

EMPEE DISTILLERIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

Empee Distilleries Limited (“Company”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s interests. This Policy spelling out the review and approval of Related Party Transactions has been adopted by the Company’s Board of Directors, as recommended by the Audit Committee, in order to set forth the procedures under which such transactions must be reviewed and approved or ratified.

This Policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and is effective 1st October 2014

The Board of Directors of the Company will review and, if required, may amend this Policy from time to time and such amended Policy shall also be in conformity with the provisions of the Companies Act 2013, including the Rules made thereunder and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

2. Purpose

This Policy is framed as per requirement of Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions may be considered appropriate only if they are in the best interest of the Company and its shareholders.

3. Definitions

- a) “Audit Committee or Committee” means the Audit Committee of Board of Directors of the Company;
- b) “Board” means the Board of Directors of the Company;
- c) “Key Managerial Personnel” means the following managerial personnel as defined under the Companies Act, 2013:
 - (i) the Chief Executive Officer or the managing director or manager ;
 - (ii) the Company Secretary;
 - (iii) the whole-time director;
 - (iv) the Chief Financial Officer and
 - (v) such other officer as may be prescribed under the Companies Act 2013;
- d) “Policy” means this Related Party Transactions Policy;
- e) “Related Party” means an entity which is a related party as defined in Section 2(76) of the Companies Act, 2013 or if such entity is related party under the applicable Accounting Standards;
- f) “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; A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.
- g) “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 of the consolidated annual turnover of the Company as per the last audited financial statements of the Company; &
- h) “Relative” means a relative as defined in Section 2(77) of the Companies Act, 2013.

Words and expressions used in this Policy not specifically defined hereunder will have the same meaning assigned to them in the Companies Act, 2013 or Rules framed there under and applicable SEBI Regulations.

4. Policy

All Related Party Transactions shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

a) Identification of Potential Related Party and Transactions

Every director and Key Managerial Personnel is responsible for providing notice to the Board or the Audit Committee of the list of related parties as covered under sec,2(76) of the Companies Act as well under Accounting Standard 18. This list of related parties shall be updated on an annual basis and further changes informed as soon as possible. Each director as well as KMP shall inform in advance the Company 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. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

b) Restrictions relating to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

The following transactions will also require prior approval of the shareholders through special resolution.

- i. Sale, purchase or supply of goods or materials, directly or through appointment of agent exceeding 10% of the turnover of the Company or Rs.50 crores, whichever is lower;
- ii. Selling or disposing or purchasing of property of any kind, directly or through appointment of an agent, exceeding 10% of the networth of the Company or Rs.50 crores, whichever is lower
- iii. Leasing of property of any kind exceeding 10% of the networth of the Company or 10% of the turnover of the Company or Rs.50 crores, whichever is lower;
- iv. Availing or rendering of any services, directly or through appointment of an agent exceeding 10% of the turnover of the Company or Rs.10 crores, whichever is lower;
- v. 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.
- vi. Remuneration for underwriting the subscription of any securities or derivatives of the Company exceeding 1% of the networth of the Company.

The Turnover/ Networth referred in this clause shall be computed on the basis of Audited Financial statement of the Company in the preceding financial year.

The limits specified in sub-clause (i) to (iv) above shall apply for the transaction(s) during a financial year, either individually or taken together.

c) Review and Approval of Related Party Transactions

Related Party Transactions will be reported to the Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from a discussion and voting on the approval of the Related Party Transaction(s).

The Audit Committee shall be provided with the material facts of such Related Party Transactions and the Audit Committee will determine whether to approve such Related Party Transactions or not.

In assessing a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate, including without limitation –

- i. the business reasons for the Company to enter into the Related Party Transaction;
- ii. the commercial reasonableness of the terms of the Related Party Transaction;
- iii. the materiality of the Related Party Transaction to the Company;
- iv. whether the terms of the Related Party Transaction are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party; and
- v. the extent of the Related Party's interest in the Related Party Transaction.

The following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:

- i. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel 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. 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.
- iii. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the holding company and placed before the shareholders at the general meeting for approval.

Mechanism for determining Ordinary course of business and Arm's length basis:

The following guidelines will be used to determine whether a transaction with Related Party is in ordinary course and on Arm's length basis:

Ordinary Course of Business:

All transactions or activities that are necessary, normal and incidental to the business of the Company, the objects of the Company permit such activity shall be deemed to be in the ordinary course of business. These may also be common practices, historical practices and customs of commercial transactions with a pattern of frequency.

Arms Length transaction:

"Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. In this regard, the following guidelines can be used for determining the arms length basis:

- whether the terms of the transaction are fair and would apply on the same basis if the transaction did not involve a Related Party;
- whether there are any compelling business reasons to enter into the transaction and the nature of alternative transactions, if any;
- whether the transaction would affect the independence of an independent director;
- whether the transaction poses any consequential potential reputational risk issues;
- whether the transaction would present an improper conflict of interest for any director or KMP, taking into account the size of the transaction, the overall financial position of the director/KMP or other Related Party, the direct or indirect nature of the directors', KMPs', or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship.
- For determining the arms length pricing, the Transfer Pricing guidelines issued by the relevant authorities under the provisions of Income-Tax Act 1961 may be used to determine this criteria on a case to case basis.

5. Omnibus approval

Criteria and the need for granting omnibus approval

- a) The Audit Committee may, in the interest of the Company to ensure smooth operations,, grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature and which are routine and incidental to the general operations of the Company, subject to such conditions as it may deem fit. Such approval shall be valid for a period not exceeding one year subject to AGM/EGM approval and shall specify the following:
 - i. The name(s) of the Related Party;
 - ii. The nature of the transaction, period of transaction, maximum amount of transaction that can be entered into &
 - iii. The indicative base price/current contract price and the formula for variation in the price, if any.
- b) The Audit Committee may also grant omnibus approval, without the above details, for unforeseen transaction subject to a value not exceeding Rs.1 crore per transaction.
- c) Such Omnibus approvals shall be valid for a maximum period of one year. The Audit Committee shall review the details of Related Party Transactions entered into by the Company pursuant to such Omnibus approvals, on a quarterly basis.

6. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party 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 Audit 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 Related Party Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without its 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 has authority to modify or waive any procedural requirements of this Policy.

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