



# **Policy on Related Party Transactions**

**of**

# **Oriental Veneer Products Limited**

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## **POLICY ON RELATED PARTY TRANSACTIONS OF ORIENTAL VENEER PRODUCTS LIMITED**

### **1. Introduction**

The Board of Directors (the “Board”) of Oriental Veneer Products Limited (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee may review and amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on laws and regulations applicable to the Company.

### **2. Purpose**

This policy is framed in compliance with the provisions of Regulation 23 and other applicable provisions, if any, of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘the Regulations’) and Section 188 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Meetings of Board and its Powers) Rules, 2014, as amended or re-promulgated and in force from time to time (collectively referred to as ‘**Applicable Regulatory Provisions**’).

The Policy is intended to ensure the proper approval and reporting of all Related Party Transactions as required by the Applicable Regulatory Provisions.

All Related Party Transaction shall be entered into by the Company in accordance with this Policy or in accordance with the Applicable Regulatory Provisions.

### **3. Definitions**

“**Act**” means the Companies Act, 2013.

“**Audit Committee**” means the Audit Committee of the Company constituted under provisions of the Regulations and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act.

“**Material Related Party Transaction**” means a material transaction with a Related Party as defined under Section 23(1) of the Listing Regulations.

“**Policy**” means this Policy on Related Party Transactions.



**“Relative”** means relative as defined under Section 2(77) the Companies Act, 2013 and Companies (Specification of definitions details) Rules, 2014 and includes anyone who is related to another, if –

1. They are members of a Hindu undivided family;
2. They are husband and wife; or
3. Father (including step-father);
4. Mother (including step-mother);
5. Son (including step-son);
6. Son’s wife;
7. Daughter;
8. Daughter’s husband;
9. Brother (including step-brother);
10. Sister (including step-sister);

**“Related Party”** means:

1. related party as defined under Section 2(76) of the Companies Act and Regulation 2(1)(zb) of the Listing Regulations, read with amendments issued from time to time which is as follows: Section 2(76) of the Companies Act.

[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.]

2. which is a related party under applicable Accounting Standards

“Related party with reference to a company, means

- (i) 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) anybody 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 under 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;
- c. An investing company or the venture of the company.

(Explanation-For the purpose of this clause, “the investing company or the venture 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) such other person as may be prescribed;

“**Related Party Transaction**” means a related party transaction as defined under Regulation 2(1)(zc) of the Listing Regulations read with amendments issued from time to time which is as follows:

Section 2(1)(zc) of the Listing Regulations

“**Related Party Transaction**” means 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:

- 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
- f. property;
- g. appointment to any office or place of profit in the Company, its subsidiary
- h. company or associate company; and
- i. underwriting the subscription of any securities or derivatives thereof, of the Company

“**Subsidiary Company or Subsidiary**”, shall have the same meaning as specified under section 2(87) of the Companies Act, 2013.

“**Related Party Transactions Exempt under the Act**” means those Related Party Transactions which fulfil the following two criteria and which are exempt from the requirements of Board and Shareholder approvals:



- a) Such transaction is undertaken in the ordinary course of business; and
- b) Such transaction is undertaken on an arm's length basis (i.e. the transaction is conducted between the related parties as if they were unrelated, so that there is no conflict of interest);

Further, in terms of the Fourth Proviso to Section 188(1) of the Act, transactions between the Company and its wholly-owned subsidiary, whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval are exempt from the approval of Shareholders.

**“Related Party Transactions Exempt under the Regulations”** means those Related Party Transactions which are exempt from the requirements of Audit Committee and Shareholder approvals, viz:

- a) Transactions between the Company and its wholly-owned subsidiary, whose accounts are consolidated with that of the Company and placed before the shareholders at the general meeting for approval;
- b) Transactions between two Government Companies (not applicable to the Company);

Words in this Policy which are not included in the Definition Clause shall have the same meaning as defined in the **Applicable Regulatory Provisions**. Also, where the terms defined hereinabove are also defined in the Applicable Regulatory Provisions, the definitions in the Applicable Regulatory Provisions shall prevail.

#### **4. Policy**

##### **Materiality Thresholds**

Regulation 23 of the Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the Related Parties shall not vote to approve on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the Listing Regulations.

However, a transaction 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, exceed Five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.



#### **4.1 Disclosure by Directors and Key Managerial Personnel of interests or potential interests in any Related Party Transaction**

Each Director and Key Managerial Personnel shall disclose to the Board, any interest that he or his Relative or any entity in which he may be concerned or interested, may have in a transaction or proposed transaction by the Company, that is or is likely to be a Related Party Transaction.

Such notice shall be provided well in advance so that the Board has adequate time to obtain and review information about the proposed transaction.

#### **4.2 Identification of Potential Related Party Transactions**

All disclosures received from Directors and Key Managerial Personnel shall be processed by the Company, to identify any potential Related Party Transaction. Where any such potential Related Party Transaction is so identified, the same shall be processed for requisite approvals as required under Applicable Regulatory Provisions.

#### **4.3 Review and Approval of Related Party Transactions**

**Annexure A** provides the approval matrix that will be followed by the Company for all Related Party Transactions.

#### **Ordinary Course of Business (OCB) and Arm's Length Price (ALP):**

5.1 Arm's length pricing in respect of all Related Party Transactions shall be determined in accordance with the policy memos adopted by the Board for specified Related Party Transactions, where such memos have been prepared.

5.2 All proposed Related Party Transactions may be assessed as to whether they are in the ordinary course of business by reference to the Company's Note on 'Determination of Ordinary Course of Business', as approved by the Audit Committee.

#### **a.4 Criteria for approving Related Party Transactions**

The Audit Committee (and where applicable, the Board) shall consider, inter alia, the following criteria, while approving Related Party Transactions

- a. Whether the Transaction covered by the Related Party Transaction is in the ordinary course of business of the Company and/or is required for the business of the Company or is otherwise beneficial to the Company;
- b. Whether the Related Party Transaction is on an arms length basis. For determining arms length basis, the following criteria shall be considered in addition to any other criteria that the Audit Committee / Board may deem fit:



<b>Categories of Related Party Transaction</b>	<b>Arms-Length Criteria</b>
Sale of Goods	Adequate Profit Margins on Sales earned under transfer pricing rules / Uncontrolled comparable prices
Purchase of Goods	Adequate Profit Margins on Resale / Sales earned under transfer pricing rules / Uncontrolled comparable prices
Services rendered	Adequate Profit Earned under transfer pricing rules /Uncontrolled comparable prices
Services availed	At Uncontrolled Market (Comparable) Rates / as per transfer pricing rules
Remuneration to KMP, their relatives	At Uncontrolled Market (Comparable) Rates, within the limits approved by the Shareholders and in compliance with Applicable Regulatory Provisions.
Loans / Financial Assistance and interest thereon	Loans / financial assistance is governed under other relevant sections of the Act.  As regards the Applicable Regulatory Provisions, loans / financial assistance to wholly owned subsidiary companies are exempt thereunder. For loans / financial assistance to other Related Parties, the same shall be extended on rates which shall be at arm's length.
Rent	At Uncontrolled Comparable Market Rates
Royalty	At Uncontrolled Market (Comparable) Rates / As per Industry practices
Others	At Uncontrolled Market (Comparable) Rates / As per Industry practices / As per transfer pricing rules

In addition to the transactions listed above, the Company also makes / receives payments towards reimbursement of expenses. Since these are not Related Party Transactions, they are not listed in the above table. Likewise, donations made by the Company (as part of its CSR activities or otherwise) are not included in the above table.

a) Whether the Related Party Transaction is reasonable and in the interest of the Company.

#### **b.4 Omnibus Approval of Related Party Transactions by Audit Committee**



In accordance with the enabling provisions of Regulation 23(3) of the Regulations read with proviso to Section 177(4) of the Act and Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, the Audit Committee may grant omnibus approval to Related Party Transactions, which are proposed to be entered into by the Company, subject to compliance with the conditions specified therein, which are as follows:

- a) The Audit Committee shall be duly empowered by the Board for granting Omnibus Approval;
- b) The Audit Committee shall lay down the criteria for granting such omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- c) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- d) Such omnibus approval shall specify the following:
  - (i) the names of the Related Party,
  - (ii) the nature of the transaction, period of transaction and the maximum amount for which the transaction can be entered into;
  - (iii) the indicative base price / current contracted price and the formula for variation in the price if any; and
  - (iv) such other conditions as the Audit Committee may deem fit;

Provided however that where the need for the 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 crore per transaction and subject to such overall limit as may be approved by the Audit Committee from time to time;

- e) The Audit Committee shall review, atleast on a quarterly basis, the details of the Related Party Transaction entered into by the Company pursuant to each of the omnibus approval so given;
- f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.





c. **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, then such Related Party Transactions shall be recommended by the Audit Committee for ratification to the Board / Shareholders, if required, within 3 months of entering into the Related Party Transaction.

In any case where either the Audit Committee/ Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Committee or Board or shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. If the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

d. **Disclosures**

The Company shall comply with such disclosure requirements relating to this Policy as may be stipulated under Applicable Regulatory Provisions.

As required under:

1. Regulation 27(2)(b) of the Regulations, details of all material transactions with related parties shall be disclosed along with the quarterly compliance report on corporate governance;
2. Regulation 23(9) of the Regulations, 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 within 30 days from the date of publication of its standalone and consolidated financial results for the half year and publish the same on its website.

This Policy shall be uploaded on the website of the Company at [www.ovpl.co.in](http://www.ovpl.co.in) and a web link thereto shall be provided in the section on corporate governance in the Annual Report.

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**Approval Matrix for all Related Party Transactions**

Approval By	Approvals Required under Applicable Regulatory Provisions	Approval Required under this Policy
<p>Audit Committee</p>	<p><u>Under the Act</u> All Related Party Transactions [as per Terms of Reference specified under section 177 of the Act and Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014]</p> <p><u>Under the Regulations</u> All Related Party Transactions other than those with wholly-owned subsidiaries</p>	<p>All Related Party Transactions;</p> <p>Annual Approval:</p> <p>(a) Related Party Transactions Exempt under the Act i.e. those which are in ordinary course of business and undertaken on arms-length basis (which are exempt from Board and Shareholder Approvals under the Act);</p> <p>(b) Related Party Transactions Exempt under the Regulations i.e. those with wholly-owned subsidiaries;</p>
<p>Board</p>	<p><u>Under the Act</u> All Related Party Transactions, other than Related Party Transactions Exempt under the Act [as per 3<sup>rd</sup> proviso to section 188(1) of the Act]</p> <p><u>Under the Regulations</u> The Regulations is silent on the need for Board approval.</p> <p>However, as per the Principles Governing Disclosures and Obligations of Listed Entity stipulated under Regulation 4(2)(f)(ii)(6) enshrines an obligation on the Board to monitor and manage potential conflicts of interest of management, directors and shareholders.</p>	<p>Board to approve all Related Party Transactions, other than Related Party Transactions Exempt under the Act and Related Party Transactions Exempt under the Regulations;</p> <p>So far as the following Related Party Transactions are concerned, viz:</p> <p>Related Party Transactions Exempt under the Act;</p> <p>Related Party Transactions Exempt under the Regulations;</p> <p>A Report of such Related Party Transactions shall be placed before the Board once</p>



Approval By	Approvals Required under Applicable Regulatory Provisions	Approval Required under this Policy
		a year after its review and approval by the Audit Committee.
Shareholders	<p>As per Applicable Regulatory Provisions presently in force, following Related Party Transactions require prior approval of shareholders: Under the Act In terms of Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, prior approval of shareholders shall be required for the following kinds of Related Party Transactions, which individually or taken together with previous transactions during a financial year, exceed the following limits:</p> <p>Sale, purchase or supply of goods or materials exceeding 10% of Company's; Selling, disposing off or buying property of any kind exceeding 10% of Company's Net Worth; Leasing property of any kind exceeding 10% of Company's Turnover or Rs. 100 crores; Availing or rendering of service exceeding 10% of Company's; Appointment of any agent for purchase or sale of goods, material, services or property exceeding 10% of Company's; Appointment to office or place of profit in company, subsidiary or associate company at a monthly remuneration exceeding Rs.2.50 lakhs; Remuneration for underwriting subscription of securities or derivatives thereof exceeding 1% of Company's Net Worth;</p> <p>[Reference to Turnover / Net Worth is to the Turnover / Net Worth as per the Company's Stand-alone Audited Financial Statement of</p>	<p>Prior Shareholders Approval shall be sought for all Related Party Transactions Requiring Shareholders Approval.</p> <p>The Company shall follow the requirements under the Act or under the Regulations, as may be applicable, with regard to restriction on voting by Related Parties in such Shareholders Resolution;</p>



Approval By	Approvals Required under Applicable Regulatory Provisions	Approval Required under this Policy
	<p>the preceding Financial Year]</p> <p><u>Under the Regulations</u></p> <p>All Material Related Party Transactions (i.e.:</p> <ul style="list-style-type: none"> <li>a. Related Party Transactions which individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per its last audited financial statements) require shareholders’ approval.</li> <li>b. A transaction 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 5% of the annual consolidated turnover of the Company as per the last audited financial statements.</li> </ul> <p>[Regulation 23(4) of the Regulations]</p> <p>(collectively referred to in this table as <b>“Related Party Transactions Requiring Shareholders Approval”</b>)</p>	