

**Rane Group**



**RELATED PARTY TRANSACTION POLICY**

**Version 1.3**

**Adopted by the Board of Directors of**

**Rane Holdings Limited**

CIN L35999TN1936PLC002202

**Rane (Madras) Limited**

CIN L65993TN2004PLC052856

**Rane Engine Valve Limited**

CIN L74999TN1972PLC006127

**Rane Brake Lining Limited**

CIN L63011TN2004PLC054948

*(Collectively known as "Rane Group of Companies" and  
Individually referred to as "the Company")*

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<sup>1</sup> Inserted vide version 1.3

## 1. Preface

The Board of directors of the Company has adopted this policy on Related Party Transactions based on the recommendation of the Audit Committee. Further, the Audit Committee will review the policy from time to time and propose the amendment required, if any, to the board of directors.

## 2. Scope

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

## 3. Purpose

The policy is framed based on the applicable legislations intended to ensure the proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

## 4. Definitions

**“Related Party”** such person or entity who is a related party under the Companies Act, 2013, SEBI Regulations, the applicable accounting standards and other applicable legislations, if any.

**“Related Party Transaction”** 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.

**“Material Related Party Transaction”** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds limits specified under SEBI Regulations from time to time (*at present ten percent of the annual consolidated turnover of the company as per the last audited financial statements*).

Notwithstanding the above, a transaction involving payment made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.<sup>2</sup>

All words or expression in this policy shall bear the meaning as per the definitions under the Companies Act, 2013 including rules (“the Act”) made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), applicable accounting standards under the Act and other legislations, as amended and applicable from time to time.

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<sup>2</sup> Inserted vide pursuant to SEBI(LODR) Amendment Regulations 2018 effective from 01.04.2019 vide version 1.3

## 5. Approval process

All Related Party Transactions (RPTs) must be reported to the Audit Committee (“the Committee”) and referred for approval of the Committee in accordance with the policy. In case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval, as detailed in this policy.

### 5.1 Identification of Related Party Transactions (RPTs)

Each director and Key Managerial Personnel (KMP) shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

Each director and KMP is responsible for providing notice to the Company of any potential Related Party Transaction where they may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs shall ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

### 5.2 Review and approval of Related Party Transactions

#### a) Approval matrix

| Nature of Transaction  | Type of transaction   | Threshold  | Approving authority   | Requirement  |
|--|---|--|---|--|
| Transactions in the ordinary course of business and at arm's length        | All transactions with Related Parties   | Not Applicable   | Audit Committee   | Section 177 of the Act and Regulation 23 of SEBI LODR.   |
| Transactions not in the ordinary course of business or not at Arm's length | <p>a. Sale, purchase or otherwise disposing off or <sup>3</sup>supply of any goods or materials</p> <p>b. Selling or otherwise disposing of, or buying property of any kind</p> <p>c. Leasing of property of any kind</p> | <p>a. Amounting to 10% or more of the turnover or rupees one hundred crore, whichever is lower</p> <p>b. Amounting to 10% or more of net worth of the company or rupees one hundred crore, whichever is lower</p> <p>c. Amounting to 10% or more of the networth or 10% or more of turnover of the company or rupees one hundred crore, whichever is lower</p> | Audit Committee, Board of directors and shareholders (if, exceeds thresholds) | Section 188 of the Act and the thresholds prescribed under Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time. |

<sup>3</sup> Inserted vide version 1.3

|                                     |  |   |   |   |
|-------------------------------------|--|---|---|---|
|                                     | <p>d. Availing or rendering of any services</p> <p>e. Appointment to any office or place of profit.</p> <p>f. Underwriting the subscription of any securities or derivatives</p> | <p>d. Amounting to 10% or more of the turnover of the company or rupees fifty crores, whichever is lower</p> <p>e. Monthly remuneration exceeding two and half lakh rupees</p> <p>f. Exceeding one percent of the net worth of the Company.</p>   |   |   |
| Material Related Party Transactions | Transfer of resources, obligations between the Company and a related party, regardless of whether a price is charged.  | Transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company or such other threshold prescribed under SEBI LODR from time to time. | Audit Committee, Board of directors; and Shareholders | Regulation 23 of SEBI LODR as amended from time to time. <sup>4</sup> |

#### b) Audit Committee

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

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the nature and terms of the transaction, the purpose of the transaction, value of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- the name of the related party and nature of relationship;
- the nature, duration of the contract and particulars of the contract or arrangement;
- the material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any;
- the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- the persons/authority approving the transaction;
- the maximum value of the transaction and the repetitive nature of the transaction and

<sup>4</sup> Inserted vide version 1.3

- any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company;
- Whether the Related Party Transaction is beneficial and in the best interest of the Company.
- Whether the transaction(s) is/ are a Material Related Party Transaction
- Whether there are any business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of the directors/KMP;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

### **c) Determination of Arm's Length**

In order to determine whether a transaction is at arm's length, the Audit Committee / Board will exercise its own judgement based on its assessment from the information furnished and the relevant factors concerning each such transaction. The Audit Committee may also rely on third party professional certifications including the latest available report on transfer pricing carried out by any independent consultant to ascertain whether the transaction is at arm's length. For a new transaction, the Audit Committee may determine the appropriate method including a review and approval by the Company's internal transfer pricing tax team as the basis.

### **d) Ordinary course of business**

Related Party Transactions that are part of regular business activities including any activity connected with the business operations, similar business / industry and its size shall be considered to be in the ordinary course of business.

The criteria that may be considered by the Audit Committee are as below:

- Nature and scope of transaction and its consistency in general with the operations of the company.
- Possibility of entering into such transactions with third parties
- Size of transaction in relation to the prevailing market / industry trend

These are not exhaustive criteria and the Committee will assess each transaction considering its specific nature and circumstances.

The following are the indicative list of transactions entered in the ordinary course of business:

- Purchase, sale or supply of any goods or materials for the purpose of business either directly or through agents.
- Availing or rendering of any services for the purposes of business
- Buying, selling or leasing of any property in connection with the business operations.
- Appointment of any related parties in the office or place of profit and payment of remuneration in accordance with the policies of the Company.
- Re-imbusement of expenses incurred in connection with the business
- Any transaction in which the Related Party's interest arises solely from ownership of securities issued / deposit accepted by the Company and all holders of such securities / depositors receive the same benefits pro rata as the Related Party.

The Audit Committee shall consider all the relevant facts and circumstances related to any transaction and shall determine whether the transaction falls within the scope of ordinary course of business as it deems appropriate.

Any contribution to charitable organization, foundation or institutions in which Related Party is a trustee, director or employee, shall also be considered to be a transaction in the normal course so long as such contribution is as per the Corporate Social Responsibility (CSR) Policy of the Company approved by the CSR Committee of the Board.

**e) Omnibus approval**

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

- The transactions are repetitive in nature;
- The approval is in the interest of the company
- Adequacy of justification for the need of omnibus approval
- Maximum value of transactions in aggregate and maximum value per transaction.
- The omnibus approval to specify –
  - the name(s) of the related party, nature of transaction, 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;

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 crore per transaction.

- Such omnibus approvals shall not require any further approval of the Audit Committee for each specific transaction unless the price, value of material terms of the contract or arrangement have been varied /amended.
- Any proposed variations/ amendments to these factors shall require a prior approval of the Committee.

- Audit Committee shall review, at least on a quarterly basis, the details of Related parties transactions<sup>5</sup> entered into by the company pursuant to each of the omnibus approval given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- Exception-  
Omnibus approval shall not be made for transactions in respect of sale or disposal of the undertaking of the company and transactions which are not in the ordinary course of business.

**f) Ratification**

If the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the Related Party Transaction shall be reported to the Audit Committee for its approval at the earliest opportunity.

A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

The Audit Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.

**g) Board of Directors**

The Audit Committee may determine any Related Party Transaction for review by the Board. The Board shall consider and approve such Related Party Transaction at a meeting.

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

**h) Material Related Party Transactions - Shareholders approval**

All the Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve <sup>6</sup> such resolution.

All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through resolution if it exceeds the limits specified under Section 188 of the Companies Act, 2013, rules and regulation notified thereunder and SEBI LODR from time to time.

**Disclosure:**

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis in the format specified in Accounting Standards for annual results to the Stock Exchange and publish the same on the website .<sup>7</sup>

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<sup>5</sup> Inserted vide version 1.3

<sup>6</sup> Substituted for the words "the related parties shall abstain from voting on" vide version 1.3

<sup>7</sup> Inserted pursuant to SEBI (LODR) Amendment Regulations 2018 effective from 01.04.2019 vide version 1.3.





This policy (Version 1.0) was adopted by the Board of Directors vide resolutions passed in October – November 2014, effective October 1, 2014

**Amendments**

Version 1.1 : Pursuant to amendments approved by the Board of Directors vide resolutions passed in January – February 2016.

Version 1.2 : Pursuant to amendments approved by the board of directors vide resolutions passed on May 2017.

Version 1.3 : Pursuant to amendments approved by the Board of Directors vide resolutions passed on January – February , 2019.

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