

POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors (the "Board") of Parag Milk Foods Limited ("Parag Milk Foods" or "Company") has formulated and adopted policy on "Materiality of Related Party Transactions and on dealing with Related Party Transactions" ("the "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 (RPT) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as Amended from time to time, 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, ensuring that the transactions with Related Parties are, fully compliant with applicable Regulations. It provides a framework for governance and reporting of Related Party Transactions including material transactions

2. OBJECTIVE OF THE POLICY

This Policy is intended to ensure timely identification of an RPT, its salient terms and conditions, proper reporting, approval process and disclosure processes are in place for all transactions, timely identification between the Company and Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions. 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.

3. EFFECTIVE DATE:

This policy was approved by the Board of Directors at its meeting held on January 14, 2016 and the same was applicable to the Company from the date of its listing with BSE Ltd. (BSE) and National Stock Exchange of India (NSE) i.e. with effect from May 16, 2016

This policy was subsequently revised by the Board of Directors at its meeting held on February 02, 2019 and the same shall be effective with effect from April 01, 2019.

BSE and NSE are hereinafter together referred to as “the stock exchanges”.

4. DEFINITIONS AND APPLICABILITY

“**Act**” means Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“**Arm’s length price**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income tax Act, 1961.

“**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.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted from time to time under the provisions of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and section 177 of the Companies Act, 2013.

“**Board**” means Board of Directors of the Company as defined under the Companies Act 2013

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“Key Managerial Personnel” means key managerial personnel of the Company in terms of the Act and includes:

1. the Managing Director, or the Chief Executive Officer or the Manager
2. the Company Secretary;
3. the Whole Time Director;
4. the Chief Financial Officer;
5. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
6. such other officer as may be prescribed. “senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the “chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

“Listing Agreement” shall mean an agreement that is entered into between a recognised stock exchange and an entity, on the application of that entity to the recognised stock exchange, undertaking to comply with conditions for listing of designated securities;

“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 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

“Policy” means the current Policy on Related Party Transaction, including amendments, if any, from time to time.

“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

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

1. A person or a close member of that person's family is related to a company if that person:

- a. is a related party under Section 2(76) of the Companies Act, 2013 and rules made thereof, which are as follows:
 - 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 per cent 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 body corporate which is –
 - a. holding, subsidiary or an associate company of such company ;
 - b. subsidiary of a holding company to which it is also a subsidiary ; or
 - c. an investing company or the venturer of the company
- ix. Director (other than an Independent Director) or key managerial personnel of the holding company or his relative with reference to a company; or

2. An entity is related to a company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- d. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- e. Both entities are joint ventures of the same third party; or
- f. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- g. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- h. The entity is controlled or jointly controlled by a person identified in (1),
- i. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.”

"Related Party Transaction" means for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub section 1 of section 188, which means any contract or arrangement with a related party with respect to:

- 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 ;
- c. Appointment of any agent for purchase or sale of goods, materials, services or property ;
- d. 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

Related party transaction also included 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 or a group of transactions in a contract.

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

“**Relative**” means relative as defined under sub-section (77) of section (2) the Companies Act, 2013 and rules prescribed there under

- i. They are members of a Hindu undivided family;
- 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's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

This policy applies to transactions between the Company and one or more of its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

I (i) Identification of related parties

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed under regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy. In dealing with Related Party Transactions, the Company will follow the following approach:

I. (ii) Identification of potential Related Party Transactions

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

All Directors, Members of the Management Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

II. Review and Approval of Related Party Transactions

Approval by Audit Committee

Unless otherwise stated in this policy, all Related Party Transactions require prior approval of the Audit Committee of the Company. All Related Party Transactions must be reported to the Company Secretary who shall submit the same for approval or ratification by the Audit Committee in accordance with this policy.

The Audit Committee shall grant omnibus approval to Related Party Transactions that are:

- a. repetitive in nature; and/or
- b. entered in the ordinary course of business and are at Arm's Length. The expression Arm's Length has the meaning as prescribed to it under Section 188 of the Companies Act, 2013.

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: -
- (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

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

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.

Approval by Board of Directors

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement.

Approval by Shareholders of the Company

Any material Related Party Transactions shall also be placed for prior approval of shareholders through Ordinary resolution if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the SEBI (LODR) Regulations, 2015. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

III. Related Party Transactions that shall not require Approval

Following transactions shall not require separate approval under this policy:

- Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
- Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;

- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Equity Listing Agreement;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

6. MATERIAL RELATED PARTY TRANSACTION

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 turnover of the Company as per the last audited financial statements of the Company.

A “transaction(s)” involving payments 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 2 (two)% (percent) of the annual turnover of the Company as per the last audited financial statements of the Company.

7. DISCLOSURE(S)

The Company shall disclose, in the Board’s report, transactions prescribed in section 188 (1) of the Act with related parties, which are not in ordinary course of business or arm’s length basis along with the justification for entering into such transaction.

Details of all Material Related Parties Transactions shall be disclosed, on quarterly basis, along with the compliance report on corporate governance, to the Stock Exchanges.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide weblink in the Annual Report.

The listed entity 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 the relevant accounting standards for annual results to the stock exchanges and publish the same on its website

8. AMENDMENTS TO THE POLICY

This Policy (including threshold limits) shall be reviewed by the Board of Directors at least once every three years and/or as and when required subject to applicable laws and updated / amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, as it may deem necessary.

9. SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.