



**JINDAL STAINLESS (HISAR) LIMITED**

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**POLICY ON DEALING WITH RELATED  
PARTY TRANSACTIONS**

*(Adopted by the Board of Directors on 2<sup>nd</sup> November, 2015 and*

*amended on 12<sup>th</sup> August, 2016)*

## **1 Preamble**

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors of the Company, has adopted this policy and procedures for dealing with Related Party Transactions, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made there under and any subsequent amendments thereto (the “Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”), as may be amended from time to time, in order to ensure the transparency and procedural fairness of such transactions.

## **2 Objective**

This policy is intended to ensure proper approval and reporting of transactions as applicable, between the Company and any of its directors, officers or certain entities or persons related to them, in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors (“Audit Committee”), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

### 3 Definitions

**"Audit Committee or Committee"** means "Audit Committee" constituted by the Board of Directors of the Company constituted under provisions of LODR and Companies Act, 2013, from time to time.

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated, so there is no conflict of interest.

"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 definition, "significant influence" means control of at least twenty per cent of total share capital, or of business decisions under an agreement;

**"Board"** means Board of Directors of the Company

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and Accounting Standards, as the case may be, 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

**"Material Related Party Transaction"** means a transaction with a related party if the transaction(s) 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.

**"Policy"** means this Related Party Transaction Policy.

**"Related Party"** means related party as defined under the Companies Act 2013 and in LODR which is as follows:

#### Section 2(76) of the Companies Act, 2013

"Related party", with reference to a company, means

- (i) a director or his relative ;
- (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 or his relative is a member or director ;
- (v) a public company in which a director or manager is a director and 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 under whose advice, directions or instructions a director or manager is accustomed to act :
- (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) Director other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company.

“**Related Party**” as per Regulation 2(zb) of the LODR means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

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

“**Related Party Transaction**” as per Regulation 2(zc) of the LODR means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

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

As per Section 188(1) of the Companies Act, 2013, related part transaction means 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) 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:

Note: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

**"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)

#### **4 Compliance Officer**

4.1 For purposes of this Policy, the Chief Financial Officer of the Company shall be the Compliance Officer. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Compliance Officer(s). The Compliance Officer shall report to the Chairman & Managing Director of the Company.

4.2 The Compliance Officer shall be responsible for proper implementation of the Policy as approved by the Board/Committee of Directors; procedures, monitoring adherence to the rules of Related Party Transactions.

4.3 The Compliance Officer shall assist the Directors and Key Managerial Personnel and provide any clarifications on the provisions of this Policy.

#### **5. Procedural Rules**

5.1 The Compliance Officer shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in in this Policy, as communicated by the Company Secretary.

5.2 The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.

- 5.3 Compliance Officer shall collate the information, coordinate and send the Related Party List to the concerned employees who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.
- 5.4 For the purpose of implementing the provisions under this Policy, full and sufficient information about the Transactions covered under this Policy, shall be placed before the Audit Committee and Board of Directors of the Company on timely basis.

## **6 Review Mechanism/Approval/Ratification**

6.1 All Related Party Transactions entered into by the Company with related parties will be put up for approval of Audit Committee on regular basis (Section 177(4) (iv) of the Companies Act, 2013).

(I) All transactions entered with Related Parties will be done with prior approval of 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 and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the company;
- (c) the omnibus approval shall specify:
  - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions 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 rupees one crore per transaction.
- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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:

*(“LODR”)*

(II) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

*(“LODR”)*

Provided that points mentioned above at 6.1.(I) and (II) shall not be applicable in the following cases:

- (a) 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.

The transactions which are not in ordinary course of Business or not as per Arm's Length pricing or both will be put up for prior approval of the Board or Shareholders, if applicable (*Section 188 of the Companies Act, 2013*).

- 6.2 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.
- 6.3 In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.
- 6.4 All Related Party Transactions will be reported/referred to the Audit Committee of Directors for its prior approval. Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all Material Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.
- 6.5 The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

## **7 Prior Shareholders Approval by way of Resolution in General Meeting for certain Related Party Transactions**

- 7.1 Transaction(s) to be entered into with a Related Party which are otherwise than in Ordinary Course of Business and on arm's length and exceeds the threshold limits provided under the Companies Act, 2013 read with the Companies (Meetings of Board

and its Powers) Rules, 2014, as amended from time to time and all Material Transaction (whether in ordinary course of business and on arm's length or not), shall not be entered into unless prior approval of the Board and Shareholders by way of Resolution is obtained. [Refer Annexure A for list of transactions]

Transactions which are not in Ordinary Course of Business and on arm's length or both for any Wholly Owned Subsidiary (WOS) of the Company, the same will be put up for prior approval of the Audit Committee, Board and Shareholders of the Company as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

- 7.2 In the case of a wholly owned subsidiary, the Resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between such wholly owned subsidiary and the Company, within the limits approved by the Shareholders.

#### **8. Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Material Transactions**

- 8.1 Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.
- 8.2 The Compliance Officer shall ensure that details of such transactions, after approval of the Audit Committee, are brought to the notice of Chairman & Managing Director and discussed with the Board at the next following meeting, as may be required.
- 8.3 Transactions being entered into with the Related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the Compliance Officer to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

#### **9. Disclosure**

9.1 Particulars of contracts or arrangements with related parties covered under this Policy, requiring Shareholders' approval, shall be appropriately referred to in the Board's Report to the Shareholders along with the justification for entering into such contract or arrangement.



9.2 The Company shall also maintain register(s) containing particulars of all contracts or arrangements entered into with related parties to which Section 188 of the Act applies and particulars of those Companies, firms or other entities in which a Director holds more than two percent shareholding or is a promoter, manager, Chief Executive Officer or is a partner, owner or member, as the case may be. The register(s) shall be placed at the Board meeting for perusal of the Directors.

9.3 The Company shall disclose the Policy on dealing with Related Party Transactions on its website as may be required under the Act and the LODR. Web link to the Policy shall also be provided in the Annual Report.

9.4 Quarterly disclosure of details of all material transactions with related party transactions along with the compliance report on corporate governance.

9.5 This Policy shall be communicated to all operational employees and other concerned personnel of the Company.

## **10. Penalties for Non-Compliance**

Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions with respect to company law in this regard shall:

- (i) In case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine of minimum INR 25,000, which may extend to INR 5,00,000, or with both; and
- (ii) In case of any other company, be punishable with fine of minimum INR 25,000, which may extend to INR 5,00,000.

## **11. Material Subsidiary:**

As per Regulation 16(c) of the LODR, “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds twenty percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

The Explanation to the said Regulation also provides that the listed entity shall formulate a policy for determining ‘material’ subsidiary.

**Prior approval of Members by means of resolution**

In the following circumstances, in addition to approval of Board of Directors, prior approval of members by means of a resolution must also be sought before entering into any related party transaction:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent. of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent. of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property of any kind exceeding ten per cent. of the net worth of the company or ten percent. of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

**Explanation-** It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of subsection (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

*Explanation.-* (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.