

Punj Lloyd Limited

Related Party Transaction Policy

I. Preamble

Punj Lloyd Limited (“the Company”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions on whether such transactions are consistent with the Company’s and its stockholders’ best interest.

Therefore, the Board of Directors (“the Board”) of the Company has adopted the following policy and procedures with regard to the Related Party Transactions. The Audit Committee (“the Committee”) will review and may amend this policy from time to time.

This policy shall be effective from October 1, 2014.

II. Purpose

This policy is framed as per the requirement of Revised Clause 49 (RC49) of the Listing Agreement entered into by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transaction between the Company and its Related Parties. Such Related Party 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 Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

III. Definitions

Arm’s 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.

Control:

The term ‘control’ to mean:

- (a) Ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) Control of composition of board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.

Punj Lloyd Limited

Related Party Transaction Policy

Key Managerial Personnel (KMP):

Key Managerial Personnel, in relation to the Company means:

- a. the Chief Executive Officer or the managing director or the manager;
- b. the company secretary;
- c. the whole-time director;
- d. the Chief Financial Officer; and
- e. such other officer as may be prescribed under the Companies Act, 2013 (“the 2013 Act”)

Material Related Party Transactions (as defined under RC49):

A transaction with a Related Party would be considered as material if the transaction/transactions to be entered into, individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

Ordinary course of business:

Ordinary course of business would cover the usual transactions, customs and practices of the business and that of the Company.

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Punj Lloyd Limited

Related Party Transaction Policy

Related Party:

Related Party is a person or entity that is related to the Company. Following are considered to be Related Parties:

- (i) A director or his relative; or
- (ii) Key Managerial Personnel and/or his relative; or
- (iii) A firm, in which a director, manager or his relative is a partner; or
- (iv) A private company in which a director or manager is a member or director; or
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital; or
- (vi) A body corporate whose board, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, *except* if advice/directors/instructions are given in professional capacity; or
- (vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act, *except* if advice/directors/instructions are given in professional capacity; or
- (viii) 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
- (ix) A director/KMP of the holding company or his relative; or
- (x) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company;
- (xi) Associates and joint ventures of the Company and the investing party or venture in respect of which the Company is an associate or a joint venture;
- (xii) Individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them control or significant influence over the Company, and relatives of any such individual;
- (xiii) Enterprises over which any person described in (ii) or (xii) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.
- (xiv) Senior management personnel or his relative or a private limited company in which he or his relative is a member or a director or a public limited company in which he or his relative holds 2% or more paid up share capital or a firm in which he or his relative is a partner

Punj Lloyd Limited

Related Party Transaction Policy

Related Party Transaction:

Related Party Transactions are defined as transactions involving “transfer of resources, services or obligation between a company and a related party, regardless of whether a price is charged.”

Relative:

The 2013 Act defines the term ‘Relative’ as with reference to any person means anyone who is related to another, if:

- a. They are members of a Hindu Undivided Family
- b. They are husband and wife, or
- c. One person is related to the other in such manner, as prescribed below:
 - (i) Father (including step-father)
 - (ii) Mother (including step-mother)
 - (iii) Son (including step-son)
 - (iv) Son’s wife
 - (v) Daughter
 - (vi) Daughter’s husband
 - (vii) Brother (including step-brother)
 - (viii) Sister (including step-sister)

Senior Management Personnel:

Senior management personnel means:

- (a) All employees of the rank of General Manager and above of the Company including those on secondment to Subsidiaries/JVs;
- (b) All employees of the rank of Manager and above in the Finance and Accounts, Secretarial and Internal Audit function/department; and
- (c) Any other employee of the Company designated by the Board of Directors from time to time.

Punj Lloyd Limited

Related Party Transaction Policy

IV. Approval Process

The requirements concerning the Related Party Transactions are covered both under the 2013 Act and Listing Agreement (“Revised Clause 49 of the Listing Agreement” or “RC49”). Though, both these statutes require approval of similar bodies, there are differences in the conditions which trigger such approvals. Hence, the Company needs to comply with stricter of the requirement under both the statutes.

The approval process to be followed by the Company for complying with both the requirements is explained below in detail.

1. Every Related Party Transaction shall be subject to the pre-approval of the Audit Committee, *except for transactions for which an omnibus approval, as discussed below, has been granted*. 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 same.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the transaction. The information provided shall specifically disclose the following:

- a) The name of the related party and nature of relationship
- b) The nature, duration of the contract and particulars of the contract or arrangement
- c) The material terms of the contract or arrangement including the value, if any
- d) Any advance paid or received for the contract or arrangement, if any
- e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- f) 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
- g) Any other information relevant or important for the board 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:

- a) Whether the terms of the Related Party Transaction are fair and on arm’s length basis to the Company by performing checks like;
 - Comparing terms of the contract/arrangement with those of an identical or similar transaction with one or more unrelated parties.
 - Comparing terms to known market terms for identical or similar transactions.
 - Giving consideration to other terms and conditions of the contract/arrangement like credit terms, contingencies, specific charges and others.

Punj Lloyd Limited

Related Party Transaction Policy

- b) Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - c) Whether the Related Party Transaction would affect the independence of the directors/KMP;
 - d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - e) Where the ratification of the Related Party Transaction is allowed by law and is sought for the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
 - f) Whether the Related Party Transaction would present an improper conflict or interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other related party, the direct or indirect nature of the director's, KMP's or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
2. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in case elects 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 at a meeting 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.
 3. All the Material Related Party Transactions (*as defined above*) shall require approval of the shareholders through special resolution and the related shareholders shall abstain from voting on such resolution.

Punj Lloyd Limited

Related Party Transaction Policy

4. All the transactions (*except for the transactions entered in the ordinary course of business and at arm's length basis or material transactions*) exceeding the monetary thresholds, as mentioned in the table below, shall be entered into with the prior approval of the members of the Company by a special resolution. Provided further that no member of the Company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party.

Criteria	Monetary thresholds for passing special resolution *
Sale, purchase or supply of any goods or materials (Directly or through agent)	Exceeding 10% of turnover or Rs. 100 crores, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind (Directly or through agent)	Exceeding 10% of net worth or Rs. 100 crores, whichever is lower
Leasing of property of any kind	Exceeding 10% of turnover or 10% of net worth or Rs. 100 crores, whichever is lower
Availing or rendering of any services (Directly or through agent)	Exceeding 10% of turnover or Rs. 50 crores, whichever is lower
Appointment to any office or place of profit in the Company, its subsidiary company or associate company	Remuneration exceeds Rs 250,000 per month
Underwriting the subscription of any securities or derivatives thereof, of the Company	Remuneration exceeds 1% of net worth

* The turnover or net worth referred in the above table shall be computed on the basis of the Audited Financial Statements of the preceding financial year.

5. For transactions, *other than Material Related Party Transactions*, meeting both the criteria, i.e., (i) transaction is entered into the ordinary course of business, and (ii) transaction is at arm's length price, neither the board approval nor the special resolution of disinterested shareholders would be required.
6. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the 2013 Act and to approve the above transactions shall contain the following particulars, namely-
- Name of the related party
 - Name of the director or key managerial personnel who is related, if any
 - Nature of relationship
 - Nature, material terms, monetary value and particulars of the contract or arrangement

Punj Lloyd Limited

Related Party Transaction Policy

- e) Any other information relevant or important for the members to take a decision on the proposed resolution
7. Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee and/or Shareholders:
- a) A transaction entered into with the wholly owned subsidiary of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
 - b) Any transaction that involves the providing of compensation to a Director, Key Managerial Personnel or Senior Management 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.
 - c) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and where all holders of such securities receive the same benefits pro rata as the Related Party.

Omnibus Approval:

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

- a) The approval is being sought in respect of Related Party Transactions which are repetitive in nature.
- b) The Committee is satisfied that the initial such transaction has been duly approved following the above mentioned procedure and that it would be in the interest of the Company to grant such omnibus approval.

For granting an omnibus approval, the Committee would specify the following with respect to such approval:

- a) Names(s) of the related party(ies) for whom such approval is granted,
- b) Nature of transaction(s) authorized under such approval,
- c) Period for which such approval is granted,
- d) Maximum amount of transaction(s) that can be entered into during such period,
- e) Indicative base price/ current contracted price and the formula for variation in the price, if any.

For cases where the need for Related Party Transaction cannot be foreseen and for which the aforesaid details are not available, the Committee may still grant the approval subject to the condition that the value of such transactions does not exceed Rs 1 crore per transaction.

Punj Lloyd Limited

Related Party Transaction Policy

Omnibus approval shall be valid for a period not exceeding one year from the date of such approval. The Committee may grant fresh approval provided it meets the above defined criteria.

The Committee, on a quarterly basis, shall review the details of all the Related Party Transactions entered into by the Company pursuant to the omnibus approval given.

V. 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 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 shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

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

VI. Disclosure:

All Related Party Transactions shall be disclosed in Company's applicable filings pursuant to Companies Act 2013 and Clause 49 of the Listing Agreement (as amended).

Punj Lloyd Limited

Related Party Transaction Policy

Approval process for Related Party Transactions - Flowchart:

The approval process which the Company would follow for dealing and authorizing a Related Party Transaction and which is explained above in detail is summarized in a form of a flowchart below:

