a transaction with a related party which 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.

#### **4. Manner of Dealing with related party transaction**

**a) Identification of potential Related Party Transaction** 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.

#### **b) Procedure for approval of related party transaction**

##### **I Prior approval of Audit Committee**

All related party transaction shall require prior approval of Audit Committee, whether at a meeting or by resolution by circulation.

Any member of the Audit Committee who has potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related party transaction

## **II Procedure for approval**

The Audit Committee will be provided with all relevant material information of Related Party Transaction, including the terms of transaction, the business purpose of the transaction, the benefits to the Bank and to the Related Party, and any relevant matters.

The Audit Committee may accordingly approve or modify such transaction, in accordance with the policy and/or recommend the same for Board approval.

The Independent Director shall pay sufficient attention and ensure that adequate deliberation are held before approving related party transactions which are not in Ordinary Course of Business and not in arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and the Shareholders.

In the case of Transactions are frequent and regular in nature and in normal course of business of the Company, the Audit Committee can fix up the limits within which the management can carry out such transaction without any approval of the Audit Committee for the specific transaction as long as these are carried out on the principles approved by the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

## **III Omnibus approval**

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions:

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

b) The omnibus approval shall provide -

- (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 (for ex: +/- 5%) and
- (iii) such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- c) The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;
- d) Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

#### **IV Prior approval of Board of Directors**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- d) Transactions meeting the materiality thresholds laid down Clause 3(v) of the Policy, which are intended to be placed before the shareholders for approval.

#### **V Approval of the Shareholders of the Company**

- a) All the transactions with related parties meeting the materiality thresholds, laid down in Clause

3(v) of the Policy, are placed before the shareholders for approval.

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.

Clause 49(VII) (E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between Bal Pharma and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

b) In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

#### **VI Related Party Transaction not approved under this policy**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The 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 failure of the internal control systems, and shall take any such action it deems appropriate.

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 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 related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **5. Disclosure**

The policy shall be communicated to all operational employees and other concerned persons of the Company.

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 3(v) of the Policy above) on a quarterly basis to the stock exchanges.