



## NEULAND LABORATORIES LIMITED

### RELATED PARTY TRANSACTION POLICY

#### 1. Preamble

Neuland Laboratories Limited (“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 related parties with the interest of the Company and may raise questions about whether such transactions are fair and on arm’s length basis.

This policy is to regulate transactions between the Company and its Related Parties by reviewing and approving Material Related Party Transactions bearing in mind the potential or actual conflicts of interest that may arise consequent upon the transaction entered into by the Company and the whether the said transactions are consistent with the Company’s and its shareholder’s interest. The Company has been in compliance with various laws and regulations in this regard so far and ensured that such transactions are in the best interest of the company and shareholders.

The Audit Committee shall review significant related party transactions, submitted to it by Management, approve and / or recommend for Board and / or shareholders’ approval thereon.

The Audit Committee of the Company shall review and may amend this Policy from time to time, subject to the approval of the Board of Directors of the Company.

This Policy supersedes the earlier Policy on Related Party Transaction and shall be effective from April 1, 2019.

#### 2. Purpose

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“as amended from time to time (“SEBI Listing Regulations”) requires that the Company shall formulate a policy on materiality of related party transactions pertaining to related parties, material listed subsidiaries. This policy is framed as per requirement of SEBI Listing Regulations entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

#### 3. Definitions

- a. “Arm’s length price”, pursuant to Income Tax Act, 1961, OECD guidelines, Advance Rulings from tax authorities, judicial pronouncements), and other applicable provisions from time to



time, means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions;

- b. **“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.
- c. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.
- d. **“Board”** means Board of Directors of the Company
- e. **“Company”** means Neuland Laboratories Limited
- f. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- g. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 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
- h. **“Material Related Party Transaction”** means a transaction with a related party as defined under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- i. **“Policy”** means Related Party Transaction Policy.
- j. **“Related Party”** means related party as defined in the SEBI Listing Regulations which is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- 1. A person or a close member of that person’s family is related to a company if that person:
  - a) is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:
    - 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 is a member or director ;
  - v. 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 ;
  - vi. anybody 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 :  
 Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
  - viii. any company which is -
    - a holding, subsidiary or an associate company of such company ; or
    - a subsidiary of a holding company to which it is also a subsidiary ;
  - ix. Director or key managerial personnel of the holding company or his relative with reference to a company; or
    - b) has control or joint control or significant influence over the company; or
    - c) is a key management personnel of the company or of a parent of the company; or
  - x. Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity
2. An entity is related to a company if any of the following conditions applies:
- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - c) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
  - d) Both entities are joint ventures of the same third party; or
  - e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - f) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
  - g) The entity is controlled or jointly controlled by a person identified in (1)
  - h) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity); or
- k. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

This definition is as per provisions of the SEBI Listing Regulations and any subsequent amendment/modification in this regard shall automatically apply to this definition.



**l. “Relative”** shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under and includes:

- 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)

This definition is as per section 2(77) of the Companies Act, 2013 and rules prescribed there under and any subsequent amendment/modification in this regard shall automatically apply to this definition.

**m. Significant Related Party Transaction**, shall mean any of the following transactions (entered into by the company with any of its Related Parties) which are either not in the ordinary course of business or not on an arm’s length basis:

- 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

Thus, any of the above transactions which are in ordinary course of business **and** on arm’s length basis shall not be considered as Significant RPT.

This definition is as per Section 188 of the Act and any subsequent amendment/modification in this regard shall automatically apply to this Provision.

**n. “Material Related Party Transaction”** means any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.”

This definition is as per provisions of the SEBI Listing Regulations and any subsequent amendment/modification in this regard shall automatically apply to this definition.



- o. **“Policy”** means this Related Party Transaction Policy of the Company
- p. **“Special Resolution”** A resolution shall be a special resolution when—
  - a) the intention to propose the resolution as a special resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;
  - b) the notice required under the Act has been duly given; and
  - c) the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

#### **4. Policy**

All Related Party Transactions (“RPT”) shall be referred for prior approval of the Audit Committee in accordance with this Policy.

The Company shall, while entering into any RPT, ensure that such RPT is in the best interest of the Company and adheres to this Policy. All relevant facts and circumstances available, including but not limited to the following, shall be considered:

- a. The benefits to the Company by entering into such RPT;
- b. The extent of the Related Party’s interest;
- c. The availability of other sources of comparable products or services;
- d. The extent to which the terms of the RPTs are less favourable than terms generally available in non-related transactions under like circumstances;
- e. The aggregate value of the RPT; and
- f. The impact on a Director’s independence if the RPT is entered into with an Independent Director or a relative of such Director.

It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.

The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.

This Policy will operate within the framework of the Companies Act 2013, rules thereunder and the SEBI Listing Regulations entered into by the Company with Stock Exchanges, as amended from time to time.

#### **5. Identification of Potential Related Party Transactions**

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.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

## **6. Prohibitions related to Related Party Transactions**

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

## **7. Review and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the



transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the consideration set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

#### **8. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

#### **9. Disclosure requirements**

- i. Significant RPT are to be disclosed in Board's Report along with justification for entering into such RPT.
- ii. Details of all Material RPT shall be disclosed quarterly to the Stock Exchanges along with the compliance report on corporate governance that may have potential conflict with the interests of company at large.



iii. The Company shall disclose the Policy on its website and also in the Annual Report.

#### **10. Amendments**

Any statutory amendment in SEBI Listing Regulations and Companies Act, 2013 and any other applicable laws / regulations, if any, shall be deemed to be included in the Policy and the Company shall be governed by it. Pursuant to any such amendment, the Company Secretary in consultation with the Chief Executive Officer may carry out the necessary changes to this Policy, as may be required.