

**Policy on  
Related Party Transactions, Materiality of Related Party Transactions, Dealing with Related Party  
Transactions & Determination of Material Subsidiaries**

(As approved by the Board at its meeting held at its meeting held on November 12, 2014)

**Title:**

This policy shall be called as '**Sequent Scientific Limited - Policy on Related Party Transactions.**

**Scope:**

The policy will cover Related Party Transactions, Materiality of Related Party Transactions, Dealing with Related Party Transactions & Determination of Material Subsidiaries.

**Effective Date:**

The policy shall be effective from the date of adoption by the Board of Directors / Audit Committee of the Board of Directors of the Company.

**Background:**

This Policy is framed in accordance with revised clause 49 of the Listing Agreement <sup>1</sup>(including any amendments thereof) to be effective from October 1, 2014 and is intended to govern related party transactions.

The amended clause 49 of the Listing Agreements prescribes the following:

- Clause 49 III (V) (E): The Company shall formulate a policy for determining 'material subsidiaries and such policy shall be disclosed on the Company's website and weblink shall be provided in the Annual Report:
- Clause 49 (III) (VI) (C): The Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party transactions:

**Definitions**

**"Act"** means the Companies Act, 2013 including the Rules framed thereunder.

**"Audit Committee or Committee"** means the Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

**"Board or Board of Directors"** means the Board of Directors as defined under the Companies Act, 2013.

**"Related Party Transaction"** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged including the transactions as mentioned under Section 188 of Companies Act, 2013.

**"Material Related Party Transaction"** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or

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<sup>1</sup>Revised Clause 49 of the Listing Agreement issued by Securities & Exchange Board of India vide circular no. CIR/CFD/POLICYCELL/2/2014 dated April 17, 2014 and Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014

such limits as may be prescribed either in the Companies Act, 2013 or the Listing Agreement, whichever is lower, from time to time.

**“Related Party”** means

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;
5. 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;
6. 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;
7. 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;
8. 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;
9. a director or key managerial personnel of the holding company or his relative with reference to a company  
or
10. such entity is a related party under the applicable accounting standards.

**“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 includes Managing Director, Manager, Chief Executive Officer, Chief Financial Officer and Company Secretary.

**“Relative”** means a relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. Members of a Hindu undivided family ;
- ii. 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)

## **Policy**

### **1. Material subsidiary**

A subsidiary will be treated as material subsidiary if the investment of the Company in the subsidiary exceeds twenty per cent of the consolidated net worth as per the audited consolidated balance sheet of the previous financial year or if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

Company shall not dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General

Meeting, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/ Tribunal.

Selling, disposing and leasing of assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year shall require prior approval of members by way of special resolution, unless the sale/ disposal/ lease is made under a scheme of arrangement duly approved by a Court/ Tribunal.

A “material non-listed Indian subsidiary” shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

## **2. Related Party Transactions**

All Related Party Transactions shall require prior approval of the Audit Committee.

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

- A) The transactions which are repetitive in nature.
- B) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- C) Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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;
- D) If 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 Rs.1 Crore per transaction.
- E) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- F) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- G) Where Board consent is required, the agenda of the Board meeting at which the resolution is proposed to be moved shall disclose all such details/ information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.
- H) Where Related Party Transactions require approval of the Board, any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement.

## **3. Materiality of Related Party Transactions**

Material Related Party Transaction means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the

consolidated annual turnover of the Company as per the last audited financial statements of the Company

All material Related Party Transactions shall require approval of the members through special resolution and the related parties shall abstain from voting on such resolutions.

If the transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the members at the general meeting for approval then above mentioned restrictions are not applicable.

In the event any Material Related Party Transaction is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board or its members, as applicable, for such contract or arrangement.

Where members' approval is required for a related party transaction, the explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.

Where RPTs require approval of the Board and the members through special resolution), such Related Party(ies) shall abstain from voting on such resolutions of the members.

Where RPTs require approval of the members, in case of wholly owned subsidiaries, special resolution passed by the holding company shall be sufficient for the purpose of entering into transactions between wholly owned subsidiary and holding company.

#### **Transition provisions:**

All existing material related party contracts or arrangements as on April 17, 2014 which are likely to continue beyond March 31, 2015 shall be placed for approval of the members in the first General Meeting subsequent to October 01, 2014.

#### **Disclosures**

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

This Policy shall be disclosed on the website of the Company [www.sequent.in](http://www.sequent.in) and a web link thereto shall be provided in the Annual Report of the Company.