

PADMALAYA TELEFILMS LIMITED

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POLICY ON RELATED PARTY TRANSACTION

AMENDED ON 30TH MAY, 2016

PADMALAYA TELEFILMS LIMITED

PREAMBLE:

The Companies Act, 2013 (the Act), read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provision relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Pursuant to the revised Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions

SCOPE OF POLICY:

Related party transaction can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("the Act") read with Rules framed thereunder and Regulations 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, Padmalaya Telefilms Limited has amended guidelines for identification of related parties and the proper conduct and documentation of related party transaction.

Also, Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. Padmalaya Telefilms Limited has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

TRANSACTION BETWEEN COMPANY AND RELATED PARTIES & MATERIALITY THRESHOLD

Transaction between the Company and Related Parties shall be entered into in the manner that is compliant with the applicable provisions of the Companies Act, 2013 and Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

DEFINITIONS:

- **Related Party:**

Under Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015

An entity shall be considered as related to the company if:

- a. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. such entity is a related party under the applicable accounting standards.

As per Accounting Standard 18:

- i. enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii. associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- iii. Individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv. Key management personnel and relatives of such personnel;
Enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Section 2(76) of the Companies Act, 2013:

- a. A director or his relative
- b. Key Managerial Personnel or his/ her relative
- c. A firm, in which a director, manager or his relative is a partner
- d. A private company in which a director or manager or his relatives is a member or director
- e. A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- f. A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity
- g. Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- h. Any company which is:
 - A Holding, Subsidiary or an Associate company of such company or
 - A Subsidiary of a Holding company to which it is also a Subsidiary
- i. A Director, or Key Managerial Personnel of the holding company or his relative with reference to a company, shall be deemed to be a Related Party.

- **Relatives:**

Section 2(77) of the Companies Act, 2013:

With reference to any person Related Party means any one person, who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife, or
- One person is related to the other if he or she is related to another as under:
Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother* and Sister*
(*including step)

- **Related Party Transaction:**

Under Regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015,with Stock Exchanges :

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Under Section 188 of the Act:

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
- underwriting the subscription of any securities or derivatives thereof of the Company

- **Key Managerial Personnel:**

Key managerial personnel as defined under the Companies Act, 2013 and shall include (i) Managing Director, or Chief Executive Officer or Manager and in their absence a Whole-time Director; (ii) Company Secretary; and (iii) Chief Financial Officer

- **Material Related Party Transaction:**

Any transaction with related party if the transaction/transactions to be entered into individually or taken together with previous transaction during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

POLICY:

All Related Party Transactions must be referred for approval by the committee in accordance with this policy and reported to the Audit Committee at appropriate intervals.

- **Identification of Potential Related Party Transaction:**

Each Director and Key Managerial Personnel is responsible for disclosing (and periodically updating) particulars of his/her relatives and his/her interest in any other entity either as Director and/or Member and/or Partner etc. Additionally the Director and Key Managerial Personnel shall from time to time provide notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

- **Procedure for approval of related party transactions:**

- (I) Audit Committee:**

All Related Party Transactions and any subsequent modifications thereto, shall require the prior approval of the Audit Committee.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify (i) the name/s of the related party, nature of the transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;
- iv. Provided that 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 Rs.1 crore per transaction
- v. The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- vi. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

(II) Board of Directors' approval:

All Related Party Transactions that are:

- i. not in the ordinary course of business, or
- ii. in the ordinary course of business but not at arms' length or
- iii. neither in the ordinary course of business nor at arms' length;
shall require the prior approval of the Board of Directors at a Meeting of the Board.

(III) Shareholders approval:

All the transaction with the related parties exceeding the threshold limit shall be placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to a particular transaction or not.

• **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:**

In the event the Company becomes aware of any Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Committee shall consider all 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 said Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced with appropriate approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee shall have the authority to modify or waive any procedural requirements of this Policy.

• **LIMITATIONS AND AMENDMENT:**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Agreement or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.
