



BHANDARI HOSIERY EXPORTS LIMITED POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors of BHANDARI HOSIERY EXPORTS LIMITED (hereinafter referred to as 'the Board') has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

II. DEFINITIONS

1. "Related Party"

The term shall be defined as per the provisions of Section 2(76) of the Companies Act, 2013 and rules thereof and as per the Listing Regulations.

a. The definition of 'Related Party' as given under Section 2(76) is as under:

Related Party", with reference to a company, means—

- i. a director or his relative;
- ii. a key managerial personnel 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 percent 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: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- 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;
- (ix) a director, other than an independent director, or key managerial personnel of the holding company or his relative

b. The definition of 'Related Party' as given under the Listing Regulations is as under :

"Related Party" means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards.

2. "Key Managerial Personnel (KMP)" as defined under the Companies Act, 2013 means

- (i) Chief Executive Officer or Managing Director or Manager, (ii) Company Secretary,
- (iii) Whole Time Director;
- (iv) Chief Financial Officer,
- (v) Such other officer as may be prescribed.

3. “Relative” as defined under the Companies Act, 2013, means a person who is related to another in any one of the following manner :
- i. They are members of a Hindu undivided family; or
 - 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’ husband
 - ix. Brother (including step - brother);
 - x. Sister (including step - sister);

4. “Related Party Transaction”

A. The term as defined under Section 188 of the Companies Act, 2013 means the following transaction or contract or arrangement:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company

B. The term as defined under the Listing Regulations is as under :

‘Related Party Transaction’ means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract:

5. “**Material Related Party Transactions**” is defined in the Listing Regulations as follows :

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

6. “**Arm’s length transaction**” as defined under Section 188(1) of the Companies Act, 2013, shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Interpretation :

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations, the Securities Contract Regulation Act or any other applicable law or regulation as applicable to the Company.

III. PROCEDURE

1. Disclosure by Directors / Key Managerial Personnel

Every Director / KMP of the Company shall at the beginning of the financial year provide information about his / her (including relatives) nature of interest or concern as prescribed under the Companies Act, 2013, to the Company. Thereafter, any changes therein need to be informed to the Company promptly.

2. Identification of transactions with Related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee 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.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

3. Information to be placed before the Audit Committee and Board of Directors

- a) the name of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into;
- b) the indicative base price / current contracted price and the formula for variation in the price, if any.
- c) the nature, duration and particulars of the transaction or contract or arrangement;
- d) the material terms of the transaction or contract or arrangement including the value, if any;
- e) any advance paid or received for the contract or arrangement, if any;
- f) the manner of determining the pricing and other commercial terms;
- g) whether all factors relevant to the transaction have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- h) any other information, document, relevant or necessary for the Audit Committee to take a decision on the proposed transaction.
- i) such other conditions as the Audit Committee may deem fit.

Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding the sum as prescribed in the Listing Regulations.

4. Review and approval of Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee except the cases where omnibus approval to repetitive transactions/other transactions in the best interest of the Company has been given by the Audit Committee in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 further read with this Policy .

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

A. Audit Committee

1. **Prior approval** of Audit Committee is required for all Related Party Transactions. The Audit Committee shall consider following factors while deliberating Related Party Transactions for its approval :

- a) Whether proposed Related Party Transaction is in ordinary course of business;
- b) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- c) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d) Materiality of the Related Party Transaction;
- e) any other factor which Audit Committee deems relevant

Based on the above factors, the Audit Committee will approve or disapprove the Related Party Transaction and thereafter will inform its decision to the Board of Directors.

2. All related party transactions shall require prior approval of the audit committee. But the Audit Committee may grant **omnibus approval** for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-
 - (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company ;
 - (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - (ii) the indicative base 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 rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

B. Board of Directors

- I. If the Audit Committee determines, the proposed Related Party Transaction is in ordinary course of business and on Arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval :
 - a) Review of factors considered by the Audit Committee for its approval to the proposed Related Party Transaction
 - b) any other factor which Board deems relevant

Based on the above factors, the Board will approve or disapprove the Related Party Transaction.

- II. If the Audit Committee determines, the proposed Related Party Transaction is not in ordinary course of business or not on Arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:
 - a) Whether proposed Related Party Transaction is within threshold as specified under Point no. III (4) (C) of this Policy.
 - b) Justification for entering into proposed Related Party Transaction
 - c) any other factor which Board deems relevant

Based on the above factors, the Board will approve or disapprove the Related Party Transaction.

C. Shareholders

Following transactions with the Related Parties will require the approval of shareholders by a special resolution.

a) Companies Act, 2013 and rules thereof:

In case of following type of Related Party Transactions, which are not in ordinary course of business or not on Arm's length basis and which also exceeds threshold as given under in the Companies Act, 2013 and rules thereof, will require approval of shareholders.

Sr. No.	Category of Transaction	Threshold

1	Sale, purchase or supply of any goods or materials	10% of turnover or Rs. 100 crore, whichever is lower
2	Selling or otherwise disposing of, or buying, property of any kind	10% of net worth or Rs. 100 crore, whichever is lower
3	Leasing of property of any kind	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
4	Availing or rendering of any services	10% of turnover or Rs 50 crore, whichever is lower
5	Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.5 lakh
6	Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth

(The Turnover or Net Worth referred above shall be computed on the basis of Audited Financial Statements of the preceding Financial Year.)

b) the Listing Regulations:

A transaction with a related party shall be considered material, 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 listed entity as per the last audited financial statements of the listed entity.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

5. Related Party Transactions which are not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.

In case where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit 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.

6. Related Party Transactions of ongoing nature

If Related Party Transaction is of an ongoing nature, the Audit Committee and/or the Board of Directors shall periodically review and assess the ongoing relationship with Related Party and terms of transactions to see that they are in compliance with this Policy. Any amendment, renewal or extension of transaction or arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

7. Interested Director / KMP / Shareholder not to participate

- a. The Interested Director / KMP shall disclose the nature of his concern or interest at the meeting of the Board in which the Related Party Transaction is discussed and shall not participate in such meeting.
- b. No member of the Company shall vote on the special resolution, to approve any Related Party Transaction which may be entered into by the Company, if such member is a Related Party.

IV. DISCLOSURE

- a) Every Related Party Transaction entered into, which is not in the ordinary course of business and not on an arm's length basis, shall be disclosed in the Board's Report along with the justification for entering into such transaction.
- b) All Material Related Party Transactions shall be disclosed quarterly along with Compliance Report on Corporate Governance.

V. CONSEQUENCES OF CONTRAVENTION

Any director or any other employee of a Company, who had entered into or authorized the Related Party Transaction, in violation of the provisions of this Policy, shall be liable to punishments as prescribed under provisions of Companies Act, 2013, rules thereof and the Listing Regulations.

VI. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Companies Act, 2013 or any other statutory enactments, rules, the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

VII. AMENDMENT

The Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate, or in accordance with any amendment to the applicable provisions of Companies Act, 2013, including rules thereof and the Listing Regulations.

By Order of the Board of Directors of
FOR BHANDARI HOSIERY EXPORTS LIMITED

sd/-
NITIN BHANDARI
Chairman & Mg. Director

Date : 02 November 2015
Place : Ludhiana