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GPT INFRAPROJECTS LIMITED

RELATED PARTY TRANSACTION POLICY

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06.02.2020	3	Audit Committee & Board of Directors	Company Secretary

POLICY ON RELATED PARTY TRANSACTIONS

1. SCOPE AND PURPOSE OF THE POLICY:

- 1.1 Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. 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 SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 (“Listing Regulation”), The GPT Infraprojects Limited (The Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions
- 1.2 Regulation 23 of the Listing Regulation requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.
- 1.3 In 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 of Directors (Audit Committee). Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

- 1.4 This Policy does not supersede other delegation of powers to management, resolutions of the Board requiring certain transactions to be approved by the Board or other Committees thereof.

2. OBJECTIVE OF THE POLICY:

- 2.1 The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Listing Regulation and any other laws and regulations as may be applicable to the Company.

3. MATERIALITY THRESHOLDS:

- 3.1 Regulation 23 of the Listing Regulation requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Regulation 23 of the Listing Regulation (which currently is 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company).

3.2 The Companies Act, 2013 read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 (as amended) requires a Company to provide materiality thresholds for transactions beyond which the shareholders approval will be required by way of a Resolution. As per this requirement the threshold limit as given below:

- (a) as contracts or arrangements with respect to clause (a) to (e) of sub-section (1) of section 188 with criteria as mentioned below:
 - (i) sale, purchase or supply of any goods or materials directly or through appointment of agent amounting to 10% or more of the annual turnover of the Company 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 amounting to 10% or more of net worth of the company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188.
 - (iii) Leasing of property of any kind amounting to 10% or more turnover of the Company as mentioned in clause (c) of sub- section (1) of section 188.
 - (iv) Availing or rendering of any service directly or through appointment of agents amounting to 10% or more of the turnover of the Company 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 sub- section (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.

4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

4.1 Identification of related parties

The Company shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Act and the SEBI Equity Listing Regulation, as amended from time to time.

The Company shall regularly verify and update the Related Party list and review and confirm (at least once a quarter) in accordance with the applicable laws as prevalent.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

As a policy, The Company will identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as applicable. Currently, the Company has identified Related Party transactions and subsequently categorized them into following broad categories:

- a. sale, purchase or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. Tenancy/leasing/Hiring of immovable assets and/or moveable assets 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;
- g. underwriting the subscription of any securities or derivatives thereof, of the company; and
- h. transfer of any other resources, services or obligations regardless of whether a price is charged or not.

Any other related party transaction identified during the periodic review and not covered into the aforementioned category, shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

The Company shall report the transactions of aforementioned category entered into with related parties identified as per Clause 5 of this policy, and put the same for necessary approvals required as per the applicable law.

6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

6.1 Approval of the Audit Committee

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 lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- b. The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;
- c. The omnibus approval shall provide details of (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.
- d. The Audit Committee shall review, at least once a quarterly basis, the details of Related Party transactions entered into by the Company pursuant to each of the omnibus approvals given;
- e. Such omnibus approval shall be valid for 1 year.

For each category of transaction identified as per the Clause 5 of this policy, the Company has framed specific Framework and Guidelines explaining the arm's length criteria to be followed by the Company while entering into transactions falling under contracts and agreements with related parties identified as per Clause 5 of this policy. The Management of the Company, while entering into Related Party transactions, will ensure adherence with the Framework and Guidelines and will maintain necessary documents for the same.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- a. Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

- b. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- c. Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
- d. Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- e. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - i. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - ii. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - iii. management assessment of pricing terms and business justification for the proposed transaction;
 - iv. comparative analysis, if any, of other such transaction entered into by the company.

While Regulation 23(5) of Listing Regulation provides that the requirement for seeking Audit Committee approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

6.2 Approval of the Board of Directors of the Company

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 in Clause 3 of the Policy, which are intended to be placed before the shareholders for approval.

6.3 Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, laid down in Clause 3 of the Policy, shall be 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.

Regulation 23 (5) of the Listing Regulation provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

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 the Companies (Meetings of Board and its Powers) Rules, 2014, are placed before the shareholders for their approval.

7. ORDINARY COURSE OF BUSINESS:

The Framework and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

8. DISCLOSURE AND REPORTING:

- 8.1 Details of Related Party Transactions during each quarter shall be reported in the Audit Committee and Board meetings.
- 8.2 The Company shall report to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.
- 8.3 Director's report shall contain details of Related Party Transactions as required under applicable law.
- 8.4 This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

9. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

- 9.1 In the event the Management of the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy, 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.
- 9.2 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.