

DALMIA REFRACTORIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS (Amended in the Board Meeting held on 08.02.2018)

1. Preamble

As per Regulation 23(1) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) every listed company is required to formulate a policy on materiality of related party transactions and on dealing with related party transactions. In pursuance of the above, the Board of directors (the “**Board**”) of Dalmia Refractories Limited (the “**Company**” or “**DRL**”), has adopted this policy on related party transactions (“**Policy**”).

This Policy intends to ensure compliance by the Company with applicable provisions of the Companies Act, 2013 and the rules and regulations framed thereunder (“**Companies Act**”) and the Listing Regulations with respect to its transactions with related parties.

2. Definitions

- (i) “**Audit Committee**” or “**Committee**” means committee of the Board of Directors of the Company constituted in accordance with Regulation 17 of the Listing Regulations and Section 177 of the Companies Act.
- (ii) “**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) “**Associate Company**” means associate company as defined under Section 2(6) of the Companies Act and Regulation 2 (1) (b) of the Listing Regulations, as the case may be.
- (iv) “**Board**” or “**Board of Directors**” means the board of directors of the Company.

- (v) **“Key Managerial Personnel”** has the meaning ascribed to the term under Section 2 (51) of the Companies Act.
- (vi) **“Material Related Party Transaction”** means a Related Party Transaction where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.*
- (vii) **“Related Party”** means related party as defined in Section 2(76) of the Companies Act or under Regulation 2 (1) (zb) of the Listing Regulations, as the case may be.
- (viii) **“Related Party Transaction”** has the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations, i.e. a transfer of resources, services or obligations between a listed entity and a Related Party, regardless of whether a price is charged and a “transaction” with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

Any other term used but not defined herein shall have the meaning ascribed to such term in the Companies Act or the Listing Regulations.

3. **Identification of Related Parties and potential Related Party Transactions**

- 3.1 Before the start of each financial year, the Company shall draw up a list of Related Parties. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from its Board of Directors and Key Managerial Personnel. For this purpose, the Company shall devise an appropriate procedural mechanism.
- 3.2 The Audit Committee, in consultation with the Company Secretary, will review and determine whether any transaction with a Related Party will, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

3.3 Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by the Audit Committee or the Board, as the case may be.

4. **Review and approval of Related Party Transactions**

A. **Approval of the Audit Committee**

4.1 All Related Party Transactions, shall require prior approval of the Audit Committee in accordance with this Policy. However, the Audit Committee may grant omnibus approval for Related Party Transactions, subject to compliances with the following conditions:

(a) The Audit Committee shall, after obtaining approval of the Board, specify the criteria for granting the omnibus approval in line with this Policy which shall include the following namely:

- (i) maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
- (ii) the maximum value per transaction which can be allowed;
- (iii) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- (iv) review, at such intervals as the Audit Committee may deem fit, of Related Party Transactions entered into by the Company pursuant to each omnibus approval made;
- (v) transactions which cannot be subject to the omnibus approval by the Audit Committee.

(b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

- (i) repetitiveness of the transactions (in past or in future); and

- (ii) justification for the need of omnibus approval.
- (c) For the purposes of granting such omnibus approvals, the Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (d) The omnibus approval shall provide details of (i) the name/s of the Related Party(ies), (ii) nature and duration of transaction; (iii) maximum amount of transaction that can be entered into; (iv) indicative base price or current contracted price and the formula for variation in the price, if any; (v) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction, and (vi) such other conditions as the Audit Committee may deem fit.
- (e) Where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding INR 1,00,00,000 (Indian rupees one crore) per transaction.
- (f) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approvals given.
- (g) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- (h) Any other conditions as the Audit Committee may deem fit.

B. Approval of the Board

- 4.2 The following Related Party Transactions which are not in the ordinary course of business of the Company or are in the ordinary course of business but are not Arm's Length Transactions shall require prior approval of the Board:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (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) a Related Party's appointment to any office or place of profit in the Company, its subsidiary company or Associate Company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company.

C. Approval of the shareholders of the Company

- 4.3 All Material Related Party Transactions shall be placed before the shareholders for approval. For this purpose, all Related Parties shall abstain from voting irrespective of whether such Related Party is a party to the particular Related Party Transaction or not. However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- 4.4 In addition to the above, all Related Party Transactions falling under the categories enlisted in paragraph 4.2 above which (a) are not Arm's Length Transactions or not in the ordinary course of business; and (b) exceed the thresholds laid down under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for their approval. For such Related Party Transactions, any shareholder of the Company who/which is a Related Party in the context of the proposed Related Party Transaction shall abstain from voting. However, the

requirement of shareholders' approval shall not be applicable for transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

5. **Disclosure requirements**

- 5.1 **Disclosures under Companies Act:** The Company shall disclose in the Board's report to be laid before the Company in a general meeting in terms of Section 188(2) of the Companies Act, particulars of contracts or arrangements entered with Related Parties as prescribed in Section 134(3) of the Companies Act, along with the justification for entering into such contracts or arrangements.
- 5.2 **Disclosures under Listing Regulations:** The Company shall make related party disclosures in compliance with relevant accounting standards as specified in paragraph A of Schedule V of the Listing Regulations. The corporate governance section of the Company's annual report shall also disclose materially significant Related Party Transactions that may have potential conflict with the interests of the Company at large.
- 5.3 The Company shall also maintain a register containing particulars of contracts or arrangements entered with a Related Party to which Section 188 of the Companies Act applies.

6. **Review of the Policy**

- 6.1 The Board reserves the right to review and amend this Policy from time to time based on recommendations received from the Audit Committee.