



## LOTUS CHOCOLATE COMPANY LIMITED

CIN:L15200AP1988PLC009111

Sumedha Eastates (IVRCL Towers), Avenue - 4, Street no - 1 (Old Road no – 10)  
Banjara Hills, Hyderabad - 500 034, TS, India. Tel : 91-40-2335 2607/08/09,  
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### **POLICY ON RELATED PARTY TRANSACTION AND MATERIALITY OF RELATED PARTY TRANSACTIONS**

#### **1. INTRODUCTION**

This policy on related party transactions and materiality of Related Party Transactions is formulated in terms of Clause 49 VII and VIII of the listing agreement (to be effective from 1<sup>st</sup> October, 2014) which provides that the Company shall formulate a policy on “materiality of related party transactions” and also on dealing with related party transactions. The policy takes in to account various provisions on related party transactions mentioned in Clause 49 of the listing agreement and also in the Companies Act, 2013.

The term Related Party is defined in Section 2(76) of the Companies Act, 2013 and Clause 49 VII B of the listing agreement.

The definition of Related Party in Clause 49VII B of the listing agreement is broader than the definition given in Section 2(76) of the Companies Act, 2013. Hence, this policy is formulated to cover transactions with “Related Parties” as defined in the Companies Act, 2013 as well as Clause 49 VII of the listing agreement.

#### **2. Definitions**

##### **2.1 Act:**

“Act” means the Companies Act, 2013 including any amendment or modification thereof.

##### **2.2 Arm’s Length Transaction:**

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated.

##### **2.3 Associate:**

“Associate” means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

##### **2.4 Audit Committee:**

“Audit Committee” means the Committee of the Board formed under section 177 of the Act and Clause 49(III) of the Listing Agreement.



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### **2.5** Body Corporate:

“Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

### **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** Company:

“Company” means Lotus Chocolate Company Limited.

**2.8** Director: “Director” means a person as defined in Section 2(34) of the Companies Act, 2013.

### **2.9** Employees:

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

### **2.10** Key Managerial Personnel:

“Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.

### **2.11** Material Related party Transactions:

“Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.

### **2.12** Ordinary course of business:

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

### **2.13** Relative:

“Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed there under.



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### **2.14** 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) of the Listing Agreement.

### **2.15** Related party transactions:

“Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder and Clause 49(VII)(A) of the Listing Agreement including any amendment or modification thereof, as may be applicable.

### **2.16** Subsidiary:

“Subsidiary” means a company as defined in Section 2(87) of the Companies Act, 2013.

**2.17** Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation.

## **3. Related party transactions under the policy**

**3.1** 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.

### **3.2 Prohibited Related party transactions**

Any transaction with a Related Party can be undertaken only if it is in compliance with the law.

### **3.3 Approval Process**

The Company will enter into any 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 satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- b. Such omnibus approval shall specify the following:
  - Name(s) of the Related Party;
  - Nature of the transaction;



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- 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.
- c. Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction.
- 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. 1.00 crore per transaction;
- e. The Audit committee shall review, at least on a quarterly basis, the details of RPTs 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.
- g. Notwithstanding the foregoing, the following Related Party Transactions shall not require specific approval of the Audit Committee:
- i. Any transaction with Wholly owned subsidiaries in the ordinary course of operations.
  - ii. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, and in line with the terms of Appointment
  - 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.
- The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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.



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In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed there under and obtain approval of the Board and its shareholders, as applicable.

The following types of transactions require approval from shareholders:

- Transactions not in the ordinary course of business
- Transactions in the ordinary course of business if not done at an arm's length
- Material Transactions as defined under clause 49 (VII) (C) of the listing agreement

#### **4. Boards Approval**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

#### **5. Shareholders Approval**

In the case of Material Related Party Transaction, the approval of the shareholders by way of special resolution is required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and the Related Party shall abstain from voting on such resolutions.

#### **6. Transactions at arm's length**

The Company adopts generally accepted practices and principles in determining whether the transaction is at "arms length".



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### **7. Disclosure**

Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under listing agreement

### **8. Interpretation**

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company. In case of any dispute or difference upon the meaning/ interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.