



POLICY ON RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time

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 the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”) and as amended from time to time, Ahluwalia Contracts (India) Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the 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. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

This is reference to one of the major section in respect of related party transactions in the company by subsidiaries company, Associate company, individuals and others category.

-No company shall enter into any contract or arrangement with a related party without Board **Resolution** and **prior approval of the** shareholders by a special Resolution or through postal Ballot.

The following transactions are included:

- a) Selling or otherwise disposing of, or buying, property of any kind
- b) Sale, purchase or supply of any goods or materials; services or property,
- 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.**
- g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Definition of ‘ Related Party’

- a) A director or his relative
- b) A key managerial person or his relative
- c) A firm, in which a director, manager or his relative is a partner
- d) A private ltd co in which a director or manager is a member or director
- e) A public ltd company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid up capital
- f) 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
- g) Any person under whose advise, directions or instructions a Director or manager is accustomed to act:
Provided that nothing is sub section (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity
- h) Any company which is:
- i) A Holding , subsidiary or an Associate Company of such company; or
- j) A Subsidiary of a Holding Company to which it is also subsidiary

Rectification of the Contract



Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a special Resolution in the general Meeting, if it is not ratified by the Board and by shareholders at a meeting within three months from the date of contract was entered into, than in case if such contract or arrangement is entered with related party to any Director or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

Amendment to Clause 49(vii)(D) as per SEBI Circular dated 15.09.2014 w,e f 01.10.2014

Main Policy matters

All related party transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered in to by a 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 on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest of the company.
- c) Such omnibus approval shall specify (i) the names of related party, nature of transactions, period, maximum amount of transactions that can be entered (ii) the indicative base price/ current contracted price and formula for variation in the price if any and (iii) such other conditions as per Audit Committee may deem fit;

Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available. ACM may grant omnibus approval of such transactions subject to their value not exceeding Rs 1 crore per transactions.

- d) Audit Committee shall review, at least on a quarterly basis; the details of RPTs entered into by the company pursuant to each of the omnibus approval give.
- e) Such omnibus approvals shall be valid for a period not exceeding one year shall require fresh approvals after the expiry of one year.

ACIL - Steps

ACIL had already entered rent agreement (office premises) with CMD and relatives of CMD. ACIL is also availing and rendering services/sub contract work from Ahlcons India or sub contract work to Ahlcons India, one of the Associate Company.

We can also cover all transactions with a firm/ company in which Directors & relatives are interested and also with Subsidiary company or from any Associate Company in the ACIL in the current financial year.

Agenda of Board Meeting shall disclose related party transactions and interested director shall not be present at the meeting during discussion on the subject matter relating to matter.

Every Company must maintain a register where all specified particulars of following contracts or arrangements should be entered. The entry in the register shall be at once whenever there is cause to make entry.

Disclosures



-Disclosures of all material transactions with related party shall be disclosed quarterly along with compliance report on corporate Governance.

-The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in Annual Report.

Related Party Transactions covered under ‘Transfer Pricing’

One party transfers to another goods or services or use of property for a price. That price is known as ‘Transfer Price’. Transfer pricing is a profit allocation method.

In principle a transfer price should match either what the seller would charge an independent, arm’s length customer or what the buyer would pay an independent arm’s length supplier.

Regulations

Arms’ length principle—

That is to establish transfer prices based on analysis of pricing in **comparable transactions between two or more unrelated parties dealing arms’ length.**

Prices actually charged are compared to prices or measures of profitability for unrelated transactions and parties. The rules generally require that market level, functions, risks and terms of sale of unrelated party transactions or activities be reasonably comparable to such items with respect to the related party transactions or profitability being tested.

It refers to prices of transactions between subsidiary, associate and group companies which may take place under conditions differing from those taking place between independent companies. It also refers to the value attached to transfers of goods, services and technology between related entities,

ACIL is required to comparable statement by Ahlcon India along with quotation from the other unrelated party or independent party in respect sub contract work or any type of transactions.

It refers justification of transaction in prevailing of market price with Associate Company.

Contraventions of provisions

Penalty

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

1. In case of listed company, be punishable with **imprisonment** for a term which may extend to **one year or** with fine which shall not less than **25,000/- but** which may extend **to 5,00,000/- or with both.**
2. in case of **any other company**, be punishable with fine which shall not be less than 25,000/- but which may extend to 5,00,000/-
3. Disqualification for appointment as a Director- A director is disqualified for appointment, if he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years.
4. The Income tax dept. may addition income which has arrived in respect of differences of prices between market and internal. They can also charge interest and penalty in the said difference of prices.