

RAJASTHAN ANTIBIOTICS LTD

POLICY ON MATERIALITY OF AND

DEALING WITH RELATED PARTY

TRANSACTIONS





POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

1. PREMABLE

This policy on materiality of and dealing with related party transactions (the “Policy”) aims to determine the materiality of related party transactions (“RPTs”) and dealing with RPTs of Rajasthan Antibiotics Ltd (the “Company” or “RAL”).

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

Considering the statutory requirements, for approval of related party transactions as enunciated under the Companies Act, 2013 (the “Act”) read with the Rules framed thereunder and Regulation 23 of the Listing Regulations, RAL has formulated guidelines for identification of its related parties and the proper conduct and documentation of all related party transactions. This policy was adopted by the Board on January 05, 2022.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- i. “Arm’s Length Transaction (“ALP”) means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- ii. “Director” shall mean any director of the Company.
- iii. “Key Managerial Personnel” or “KMP” shall mean any key managerial personnel of the Company.
- iv. “Ordinary Course of Business (“OCB”) means a transaction which/wherein:
 - is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“MOA”) of the Company as amended from time to time, or
 - is as per historical practice with a pattern of frequency, or
 - is in connection with the normal business carried on by the Company, or
 - the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
 - meets any other parameters/criteria as decided by the Board/Audit Committee.



- v. “Material Related Party Transactions” shall have the same meaning as laid down in Regulation 23 of the Listing Regulations.
- vi. “Policy” means this Policy on materiality of and dealing with Related Party Transactions framed pursuant to applicable statutory requirements.
- vii. “Related Party” shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

Interpretation to above term i.e., Related Party is subject to the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time.
- viii. “Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- ix. “Related Party Transactions” shall have the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations or as envisaged in Section 188(1) of the Act.
- x. “Transaction” shall be construed to include single transaction or a group of transactions in a contract;
- xi. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

4. MATERIALITY THRESHOLDS

- i. Section 188 of the Companies Act 2013 & Regulation 23 of the Listing Regulations requires the Company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution.
- ii. RAL has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations which are as under:
 - a) In case of transaction involving payments made to a Related Party with respect to brand usage or royalty individually or taken together with previous transactions during a financial year, exceeds 5% (five percent) of the annual consolidated turnover of the Company as per its last audited financial statements.
 - b) In case of any other transaction, if the amount exceeds ten percent (10%) of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

iii. The materiality thresholds as prescribed under the Act are as under:

Sr. No.	Nature of the Transaction	Limits for the time being in force (as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.
1.	Sale, purchases or supply of any goods or materials directly or through appointment of agent.	Amounting to 10% or more of turnover
2.	Selling or otherwise disposing of or buying property of any kind directly or through appointment of agent.	Amounting to 10% or more of net worth of the company
3.	Leasing of property of any kind.	Amounting to 10% or more of turnover
4.	Availing or rendering of any services, directly or through appointment of agent.	Amounting to 10% or more of Turnover
5.	Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company.	Where monthly remuneration exceeds Rs. 250,000/-
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	Amount exceeding 1% of net worth of the Company.

EXPLANATION

- It is hereby clarified that above thresholds are inclusive and may include any other limits laid down by the Law from time to time (including its amendments thereof) or by the Board or its Audit Committee as they deem fit in this regard.
- It is hereby clarified that the limits specified in sub-clause (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

i. Identification of related parties

Each Director and Key Managerial Personnel shall disclose to the Company, its Related Parties. The Board shall record the disclosure of Interest. Each director and Key Managerial Personnel has the responsibility of providing notice to the Board or Audit Committee of any potential Related Party Transaction involving such Director or KMP or his or her Relative. He/she must also share any additional information about the transaction that the Board/Audit Committee may reasonably require.

ii. Identification of related party transactions

It shall be the duty of the Board or the Audit Committee to determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Company insists that such notice of any potential Related Party Transaction shall be issued within 7 days of such Director/KMP receiving the knowledge of such Transaction. This will ensure that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction

iii. Procedure for approval of Related Party Transactions

a) Approval of the Audit Committee

- All related party transactions require prior approval of the Audit Committee.
- However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
 - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
 - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- The Audit Committee, after obtaining the Board approval, may provide omnibus approval which shall provide details of:
 - (i) the name/s of the related parties
 - (ii) nature and period of transaction
 - (iii) maximum amount of transactions, in aggregate, that can be entered into in a year under omnibus route.
 - (iv) maximum value per transaction
 - (v) the indicative base price/current contracted price and the formula for variation in the price, if any and
 - (vi) transactions which cannot be subject to the omnibus approval by the Audit Committee
 - (vii) such other conditions as the Audit Committee may deem fit.
- However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;
- Such omnibus approval shall be valid for a period not exceeding one financial year and shall require a fresh approval after expiry of such financial year.
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given

- For each category of transactions identified as per the Clause 5.2 of this policy, the Company has a specific framework and guidelines explaining the arm's length criteria to be followed by the Company while entering transactions with related parties identified as per Clause 5.1 of this policy. Further, the Company will ensure adherence with such framework and guidelines and shall maintain necessary documents for the same.

b) Approval of the Board of Directors of the Company

- As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.
- In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 - Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
 - Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
 - Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
 - Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

c) Approval of the Shareholders of the Company

- All the transactions with related parties meeting the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval.
- All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.
- For this purpose, no related party shall vote to approve the relevant resolution irrespective of whether the entity is a related party to the particular transaction or not.
- Pursuant to Regulation 23(5)(b) of the SEBI Listing Regulations and Section 188(1) of the Act the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies (if any) whose accounts are consolidated with the Company.

6. DISCLOSURES

- i. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- ii. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- iii. As prescribed under Regulation 46 of the Listing Regulations, this Policy shall be disclosed on the Company's website viz. www.rallife.com.

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- i. In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- ii. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

8. REVIEW/AMENDMENTS

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the policy based on the changes that may be brought about due to any regulatory amendments or otherwise. In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments & rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy. Further, in connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
