

SHRIRAM EPC LIMITED

RELATED PARTY TRANSACTIONS POLICY

1. INTRODUCTION

Shriram EPC Ltd (the “Company”) recognises that certain relationships can present potential or actual conflict of interest and may raise questions about whether transactions associated with such relationships are consistent with Company’s and its stakeholders’ best interests.

The Company must specifically ensure that certain related party transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this policy regarding the review and approval of the related party transactions has been adopted by the Board of Directors of the Company in order to set forth the procedures under which certain transactions must be reviewed, approved and ratified.

The equity listing agreement with the stock exchanges mandates formulation of a policy on transactions with related parties. As part of its corporate governance practices, the Board of Directors (the “Board”) of Shriram EPC Ltd has adopted the following policy and procedure with regard to related party transactions.

2. APPLICABILITY AND EFFECTIVE DATE

This policy will be applicable to the Company effective from 1st October 2014 to regulate related party transactions of the Company based on the applicable laws and regulations.

3. PURPOSE

This policy is framed based on requirements of the listing agreement entered by the Company with the stock exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and is intended to ensure governance and reporting of transactions between the Company and its related parties.

4. 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 basis” means transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s length basis, guidance may be taken from the provisions of Transfer pricing under Income Tax Act, 1961.

“Related Party “with reference to a company means:

- Director or his relative;
- KMP or his relative;
- Firm, in which a director, manager or his relative is a partner;
- Private company in which a director or manager is a member or director;

- public company in which a director or manager is a director or holds along with his relatives, more than 2% of its paid-up share capital;
- any body corporate whose BOD, MD, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager (except where provided in professional capacity);
- any person under whose advice, directions or instructions (except where provided in professional capacity) a director or manager is accustomed to act;
- 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
- such other persons as may be prescribed by the Rules

“**Audit Committee**” or “**Committee**” means “Audit Committee” of the Board of Directors of the Company.

“**Company**” means Shriram EPC Limited

“**Key Managerial Personnel**” means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

“**Policy**” means Related Transaction Policy of the Company.

“**Related party Transaction**” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related party, regardless of whether a price is charged.

Relative with reference to any person, means anyone who is related to another, if

- they are members of a HUF; or
- they are husband and wife; or
- one person is related to the other person as:
 - a. Father (including step father)
 - b. Mother (including step mother)
 - c. Son (including step son)
 - d. Son’s wife
 - e. Daughter
 - f. Daughter’s husband
 - g. Brother (including step brother)
 - h. Sister (including step sister)

5. Policy

All Related party transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

5.1. Identification of potential Related Party Transaction

1. Shriram EPC Group Companies

All the Companies in Shriram EPC Group will be considered as related parties

2. Key Managerial Personnel and connected Related parties:

Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company its related parties. The Board shall record the disclosure of interest.

The Company shall also identify related party transactions with Directors or Key Managerial Personnel of the holding company/ies or their relatives.

3. The Company will identify the potential transactions with the related parties.

5.2. Review and approval of Related Party Transactions

Audit Committee

1. Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, the Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that cannot be foreseen and for which the aforesaid details are not available up to a value of Rs. 1 crore per transaction with a maximum limit of 2 transaction per quarter. The Audit Committee may also grant omnibus approval for Related Party Transaction proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arms' length basis, subject to compliance of the conditions contained in clause 49 of the listing agreement.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/ or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the stock exchanges.

Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

Board

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.

Shareholders

All the material Related Party Transaction shall require approval of the shareholders through special resolution and the related party/ies with whom transaction is to be entered shall abstain from voting on such resolution.

All the transactions, other the Material Related Party Transaction, with the related parties which are not in the ordinary course of business or at Arms' length basis shall also require approval of the shareholders through special resolution if so required under any law and the related parties shall abstain from voting on such resolution.

5.3. Material Related Party Transaction

A transaction with a related party shall be considered material 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 turnover as per the last audited financial statements of the Company.

6. Identification of Potential Related party Transactions

The potential Related Party Transaction shall be any contract or arrangement with a related party with respect to:

- a. SEPC Group Companies
All the companies in SEPC Group will be considered as related parties
- b. Key Managerial Personnel(KMP)and connected related parties
Each Director and KMP shall disclose to the Company Secretary of the Company its related parties. The board shall record the disclosure of interest. The Company shall also identify Related Party Transactions with Directors or KMP of the holding Company/ies or their relatives.
- c. The Company will identify the potential transactions with the Related Parties.

7. Related Party Transaction not approved under this policy

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. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

- a) Sale, purchase or supply of any goods or material;
- b) Buying, selling or disposing of property of any kind;
- c) Leasing of any kind of property;
- d) Availing or rendering of any services;
- e) Loans
- f) Appointment of agent for purchase or sale of goods, material, services or property;

- g) Related party's appointment to any office or place of profit in the company, its subsidiary company associate company; or
- h) underwriting the subscription of any shares in or derivatives thereof; 1956 Act, subject to certain exemptions, regulated related party transactions relating to a), d) and g) only.
- i) Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged as per the listing agreement.

The following process shall be followed for related party transactions along with necessary approval as and when required under the Companies Act, 2013 and the listing agreement:

A Purchase of Materials and services from Related parties (other than subsidiaries/ Joint Ventures)

In the case of transactions which are undertaken on the basis of contractual arrangements or are urgently required for purposes of operations, the Audit Committee will provide approval to enter into such transactions on the basis stated below:

1. The Company will take multiple quotes from the vendors including the related parties.
2. In the usual course, the transaction may be entered into with related parties if the quote of the related party is the least and all other terms and conditions for obtaining the materials or the service are at least as favourable as those offered by any other prospective supplier.
3. If the quality or delivery schedule or any other terms that is pre-requisite for the Company and only the related party is able to offer these, the contract may be awarded to the related party even though the price quoted may not be the lowest.
4. In case there is no quote received other than that of the related parties, the management will indicate this to the Audit Committee and will seek approval on this basis.
The Company will provide a periodic update to the Audit Committee for all such transactions.

B Taking facilities on lease and / or renting out facilities on lease and taking/ lending administrative support services for these facilities

Specific approval of the Audit Committee shall be taken for entering into leasing transactions with related parties.

C Transactions with Subsidiaries/Joint ventures

The Company will provide the basis for entering into transaction with the subsidiaries/ joint ventures on arms' length basis. The Audit Committee will consider the principle/basis for the arms' length price and will provide its approval for entering into the transactions with the subsidiaries/ JVs on that principle for all the transactions in the ordinary course of business.

DISCLOSURE

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 commencing on or after 1st April, 2014 in Form AOC-2 enclosed as Annexure I.

All material related party transactions that are entered into with effect from 1st October 2014, to be disclosed quarterly along with the compliance report on corporate governance pursuant to the requirements of clause 49 of the listing agreement.

The Company shall disclose the policy on dealing with related party transactions on its website and a web link thereto shall be provided in the Annual report.

AMENDMENT

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

Note:

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

Annexure I

Form no. AOC -2

(Pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/ arrangements entered into by the Company with related parties referred to in sub section (1) of Section 188 of the Companies Act, 2013 including certain arms' length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arms' length basis
 - a. Name(s) of the related party and nature of relationship
 - b. Nature of contracts /arrangements/ transactions
 - c. Duration of the contracts arrangements/ transactions
 - d. Salient terms of the contracts or arrangements or transactions including the value, if any
 - e. Justification for entering into such contracts or arrangements or transactions
 - f. Date(s) of approval of the Board.
 - g. Amount paid as advances, if any
 - h. Date on which the special resolution was passed in general meeting as required under first proviso to Section 188.

2. Details of material contracts or arrangements or transactions at arms' length basis
 - a. Name(s) of the related party and nature of relationship
 - b. Nature of contracts /arrangements/ transactions
 - c. Duration of the contracts arrangements/ transactions
 - d. Salient terms of the contracts or arrangements or transactions including the value, if any
 - e. Date(s) of approval of the Board.
 - f. Amount paid as advances, if any