

# USHA MARTIN LIMITED

## POLICY ON MATERIALITY AND FOR DEALING WITH RELATED PARTY TRANSACTIONS

The Policy for Regulation of Related Party Transactions (“Policy”) has been adopted by the board of directors (“Board”) of Usha Martin Limited (“Company”) to provide guidance to the Board, Audit Committee and senior management of the Company to ensure fairness in all Related Party Transactions (as defined below) of the Company.

This Policy is intended to supplement, and not to supersede, all other policies of the Company that may be applicable to, involve or relate to transactions with Related Parties (as defined below).

This revised Policy which shall also be known as “Policy on Materiality and for Dealing with Related Party Transactions” shall be applicable to the transactions to be entered into on or after 1<sup>st</sup> April, 2019. However, in accordance with the amendments in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this revised Policy shall come into force with effect from 1<sup>st</sup> April, 2019.

The Audit Committee of the Company shall be responsible for the implementation of this Policy. The Audit Committee will be accountable to the Board.

### A) Definitions

- 1) “Arms length transaction” shall mean a transaction entered between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.
- 2) “Office” or “place of profit” means any office or place—
  - a) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise
  - b) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

- 3) “Related Party Transaction” shall mean a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and includes any contract or arrangement of the Company with a Related Party with respect to:
  - a) sale, purchase or supply of any goods or materials; or
  - b) selling or otherwise disposing of, or buying, property of any kind; or
  - c) leasing of property of any kind; or
  - d) availing or rendering of any services; or
  - e) appointment of any agent for purchase or sale of any goods, materials, services or property; or
  - f) such related party’s appointment to any office or place of profit in the Company or any of its subsidiary/ or associate company; or
  - g) underwriting the subscription of any securities or derivatives thereof, of the Company.
  - h) use of trademarks, brands, logos, patents, designs or any other intellectual property rights.
- 4) “Related Party” shall have the same meaning ascribed to the term under the Companies Act, 2013 (“Act”), SEBI LODR and/or under applicable accounting standards, as may be amended from time to time.
- 5) “Relative” shall have the same meaning ascribed to the term under the Companies Act, 2013 and rules made thereunder, as amended from time to time.

#### B) Disclosure of transactions

- 1) Every employee and director of the Company having knowledge of any proposed related party transaction shall promptly inform the Chief Financial Officer and the Company Secretary of the Company any such transaction proposed to be entered into by the Company with a Related Party.
- 2) Such employee or director shall provide, to the Chief Financial Officer and Company Secretary , details of:
  - a) the transaction to be entered into by the Company;
  - b) the name of the Related Party and the basis on which such transaction could be considered to be a Related Party transaction;
  - c) the amount involved in the proposed transaction or the aggregate amount if multiple transactions are been proposed and
  - d) any other information regarding the transaction or the Related Party that could be material or as may be requested.

C) Approval of Related Party Transactions by the Audit Committee:

- 1) All Related Party Transactions herein below shall require prior approval of the Audit Committee.
- 2) Where proposed transactions are of repetitive in nature, on an arms' length basis and in ordinary course of business:
  - a) If the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, does not exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company or where the transaction involves payment on account of brand usage or royalty then if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, does not exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company
    - i) Where name of related party and nature of transactions can be foreseen

The Audit Committee may grant omnibus approval for transactions which are repetitive in nature after considering all relevant facts and circumstances, and if it is satisfied that such transactions are in the best of interest of the Company.

Such omnibus approval shall specify the following:

- the name of the related party,
  - nature of transaction,
  - period of transaction,
  - maximum amount of transaction that can be entered into (within an overall threshold limit not exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements for transaction(s) of unique nature with a particular related party);
  - the indicative base price / current contracted price and the formula for variation in the price if any and
  - any other conditions as the Audit Committee may deem fit;
- ii) Where name of related party and nature of transactions cannot be foreseen

The Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

Provided that such omnibus approvals mentioned under this sub-clause shall be valid for the Financial Year for which it was granted.

- b) 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 or where the transaction involves payment on account of brand usage or royalty if such transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company

The transactions falling under this sub-clause shall be considered Material Transactions and the following procedure shall be followed:

- i) Such transactions cannot be entered into except with approval of the shareholders. Further all related parties (whether it is related to a particular transaction or not) shall not vote to approve such resolution.
  - ii) Audit Committee shall review and recommend such transaction to the Board for its' consideration.
- c) The procedure mentioned under Sub-clause (a) & (b) shall not apply to transactions between the Company and its' wholly owned subsidiaries. However, to avail this exemption the accounts of such subsidiaries shall be consolidated with the accounts of the Company and placed before the shareholders of the Company at general meeting for approval.
- 3) Where proposed transaction is not on arms' length basis or in ordinary course of business:
- a) The details of the transaction along with necessary documents shall be placed before the Audit Committee for its consideration and approval. After the approval of the Audit Committee has been obtained, the details of the proposed transaction along with necessary documents shall be placed before the Board for its consent.

Further, in respect of such transactions which cross the following threshold limits, shareholder's approval shall also be obtained. Related parties who are members of the Company shall not vote to approve such resolutions.

- 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; or
- 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; or
  - iii) leasing of property of any kind exceeding ten per cent of the net worth of the Company or ten per cent of turnover of the Company or rupees one hundred crore, whichever is lowest; or
  - 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; or
  - v) 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; or
  - vi) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth of the Company;

[Turnover or Net Worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.]

- 4) Where proposed transactions involve granting use of trademarks, brands, logos, patents, designs or any other intellectual property rights, the Audit Committee shall review such proposal and accordingly make its recommendation.

#### D) Review by Audit Committee

- 1) The Audit Committee shall every quarter review all related party transactions including those for which earlier omnibus approval and / or prior approval of the shareholders has been obtained.
- 2) The implementation and compliance of this Policy shall be subjected to quarterly audit by the internal audit department of the Company and annually/semi-manually by the external internal auditors. Their report(s) shall be placed before the Audit Committee.

#### E) General

- 1) Any person, being an employee or director of the Company, who is a Related Party or if the Related Party relationship arises through any person being an employee or director of the Company, shall provide to Chief Financial Officer and / or the Company Secretary for submission to the Audit Committee complete details of the transaction under review, as requested from time to time.

- 2) In case of an enquiry of a transaction where a member of the Audit Committee is the concerned Related Party or if the Related Party relationship arises through him then, such member shall not participate in the process of review of such transaction.

F) Disclosure

- 1) All Related Party Transactions shall be disclosed by the Company in the form and the manner prescribed under the applicable regulatory framework.
- 2) All related party transactions on a consolidated basis shall be sent to the stock exchanges and also uploaded on the website of the Company in the format specified in the relevant accounting standards for annual results within 30 days from the date of publication of the Company's standalone and consolidated financial statement for every half year.

G) Amendment

- 1) The Audit Committee will monitor the effectiveness and review the implementation of this Policy regularly considering its suitability, adequacy and effectiveness. Any improvements or modifications identified will be made as soon as possible. Further this Policy shall be reviewed by the Board of Directors once in every three years and make necessary modifications.
- 2) In case of any conflict between the clause(s) of this Policy with the provisions of Companies Act 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the provisions of Companies Act 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other statutory enactments shall prevail over this Policy. Any subsequent amendment/modification in Companies Act 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in this regard will automatically apply to this policy.