

# **CEAT LIMITED**

## **Policy on Related Party Transactions**

### **1. Objective:**

This Policy aims to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made there under ("the Act"), Indian Accounting Standard (IND AS) 24 and the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations"), as amended or re-enacted from time to time and which relate to the identification of the Related Parties and governance & approval of the Related Party Transactions, wherever required.

### **2. Definitions:**

#### **2.1. Arms' Length Transactions:**

Arms' Length Transaction shall mean:

- (a) a transaction between the Company and the Related Party that is conducted as if they were unrelated, so that there is no conflict of interest and
- (b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income- tax Act, 1961.

#### **2.2. Key Managerial Personnel**

Key Managerial Personnel shall mean:

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) 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
- (vi) such other officer as may be prescribed.

### 2.3. Ordinary Course of Business:

Ordinary Course of Business shall mean the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.

### 2.4. Related Party

Related Party shall mean:

I. Related Party as defined under Section 2(76) of the Act; viz –

- (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 and 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) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company;"

Explanation.—For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company.

II. Related Party as defined under the applicable Accounting Standards;

III. any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company

## 2.5. Related Party Transaction(s):

**Related Party Transaction** shall mean a transaction involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and include:

- (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
- (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

*For the purpose of the above, a Related Party Transaction shall include a single transaction or a group of transactions in a contract, with a Related Party.*

## 2.6. Relative

Relative shall mean:

- (i) Members of Hindu Undivided Family
- (ii) Husband and wife
- (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

## 3. Material Related Party Transaction:

**"Material Related Party Transaction"** shall mean a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the threshold of:

- 2% of the annual consolidated turnover of the Company as per its last audited financial statements, in case of transactions involving payments made with respect to brand usage or royalty,
- 10 % of the annual consolidated turnover of the Company as per its last audited financial statements, in n case of any other transaction(s),

#### **4. Identification of Related Parties:**

The Company shall seek required disclosures or information from Directors and/or KMP and their relatives to identify a related party, in such form or manner as per the Act/ applicable laws, as amended from time to time.

#### **5. Review and Approval of Related Party Transactions**

##### **5.1. Approval by the Audit Committee:**

5.1.1. The Company shall not enter into any Transactions with any Related Party without prior approval of the Audit Committee.

5.1.2. All the relevant information/documents relating to the proposed Related Party Transaction(s) shall be placed before the Audit Committee, which inter- alia shall include:

- (a) The name of the Related Party and nature of relationship;
- (b) The nature, duration and particulars of the contract or arrangement; such as business purpose of the transaction, the benefit of the contract or arrangement to the Company/Related Party etc.
- (c) The material terms and conditions 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 also 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; and
- (h) Any other information relevant or important for the Audit Committee and/or Board of Directors to take a decision on the proposed Related Party Transaction.

5.1.3. The Audit Committee may appoint an expert preferably a Chartered Accountant conversant with and having relevant experience in the area of Transfer Pricing Regulations as a Related Party Transaction Auditor (RPT Auditor) who shall peruse and review all the transactions and provide a report whether the Related Party Transactions are in the ordinary course of business and on an arms' length basis.

5.1.4. Wherever necessary, the Audit Committee may, after examining all the documents and the Report of the RPT Auditor, if any, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company, subject to the following conditions:

- i. The following criteria for granting omnibus approvals are fulfilled:
  - The transactions qualify to be in the "Ordinary Course of business" as defined above and satisfy "Arm's length price" condition.
  - The transactions are repetitive in nature
- ii. The Audit Committee has satisfied itself the need for such omnibus approval and that such approval is in the interest of the Company.
- iii. Such omnibus approval shall 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.
- iv. 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 Rs. 1.00 crore per transaction.
- v. Audit Committee shall review on a quarterly basis, the details of Related Party Transactions, entered into by the Company pursuant to any omnibus approval granted.
- vi. The omnibus approval granted shall be valid for a period not exceeding one financial year and shall require fresh approval every year.

- 5.1.5. The Audit Committee shall consider the information/documents related to Related Party Transactions placed before it and either approve or reject the same on merit.

## **5.2. Approval of the Board:**

- 5.2.1. The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for approval:
- a. Transactions not in arm's length.
  - b. Transactions not in ordinary course of business.
  - c. Material Related Party transactions as specified in Clause 3.
- 5.2.2. The Board of Directors shall consider the information/documents pertaining to the Related Party Transactions placed before it and either approve or reject the same on merit.
- 5.2.3. If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

## **5.3. Approval by the Shareholders:**

- 5.3.1. The following Related Party Transactions, after the approval of Board, shall also be placed before the shareholders for approval:
- a. All Material Related Party transactions as specified in Clause 3.
  - b. All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders.
- 5.3.2. The Board of Directors shall, decide whether the approval of the Related Party Transactions by the shareholders shall be sought at the General Meeting or through Postal Ballot in accordance with the Act and Rules thereunder.
- 5.3.3. If the approval of the shareholders is proposed to be sought, the Explanatory Statement to be attached to such Notice shall inter alia include the following particulars name:

- a. Name of the Related Party;
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or important for the shareholders to make an informed decision.

5.3.4. In case of all the material related party transactions requiring approval of the shareholders through resolution, no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

#### **5.4. Ratification of Related Party Transactions in exceptional cases:**

5.4.1 Any Related Party Transaction entered into by the Company with a Related Party, without obtaining the consent of Audit Committee or the Board of Directors or approval of shareholders in General Meeting, may in genuine cases be ratified by the Audit Committee or the Board of Directors or the shareholders at a General Meeting, as permitted under the applicable laws, provided that such Director or any other employee who had authorised such transactions agrees to indemnify the Company against loss incurred by the Company, if any.

5.4.2 Approval for such exceptional Related Party Transactions shall be granted by the Audit Committee and/or Board of Directors, as the case may be on merit and approval of the shareholders by way of Resolution shall also be obtained, wherever required.

**5.5.** While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.

#### **6. General Exemption:**

There is no approval required for transactions entered into between the Company and its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the

shareholders of the Company for approval.

## **7. Disclosure:**

- 7.1.** The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.
- 7.2.** Details of all Material Related Party Transactions shall be disclosed to the Stock Exchanges where the securities of the Company are listed, on quarterly basis along with the compliance report on corporate governance pursuant to Listing Regulations.
- 7.3.** Within 30 days from the date of publication of the standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, shall be made to the stock exchanges and published on the Company's website, in the format specified in the relevant accounting standards for annual results.
- 7.4.** Disclosure regarding Related Party relationship and transactions to be made in the Financial Statements as required under the relevant/applicable Indian Accounting Standards and /or Listing Regulations.

## **8. Miscellaneous:**

- 8.1 This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.
- 8.2 Dealing with Related Party Transactions shall be in accordance with the Companies Act, 2013 & Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable Accounting Standards and other applicable provisions for the time being in force.
- 8.3 In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail notwithstanding the provisions hereunder from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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**VERSION HISTORY**

<b>Version</b>	<b>Approved by</b>	<b>Approval Date</b>	<b>Effective Date</b>	<b>Reason for modification</b>
1	Board of Director	July 22 2014	April 1, 2014	NA
2	Board of Directors	October 30, 2014	October 1, 2014	Changes as per Section 188 of the Companies Act, 2013 and revised clause 49 of the Listing Agreement
3	Board of Directors	February 7, 2017	February 7, 2017	Changes as per definitions under Ind – AS 24
4	Board of Directors (on recommendation of the Audit Committee)	January 28, 2019	January 28, 2019	Various amendments under the SEBI Listing Regulations, as notified on May 9, 2018.