

## POLICY ON RELATED PARTY TRANSACTIONS

### 1. Introduction

- 1.1. The Board of Directors (*defined hereunder*) of Skyline Millars Limited (the “**Company**”) have adopted the policy and procedures with regard to contracts or arrangements between the Company and its Related Parties (*defined hereunder*) (“**Policy**”) under the provisions of Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, entered into by the Company with the BSE Limited.
- 1.2. This said Policy is effective as required under the rules. The Audit Committee is empowered to review and amend this Policy as may be necessary from time to time. However all such amendments and modifications are subject to the approval of the Board of Directors.
- 1.3. Securities and Exchange Board of India vide Notification dated 2<sup>nd</sup> September 2015 notified Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which came into force w.e.f. 1<sup>st</sup> December 2015. As per the said Regulations, the Audit Committee reviewed and recommended amendment in the Policy and which was approved by the Board of Directors. The amended Policy is updated with effect from 24<sup>th</sup> January, 2019.

### 2. Purpose and Objective

This Policy has been framed / amended pursuant to the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and equity listing agreement executed between the Company and BSE Limited (“**Listing Regulations**”), which mandates the Company to formulate a policy on the materiality of Related Party Transactions (*defined hereunder*) and also on dealing with Related Party Transactions. The objective of this Policy is to monitor, regulate and approve transactions between the Company and its Related Parties, in accordance with applicable laws.

### 3. DEFINITIONS

- 3.1. “**2013 Act**” means the Companies Act, 2013, as amended or substituted from time to time;
- 3.2. “**Arm’s Length Transaction**” as defined under explanation(b) to Section 188(1) of the 2013 Act means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest;
- 3.3. “**Associate Company**” means a company as defined under section 2(6) of the 2013 Act;

- 3.4. **“Audit Committee”** means the audit committee constituted by the Board of Directors under the provisions of 2013 Act and the Listing Regulations;
- 3.5. **“Board of Directors”** or **“Board”** means the collective body of the Directors of the Company, as constituted from time to time;
- 3.6. **“Directors”** means the directors appointed to the Board of the Company;
- 3.7. **“Holding Company”** in relation to one or more other companies, means a company of which such companies are Subsidiaries, as defined under Section 2(46) of the 2013 Act;
- 3.8. **“Key Managerial Personnel”** or **“KMP”** means the key managerial personnel as defined under Section 2(51) of the 2013 Act and the rules made thereunder;
- 3.9. **“Material Related Party Transactions”** refers to such transactions with Related Parties, entered individually or taken together with previous transactions during a financial year, which exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, as defined under regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3.10. **“Related Party”** means a person or entity that is related to the Company, in the manner defined under Section 2(76) of the 2013 Act read with the Companies (Specification of Definitions Details) Rules, 2014 and regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

- i) For ease of reference, as on the date of this Policy, the entities which will be treated as related parties with reference to the Company, in accordance with the provisions of section 2(76) of the 2013 Act read with the Companies (Specification of Definitions Details) Rules, 2014 , are listed herein below:

Individuals	Other than individuals
<ul style="list-style-type: none"> <li>• A Director or his/her Relatives</li> <li>• A KMP or his/her Relatives</li> <li>• A director (other than an independent director) of the Holding Company of the Company, or his/her Relatives</li> <li>• A KMP of the Holding</li> </ul>	<ul style="list-style-type: none"> <li>• A firm in which, a Director, manager or his/her Relative is a partner</li> <li>• A private company in which a Director or manager or his/her Relative is a member or Director</li> <li>• A public company in which a Director or manager is a director and holds along with his/her Relatives, more than 2% (two percent) of its paid up share capital</li> <li>• Any body corporate whose board of directors,</li> </ul>

Individuals	Other than individuals
Company of the Company, or relative of such KMP <ul style="list-style-type: none"> <li>• Any person on whose advice, directions or instructions, a Director or manager is accustomed to act, excluding any advice, directions or instructions given in professional capacity.</li> </ul>	managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a Director or manager, excluding any advice, directions or instructions given in professional capacity <ul style="list-style-type: none"> <li>• Any company which is a Holding Company, Subsidiary or Associate Company of the Company</li> <li>• Any company which is a Subsidiary of a Holding Company to which the Company is also a Subsidiary</li> </ul>

ii) For ease of reference, as on the date of this Policy, the following shall be considered as related to the Company under regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- (a) Entity which is a related party under section 2(76) of the 2013 Act;
- (b) Entity which is a related party under the applicable accounting standards.

3.11. **“Relative”** means such persons as defined under Section 2(77) of the 2013 Act read with the Companies (Specification of Definition Details) Rules 2014;

3.12. **“Related Party Transactions”** shall mean such transactions between the Company and its Related Parties as specified under section 188 of the 2013 Act (including the rules made thereunder) and regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendment or modification thereof, as may be applicable. A transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract;

A Related Party Transaction under the Listing Agreement is defined as a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

3.13. **“Subsidiary”** means a company as defined under section 2(87) of the 2013 Act;

3.14. Any other term not defined in this document shall have the same meaning as assigned to such term in the 2013 Act, the Listing Regulations, Securities Contract Regulation Act, 1956 or any other applicable law or regulation.

**The definitions in the Policy be read as per the amendments as may be brought in from time to time in the Act or in the Listing Regulations.**

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#### 4. Review and Approval of Related Party Transactions

##### 4.1. Review and approval by Audit Committee

4.1.1. All Related Party Transactions shall be subject to the prior approval of the Audit Committee. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall not be present at the meeting of the Audit Committee during discussions or voting on the subject matter of such Related Party Transaction.

4.1.2. To review a Related Party Transaction, the Audit Committee shall be provided with all relevant material information pertaining to such Related Party Transaction, including the terms of the transaction, the purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- (a) The name of the Related Party and the nature of relationship;
- (b) The nature, duration of the contract and particulars of the contract or arrangement;
- (c) The material terms of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (g) The persons/ authority approving the transaction; and
- (h) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4.1.3. In determining whether to approve a Related Party Transaction, the Audit Committee will, *inter alia*, consider the following factors, to the extent relevant to the Related Party Transaction in question:

- (a) Whether the terms of the Related Party Transaction are fair, and is an Arm's Length Transaction and in the ordinary course of business of the Company, and if the terms would be the same if the transaction did not involve a Related Party;
- (b) 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;
- (c) Whether the Related Party Transaction would affect the independence of any Director or KMP;

- (d) Whether the proposed Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with such Related Party Transaction; and
- (e) Whether the Related Party transaction would present an improper conflict of interest for any Director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the Director, KMP or such other Related Party, the direct or indirect nature of the Director's, KMP's or such other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors that Audit Committee deems relevant.

4.1.4. As part of the process of reviewing Related Party Transactions, the Audit Committee shall ensure that:

- (a) A one-time risk assessment of all Related Party Transactions is undertaken to maintain a consistent approach going forward;
- (b) A specific policy is drafted for all recurring Related Party Transactions to ensure consistency;
- (c) All supporting contracts for every Related Party Transaction are duly maintained;
- (d) A pricing policy is established, based on internal and external comparables, including industry and local benchmarks; and
- (e) The pricing policy is aligned with applicable domestic and international transfer pricing guidelines and applicable provisions of Income Tax Act, 1961.

4.1.5. Review and approval by the Board

4.1.5.1. All Related Party Transactions listed in clauses (a) to (g) of Section 188(1) of the 2013 Act and any amendments made thereof shall require the approval of the Board, except those Related Party Transactions which the Company enters in the ordinary course of business and on an arm's length basis.

*"If in the view of the Company, any related party transaction is in the ordinary course of business and at arms length, then the same be specifically disclosed in the Audit Committee supported by a signed written opinion from the statutory auditors or any other recognized independent consultant. The Audit Committee, if agreeable with the opinion will inform the Board accordingly. "*

4.1.5.2. Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present at the meeting of the Board during discussions on the subject matter of such Related Party Transaction.

4.1.5.3. When the Board reviews Related Party Transactions as stated in paragraph 4.1.5.1, the considerations set forth in paragraphs 4.1.2 and 4.1.3 shall apply *mutatis mutandis* to the Board's review and approval of the matter, with such modifications as may be necessary or appropriate under the circumstances.

4.1.6. Review and approval by Shareholders

4.1.6.1. All Material Related Party Transactions shall require approval of the shareholders through special resolution, and all Related Parties (whether or not the entity is a Related Party to the particular Material Related Party Transaction) shall abstain from voting on resolutions concerning Material Related Party Transactions.

4.1.6.2. All Material Related Party Transactions existing as on December 1, 2015, which are likely to continue beyond March 31, 2016 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 1, 2015.

4.1.6.3. In addition, all Related Party Transactions specified under section 188(1) of the 2013 Act exceeding such sums as prescribed under the rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 ("**MBP Rules**") shall require the approval of the shareholders through ordinary resolution, except those Related Party Transactions which the Company enters in the ordinary course of business on an arm's length basis.

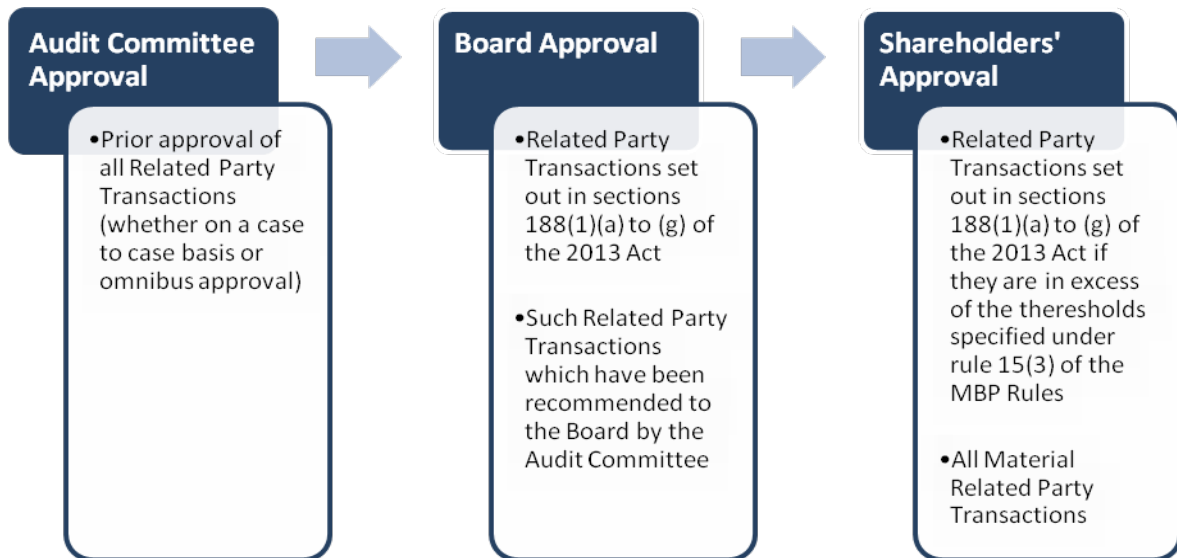
All entities falling under the definition of related party shall not vote on such resolution, to approve any contract or arrangement which may be entered into by the Company. The transactions which will be governed by paragraph 4.1.6.1 are listed in the following table:

Nature of transactions	Limits
Sale, purchase or supply of any goods or materials, directly or through appointment of agent	Exceeding 10% of turnover of the Company or Rs. 100,00,00,000 (Rupees one hundred crores), whichever is lower*
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Exceeding 10% of net worth of the Company or Rs. 100,00,00,000, (Rupees one hundred crores) whichever is lower*
Leasing of property of any kind	Exceeding 10% of net worth of the Company or 10% of turnover of the Company or Rs. 100,00,00,000 (Rupees one hundred crores), whichever is lower*

Nature of transactions	Limits
Availing or rendering of any services, directly or through appointment of agent	Exceeding 10% of turnover of the Company or Rs. 50,00,00,000 (Rupees fifty crores), whichever is lower*
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the net worth of the Company
Appointment of such Related Party to any office or place of profit in the Company, its Subsidiary or its Associate	Exceeding remuneration of Rs. 2,50,000 (Rupees two lac fifty thousand) per month
<p><i>*Limits specified shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</i></p> <p>Turnover or net worth shall be computed on the basis of the audited financial statements of the previous year.</p> <p>Turnover means the aggregate value of the realization of the amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the Company during a financial year.</p> <p>Net worth means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.</p>	

In case of a wholly owned Subsidiary, the special resolution passed by the Holding Company shall be sufficient for the purpose of entering into the transactions between the wholly owned Subsidiary and Holding Company.

For brevity, it is clarified that approval of Related Party Transactions shall be in the following manner:



4.2. Decision regarding transactions in ordinary course of business and on an arm's length basis

In respect of Related Party Transactions referred to the Audit Committee for approval, the Audit Committee shall require certificate from auditor or external professional assistance to determine if the transactions were in the ordinary course of business of the Company and on an arm's length basis.

4.3. The Policy shall be applicable to all prospective transactions.

5. **Policy for Omnibus Approval of Recurring Related Party Transactions**

If the Company, in the normal course of its business, regularly enters into certain Related Party Transactions, the Audit Committee may grant omnibus approvals for such transactions, subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting 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;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;



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- (c) Such omnibus approval shall specify the name(s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into the indicative base price / current contracted price and formula for variation in price, if any, and such other conditions as the Audit Committee may deem fit:
  - (d) In case of transactions, wherein any of the information as specified in point (c) above, is not available, the Audit Committee may approve such omnibus transaction, subject to their value not exceeding Rs. 1,00,00,000/- (Rupees One crore only) per transaction.
  - (e) Audit Committee shall review, atleast 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 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.
  - (g) Such omnibus approval by the Audit Committee will always be subject to confirmation by the Board.
- 6. Disclosures by Director and KMP**
- 6.1.1. Each Director and KMP is responsible for providing notice to the company secretary of the Company of any potential Related Party Transaction involving him or his relative for being placed before the Audit Committee (including any additional information about the transaction that the Audit Committee may request). The Audit Committee shall record the disclosure of interest and determine, in accordance with this Policy, if the transaction does, in fact, constitute a Related Party Transaction.
  - 6.1.2. Directors and KMP shall endeavor to provide notice of any potential Related Party Transaction well in advance to ensure that the Audit Committee has adequate time at its disposal to review such transactions.
- 7. Related Party Transactions not approved under this Policy**
- 7.1. In the event the Company becomes aware of any Related Party Transaction entered into by a director or any other employee which has not been approved under this Policy prior to its consummation, the same shall be dealt with in the manner specified under section 188(3) of the 2013 Act.

- 7.2. The Audit Committee, shall consider all relevant facts and circumstances regarding such Related Party Transaction, and evaluate all options available to the Company, including ratification or termination of the Related Party Transaction in question. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of internal control systems of the Company, including the failure to report such Related Party Transaction under this Policy, and take such steps as it may deem appropriate.

## **8. DISCLOSURE**

- 8.1. The particulars of contracts or arrangement with Related Parties referred in section 188(1) of the Companies Act, 2013 should be disclosed in the Directors' Report for the financial years in Form AOC-2 or such other format as may be specified from time to time, in accordance with applicable law.
- 8.2. All Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance pursuant to Regulation 27(2)(a) of the Listing Regulations.
- 8.3. The Company shall disclose the policy on dealing with Related Party Transactions on the website of the Company at <http://www.skylinemillarsltd.com> and a weblink thereto shall be provided in the Annual Report of the Company.
- 8.4. This Policy will be communicated to all operational employees and other concerned persons of the Company.
- 8.5. The Company shall maintain a register of all contracts and arrangements with Related Parties in form MBP-4 or in such format and in the manner prescribed in the Companies Act, 2013 and the Rules thereof.
- 8.6. The Company to undertake all additional steps and measures required to ensure compliance with the provisions of the LODR, Companies Act, 2013 and the rules made thereunder.