



POLICY FOR RELATED PARTY TRANSACTIONS

POLICY FOR CONSIDERATION AND APPROVAL OF RELATED PARTY TRANSACTIONS

PREAMBLE

CYBELE INDUSTRIES LIMITED (hereinafter referred to as “CIL” or “The Company”) recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and clause 49 of the Listing Agreement.

OBJECTIVE OF THE POLICY

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend the policy as and when required subject to approval of the Board.

The objective of this policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Agreement and any other laws and regulations as may be applicable to the Company.

2. DEFINITIONS

2.1 Applicable Law

“**Applicable Law**” means the Companies Act, 2013 (“the Act”) and the Rules prescribed thereunder, the Listing Agreement and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

2.2 Arm’s Length Basis:

“**Arm’s Length Basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm’s Length Basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.

2.3 Associate

“**Associate**” means a company as defined under section 2(6) of the Act, and Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

2.4 Audit Committee

“Audit Committee” means the Audit Committee of the Board which as on date complies with the provisions of Section 177 of the Act read with applicable Rules and Clause 49 of the Listing Agreement.

2.5 Body Corporate

“Body Corporate” means an entity as defined in Section 2(11) of the Act.

2.6 Clause 49

“Clause 49” means the Clause 49 of the Listing Agreement, as entered into by the Company with the Stock Exchanges including any amendment or modification thereof.

2.7 Director

“Director” means a person as defined in Section 2(34) of the Act.

2.8 Key Managerial Personnel

“Key Managerial Personnel” mean the officers of the Company as defined in Section 2(51) of the Act and Rules prescribed there under.

2.9 Employees

“Employees” mean the employees and office-bearers of the Company, including but not limited to Whole-Time Directors.

2.10 Ordinary Course of Business

“Ordinary Course of Business” means all such acts and transactions undertaken by the Company in the normal routine to conduct its business operations and activities and includes all such activities which the Company can undertake as per the Objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the Ordinary Course Business.

2.11 Material Related Party Transactions

“Material Related Party Transactions” means a transaction with a Related Party which exceeds the threshold of 10 % of the annual consolidated turnover of the Company as per its latest audited financial statements or any other law or regulation including any amendment or modification thereof, as may be applicable.

2.12 Relative

“Relative” shall have the meaning assigned to it in Section 2(77) of the Act and the Rules prescribed there under and Clause 49.

2.13 Related Party

“Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, and Clause 49(VII) (B).

2.14 Related Party Transactions

“Related Party Transactions” means such transactions directly or indirectly involving any Related Party as specified under Section 2(76) read with Section 188 of the Act, or Rules prescribed there under and Clause 49(VII)(A) including any amendment or modification thereof, as may be applicable.

Related Party Transaction shall be construed to include a single transaction or a group of transactions in a contract.

2.15 Senior Management

“Senior Management” means personnel of the Company who are members of its core management team excluding Board comprising all members of management one level below Board , including the functional heads.

2.16 Subsidiary

“Subsidiary” means a company as defined in Section 2(87) of the Act read with relevant Rules prescribed there under.

2.17 Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other Applicable law or Regulation in force.

3. RELATED PARTY TRANSACTIONS UNDER THE POLICY

3.1 The Company deploys both technical and commercial expertise in managing the functions of viz., Sales, Marketing, Production, Finance, Internal Audit and Secretarial. The Company also has structured delegation of authority. The Senior Management is well educated on Related Party Transactions.

Related Party Transactions, whether under the Act or under the Income Tax Act, 1961 including fine distinction and changes therein are informed to the Senior Management from time to time by the finance team including those in Direct and Indirect Taxations. As a matter of policy, regardless of whether an entity is a Related Party or not, there is an inherent mechanism by which comparative quotes are obtained from more than one source before fixing prices in respect of procurements. When it comes to pricing of sale transactions, there is no specific guideline or instruction for any concessional approach to be adopted for sale transactions with Related Parties.

3.2 Any transfer of resources, services or obligations between the Company and a Related Party, would get covered as a '**Related Party Transaction**', whether or not, there is an element of consideration or price.

3.3 Prohibited Related Party Transactions

Related Party Transactions are prohibited, unless approved or ratified by the Audit Committee and / or the Board of the Company in accordance with this Policy.

3.4 Approval Process

1. The Company will enter into Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a) The Audit Committee shall laydown the criteria for granting omnibus approval in line with this Policy 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 the interest of the Company;
- c) Such omnibus approval shall specify the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;

- Such other conditions as the Audit Committee may deem fit.
- d) In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;
- e) 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;
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2. The Audit Committee will also undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.

3. If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company.

4. If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.

5. In any case where either the Audit Committee or Board or a General Meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.

6. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.

3.5 Related Party Transactions that shall not require Approval:

The following transactions shall not require separate approval under this Policy:

(i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act , 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) Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;

(iii) 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;

(iv) Any transaction which is in the Ordinary Course of Business and on an Arm's Length Basis as determined in terms of this Policy;

(v) Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;

(vi) Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;

(vii) Payment of Dividend;

(viii) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, approved by the Board and carried out in accordance with the specific provisions of the Act or the Listing Agreement;

(ix) Contribution to Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board of the Company;

(x) Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made there under, and must be approved in advance by the Audit Committee.

4. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL

- Every Director and Key Managerial Personnel of the Company shall promptly notify the Company/Company Secretary of any potential Related Party Transaction involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request. The Company Secretary, in consultation with other members of management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring

compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

- Every Director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.
- Any Director or Key Managerial Personnel who has been convicted of the offence dealing with Related Party Transactions at any time during the last preceding five years shall be disqualified for appointment as Director / Key Managerial Personnel, as the case may be.

5. GUIDING PRINCIPLES FOR REVIEW OF RELATED PARTY TRANSACTIONS

5.1 Overall

To review a Related Party Transaction, the Board or Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the purpose and potential benefits to the Company of the transaction and any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction, as may be considered material by the Audit Committee or Board or shareholders, as may be applicable in the light of circumstances of a particular transaction.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board or Audit Committee will consider the following factors:

- whether the terms of the Related Party Transaction are fair 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 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 interest of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director, Key Managerial Personnel or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board or Audit Committee deem fit to consider.

The Audit Committee or Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction. Further, the Audit Committee or Board reserves the authority to modify or waive any procedural requirements of this Policy.

5.2 Guidelines on Determination of Arm's length nature of the Related Party Transactions

As a matter of prudence, the following guidelines are issued:

1. Any single transaction with Related Party in excess of Rs.25 Crore be principally informed to the Audit Committee members indicating the salient features of the transaction and how the transaction is at "Arm's Length".

At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall *inter- alia* take into consideration the following:

- (i) Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

2. The management of the Company should ensure periodically that all transactions with Related Parties – be they on a single source basis or otherwise – are on an "Arm's Length" basis.

6. DISCLOSURES

- The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
 - The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.
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