

## **Related Party Transaction Policy**

### **I. INTRODUCTION**

This policy regarding the review and approval of Related Party Transactions in S.P. CAPITAL FINANCING LIMITED has been adopted by the Company's Audit Committee and Board of Directors in order to set forth the procedures under which transactions with Related Parties (as defined below) must be approved.

### **II. DEFINITIONS**

For the purposes of this policy, the following definitions apply:

a. Board means the Board of directors of S.P. CAPITAL FINANCING LIMITED;

b. Company means S.P. CAPITAL FINANCING LIMITED;

c. "Material Related Party Transaction" means a transaction with a related party

(i) if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1000 Crore (Rupees One thousand Crore) or ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company whichever is lower. or

(ii) 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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.\*

d. "Material Modification" means any modification made in an ongoing related party transaction and such modification results into 10% variance in the value of such related party transaction.\*

e. Policy means this Policy on Related Party Transactions;

f. Related party means following:

an entity shall be considered as related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

g. Relative means

(A) With reference to any person, anyone who is related to another, if :

1. they are members of a Hindu Undivided Family;
2. they are husband and wife; or

(B) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

1. Father including step-father
2. Mother including step-mother
3. Son including step-son
4. Son's wife
5. Daughter
6. Daughter's husband
7. Brother including step-brother
8. Sister including step-sister

h. Related Party Transaction means a transaction as envisaged as a related party transaction under the Companies Act, 2013 or under the Listing Agreement (as amended from time to time) with the Stock Exchanges.

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

### **III. PROCESS, PROCEDURE AND REVIEW FOR DEALING WITH RELATED PARTY TRANSACTIONS**

1. Prior approval of Audit Committee is required to be taken for entering into transactions with a Related Party. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions as prescribed in clause 49 of the Listing Agreement (as amended from time to time).

2. Prior approval of the Board of Directors and shareholders is required to be taken before entering into related party transactions which are not in the ordinary course of business and not on an arm's length basis and are beyond the such limits as specified under Companies Act, 2013 and rules thereto..

3. 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.

4. Prior approval of Shareholders is required to be taken before entering into Material related party transactions irrespective whether the transaction is in ordinary course of business or not and related parties shall abstain from voting on such resolution as per

Listing Agreement.

5. All existing Material Related Party Transactions as on September 30, 2014 which are likely to continue beyond March 31, 2015 shall be required to be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014.

**IV. Identification of potential Related Party Transactions The potential related party transaction shall be any contract or arrangement entered by the Company with related party such as:**

Sale, Purchase or Supply of any goods or materials;

- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind; Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged as per the Listing Agreement.

The following process shall be followed for related party transactions along with necessary approval as and when required under Companies Act, 2013 and Listing Agreement:

(A) Purchase of products and services from the related parties (other than subsidiaries/Joint Ventures)

In the case of transactions which are undertaken on the basis of contractual arrangements or are urgently required for purposes of the operations, the Audit Committee will provide approval to enter into such transactions on the basis stated below :

(1) The Company will take multiple quotes from the vendors including the related parties.

(2) In the usual course, the transaction may be entered into with the related parties if the quote of the related party is the least and all other terms and conditions for obtaining the goods or the service are at least as favourable as those offered by any other prospective supplier.

(3) If the quality or delivery schedule or any other terms that is a pre-requisite for the Company and only the related party is able to offer these, the contract may be awarded to the related party even though the price quoted may not be the lowest.

(4) In case there is no quote received other than that of the related parties, the management will indicate this to the Audit Committee and will seek approval on this basis. The Company will provide a periodic update to the Audit Committee for all such transactions.

**(B) Sale of products and services (other than subsidiaries/Joint Ventures)**

Audit committee may give omnibus approval subject to such conditions as mentioned under the prevailing laws and the same will be valid for one year and shall require fresh approval from audit committee after the expiry of one year.

**(C) Taking facilities on lease and/or renting out facilities on lease and taking / lending administrative support services for these facilities**

Specific approval of the Audit Committee shall be taken for entering into leasing transactions with related parties.

**(D) Transactions with subsidiaries/Joint Ventures**

The Company will provide the basis for entering into transaction with the subsidiaries/ Joint Ventures on arm's length basis. The Audit Committee will consider the principle / basis for the arm's length price and will provide its approval for entering into the transactions with the subsidiaries/JVs on that principle for all the transactions in the ordinary course of business.

**V. DISCLOSURE**

The particulars of contracts or arrangement with related parties referred in section 188(1) of the Companies Act 2013 should be disclosed in the Directors Report for the financial years commencing

on or after April 1, 2014 in Form AOC-2 enclosed as Annexure-I.

All material related party transactions that are entered into with effect from October 1, 2014, to be disclosed quarterly along with the compliance report on corporate governance pursuant to the requirements of clause 49 of the Listing Agreement.

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.

**VI. AMENDMENT**

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time.

Note: The provisions of the Companies Act, 2013 and rules thereto and the Listing Agreement (including any amendment thereto from time to time) to the extent applicable, shall be apply in addition to this policy.

**Form No. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts / arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any
- (e) Justification for entering into such contracts or arrangements or transactions
- (f) Date(s) of approval by the Board
- (g) Amount paid as advances, if any:
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188

2. Details of material contracts or arrangement or transactions at arm's length basis

- (a) Name(s) of the related party and nature of relationship
- (b) Nature of contracts/arrangements/transactions
- (c) Duration of the contracts / arrangements/transactions
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
- (e) Date(s) of approval by the Board, if any:
- (f) Amount paid as advances, if any.

