



# ***Uttam Sugar Mills Limited***

## ***(Policy on Related Party Transactions)***

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### **1. PREAMBLE**

In compliance with the provisions of Section 188 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is required to establish a policy on materiality of related party transactions and formulate the same. The Board of Directors of Uttam Sugar Mills Limited (“USML”) has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend this policy from time to time.

### **2. PURPOSE**

This policy is framed as per the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per the provisions of Companies Act, 2013. The policy is intended to ensure the governance and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Annual Report certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The main objective of this Policy is to establish requirements for disclosure of :

- (a) related party transactions and
- (b) related party relationships

### **3. IMPORTANT DEFINITIONS**

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

“**Arm’s Length Transactions**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Associate Company**” means any other company, in which the Company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation – For the purpose of this clause, “significant influence” means Control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“**Audit Committee**” means the Committee of the Board constituted by the Board of Directors of USML in accordance with provisions of Section 177 of Companies Act, 2013 read with Rules made thereunder and Listing Regulations.

**“Board”** means Board of Directors of the Company.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent (10%) of the annual revenues as per the last audited financial statements.

**“Ordinary course of business” means a transaction which 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
- customs and practices of a business and it is in the normal routine in managing trade or business, or
- common commercial practice, or
- meets any other parameters / criteria as decided by the Board/Audit Committee.

**“Policy”** means Related Party Transaction Policy.

**“Related”** means an entity shall be considered as related to the Company if:

1. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
2. Such entity is a related party under applicable accounting Standards.

**“Related Party”** Related Party with reference to the Company includes:

- (i) a director or his relative;
- (ii) a key managerial personnel (KMP) or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:
- (viii) any company which is—
  - (a) a holding, subsidiary or an associate company of such company; or
  - (b) a subsidiary of a holding company to which it is also a subsidiary;
  - (c) such other person as may be prescribed; Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.

**“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family ;
- ii. They are husband and wife ; or
- iii. Father (including step-father)
- iv. Mother ( including step-mother)
- v. Son ( including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother ( including step-brother)
- x. Sister (including step-sister)

**“USML Or Company”** means Uttam Sugar Mills Limited

#### **4. POLICY**

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

#### **5. APPROVAL OF RELATED PARTY TRANSACTIONS**

##### **a) Identification of related parties**

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Listing Regulations.

##### **b) Identification of related party transactions**

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.

##### **c) Procedure for approval of related party transactions**

As per Companies Act, 2013 and Listing Regulations all Related Party Transactions will require prior approval of Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party transactions proposed to be entered.

As per the Companies Act, 2013, in case, if the related party transactions are not at arm’s length or not in ordinary course of business they will require Board and/or shareholders’ approval. The Company is required to obtain prior approval of the Board and Shareholders in a meeting before entering into any contract or arrangement with a related party in respect of the transactions as given in the table below:

No.	Related Party Transactions requiring Board Resolution	Related Party Transactions requiring Shareholders Approval
a)	Sale , purchase or supply of any goods or material	Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 10 % of the turnover* or Rs. 100 Crore (Whichever is lower)
b)	Selling or otherwise disposing of, or buying, property of any kind,	selling or otherwise disposing of, or buying property of any kind directly or through appointment of agents exceeding 10 % of net worth* or Rs. 100 Crore (Whichever is lower)
c)	Leasing of property of any kind	leasing of property of any kind exceeding 10 % of the net worth or exceeding 10 % of turnover* or Rs. 100 Crore (Whichever is lower)
d)	Availing or rendering of any service,	availing or rendering of any services directly or through appointment of agents exceeding 10 % of the turnover* or Rs. 50 Crore (Whichever is lower)
e)	Appointment of any agent for purchase or sale of goods, materials, services and property,	appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs. 2,50,000.
f)	Related party's appointment to any office or place of profit in the company its subsidiaries and associates,	remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth*
g)	Underwriting the subscription of any securities or derivatives thereof.	
	<b>Conditions when taking Board Resolutions</b>	<b>Conditions when taking Shareholders Approval</b>
	Agenda of board meeting will disclose:- <ul style="list-style-type: none"> <li>- name of the related party, nature of relationship,</li> <li>- nature, duration and particulars of the contract,</li> <li>- material terms of the contract,</li> <li>- advance paid or received for the contract or arrangement</li> <li>- manner of determining the pricing and other commercial terms,</li> <li>- whether factors relevant to the contract have been considered, if not details of that,</li> <li>- any other information, help the board to take decision.</li> </ul> Where any director is interested in	No member of the company shall vote on such resolution if such member is a related party. Explanatory statement to be annexed to the notice of General Meeting, contains:- <ul style="list-style-type: none"> <li>- Name of related party</li> <li>- Name of director and K.M.P. who is related</li> <li>- Nature of relationship</li> <li>- Nature, material terms, monetary value and particulars of contract</li> <li>- Any other information relevant or important for the members to take a decision on the proposed resolution.</li> </ul>

	any contract with related party, such director shall not be present at the meeting during discussion.	
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\* The Turnover or Net Worth referred in the above shall be on the basis of the audited financial statement of the preceding financial year.

## 6. REVIEW AND PROCEDURE FOR APPROVAL FOR RELATED PARTY TRANSACTIONS

- i. Prior approval of Audit Committee is required to be taken for entering into transactions with a Related Party. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions as prescribed in Listing Regulations (as amended from time to time).

### Conditions for Omnibus Approval:-

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
  - The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative case 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.
  - Provided that where the need for Related Party Transaction 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.1.00 Crore per transaction.
  - Thereafter, the 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.
  - The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- ii. All the “Related Party Transactions” which are not in the ordinary course of business and not on an arm’s length basis irrespective of Capital or value of the transaction will be approved by Board Resolution and Shareholders’ Approval.
  - iii. Further, As per the provisions of Listing Regulations, all material related party transactions will require shareholders approval even if they are at arm’s length and in ordinary course of business. Related parties shall abstain from voting on such resolutions.
  - iv. Where any director / Key Managerial Personnel is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
  - v. If any Related Party Transaction is entered by any director and/or officer of the Company, the same may be ratified by the Audit Committee and the Board / shareholders, as the case may be within 3 months of entering in the Related Party Transaction.
  - vi. In any case where either the Audit Committee/ Board / 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 of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board has authority to modify or waive any procedural requirements of this Policy.

## **7. LIMITATION**

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

## **8. DISCLOSURES**

- a) The Company is required to disclose Related Party Transactions in the Board's Report to shareholders of the Company alongwith justification for entering into such transactions.
- b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations.
- c) The Company is also required to disclose this Policy on its website and web link will also be provided in the Annual Report of the Company.
- d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party. This Policy will be communicated to all operational employees and other concerned persons of the Company.

## **9. AMENDMENT**

The USML reserves the right to amend or modify this Policy in whole or in part, at any point of time.

## **10. NOTE**

The provisions of the Companies Act, 2013 and rules thereto and the Listing Regulations (including any amendment thereto from time to time) to the extent applicable, shall be apply in addition to this policy.