

CENTURY ENKA LIMITED

POLICY ON RELATED PARTY TRANSACTION
(Pursuant to Clause 49 (VII) of the Listing Agreement)
(Effective from 1st October, 2014)

Ref: WD/LC/04

Date: 31.12.2014

1. **Objective:**

One of the essentials of the related party transaction is that there is transparency in dealings with persons who are considered as related to the Company so that interest of stakeholders in the Company that includes shareholders, financiers, customers, suppliers, government is protected and meet the desired objective of good corporate governance practices.

2. **Scope:**

To achieve these objectives, Section 188 of the Companies Act, 2013 and Clause 49 of Listing Agreement stipulate transaction with related party would need approval of the Audit Committee, Board of Directors and shareholders of the Company depending upon the quantum and nature of transaction.

3. **Definitions:**

“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.

“Key Managerial Personnel” means:

- (a) Whole-time Director
- (b) President
- (c) Chief Financial Officer
- (d) Company Secretary
- (e) any other person appointed by the Board of Directors as key Managerial Personnel.

“Relative” means relative in relation to related party shall have the same meaning as described in section 2(77) of the Companies Act, 2013.

“Related Party” means (i) persons as described in Section 2(76) of the Companies Act, 2013; or (ii) Parties are considered to be related, if at any time during the financial year one party has ability to control the other party or exercise significant influence over the other party in making financial and/or operating decision.

“Related Party Transaction” means transaction between the Company and related party under Section 2 (76) of the Companies Act, 2013 as envisaged in sub section (1) of Section 188 of the said Act or transaction between the Company and related party as envisaged under the Accounting Standard (18) on related party.

“Transaction” means transaction with a related party shall be construed to include single transaction or group of transactions.

“Transaction in Ordinary Course” means transaction in ordinary course of business includes transaction which the company deals regularly or enter in the course of business.

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4. Materiality Threshold:

Materiality threshold for transaction beyond which the shareholders approval will be required by way of a special resolutions has been fixed 10% of the annual turnover of the company as per the last audited financial statements. The threshold limit will be automatically substituted with the change in limit in clause 49 of the listing agreement.

5. Identification of related Parties:

A list of related parties as prescribed under Section 2(76) of the Companies Act, 2013 read with Rules framed thereunder and as per accounting standard (AS 18) on related party pursuant to clause 49 of the Listing Agreement shall be identified and updated by the Secretarial Department.

6. Dealing with Related parties transaction:

The Company has formulated guidelines to determine, whether the transaction is in the ordinary course of business and at arm's length basis. In case of doubt the company may take external professional opinion.

7. Procedure for approval of related Party Transaction:

All the related party transactions shall require prior approval of Audit Committee. However, the company may obtain omnibus (ad hoc) approval in advance from the Audit Committee for repetitive transactions subject to compliance with following conditions:

- The Audit Committee shall lay down the criteria for granting the ad hoc approval in line with this Policy and such approval shall be applicable in respect of transactions of repetitive nature.
- The Audit Committee shall satisfy itself the need for such ad hoc approval and that such approval is in the interest of the Company.
- The ad hoc approval shall provide details of :
 - (i) the name of related party
 - (ii) nature of transaction
 - (iii) period of transaction
 - (iv) maximum amount of transaction
 - (v) indicative base price/current contractual price and formula for variation in the price, if any.
 - (vi) such other conditions as Audit Committee may deem fit.

However, in case of related party transaction which cannot be foreseen and where the abovesaid details are not available, Audit Committee may grant ad hoc approval for such transaction subject to their value does not exceed Rs.1 crore per transaction or such limit of the amount as may be revised under clause 49 of the Listing Agreement.

The Audit Committee shall review on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the ad hoc approval given.

Such ad hoc approval shall be valid for one year.

8. Approval of Board of Directors:

Approval of Board of Directors shall be required for all transactions, specified under Section 188 of the Companies Act, 2013, which are:

- (i) not in ordinary course of business,
- (ii) in the ordinary course of business but not at arm's length basis,
- (iii) transaction which may be in the ordinary course of business and at arm's length basis but which the Board may from time to time determine and frame a policy for such transaction.
- (iv) transaction in respect of which audit committee is unable to determine whether or not a transaction is in the ordinary course of business/ or at arm's length basis and decide to refer to the Board for approval.
- (v) transaction which is in the ordinary course of business and at arm's length basis, but which in view of audit committee require the approval of the Board.
- (vi) transactions meeting the materially thresholds laid down in clause 4 hereinabove, which are intended to be placed before the shareholders, are placed before the Board.

9. Approval of the shareholders of the Company:

All transactions with related parties meeting the materiality threshold, laid down in clause 4 of the policy, shall require approval of the shareholders by way of special resolutions.

For this purpose related parties shall abstain from voting.

10. Modification of Policy:

This Policy shall automatically get amended to the extent, it is not in line with the provisions of the Companies Act as amended from time to time and Rules framed thereunder and/or amendment in Clause 49 of the Listing Agreement.

(G.M. Singhvi)
Whole-time Director

GUIDELINES FOR TRANSACTION WITH RELATED PARTY
(Effective from 1st October, 2014)

1. Ensure that terms and conditions of the transaction with Related Party are at par with other parties for similar products.

(Example: If the Company wants to place an order for packing material with Related Party, it should be ensured that it is on the same terms and conditions on which order for similar packing material has been placed with other parties).
2. If comparable transaction with other parties is not available, examine whether the Company would have entered into such transaction with other party on the same terms and conditions (if there was an opportunity).
3. If the transaction with Related Party is in conflict of interest with Director or Key Managerial Personnel, ensure that prior approval of Audit Committee is taken.
4. If transaction with Related Party is not of repetitive nature, call quotations from atleast three parties to determine the true price of the transaction and after due diligence enter into the transaction with Related Party. Ensure that it will not have any adverse impact on the Company.
5. If nature of the transaction is not of a regular product of the Company, ensure that an opinion from a consultant who is expert in the field is obtained before entering into the transaction.
6. Transaction which is not in normal course of business, ensure that matter is referred to Chief Financial Officer (CFO) for guidance before taking a final decision in the matter.

(G.M. Singhvi)
Whole-time Director