

## **ROYAL CUSHION VINYL PRODUCTS LIMITED**

### **Policy on Related Party Transactions**

#### **1. Preamble**

The Board of Directors (the “Board”) of Royal Cushion Vinyl Products Limited (the “Company” or “RCVPL”), has adopted the following policy and procedures with regard to Related Party Transactions (RPT) as defined below. This Policy on RPT (“policy”) has been framed pursuant to requirements prescribed under the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations).

This policy will be applicable to the Company and will regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company from time to time, ensuring the transparency and the procedural fairness of such transactions.

#### **2. Objective:**

This Policy is primarily framed based on requirements of listing agreement entered by the Company with the Stock Exchanges and also to comply with the provisions of the Companies Act, 2013 and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

While complying with the said Corporate Governance norms and Accounting Standards, the Company has decided to draft this ‘Policy on Related Party Transactions’, which is one of the mandatory requirements for the listed entities.

Accordingly, this Policy has been framed to provide a framework to the Company for entering into RPTs which are in the best interest of the Company and its shareholder. The policy has been amended in the Board meeting held on 29 May, 2019 based on the provisions of the Companies Act, 2013 and Regulation 23 of the SEBI LODR (Amendments) Regulations 2018 as existing on May 29, 2019 and applicability of Indian Accounting Standard – 24.

**3. Scope:**

This Policy shall be applied in:

- a. Identifying Related Parties, updating and maintaining the database of such persons/entities;
- b. Identifying the Ordinary Course of Business and Arms' Length transactions in relation to the Company and such persons/entity;
- c. Identifying Related Party Transactions;
- d. Review and approvals before entering into any transactions with such persons/entities;
- e. Documenting the Arms' Length pricing of transactions;
- f. Determining the disclosures to be made about those transactions;
- g. The Audit Committee of the Company may review and amend this policy from time to time, subject to adoption by the Board.

**Applicability and Effective Date**

The effective date of this Policy is 10<sup>th</sup> February, 2015 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations. Further pursuant to SEBI LODR (Amendment) Regulations, 2018 the policy is amended on the Board meeting held on 29 May, 2019 and the amended provisions are effective from 01 April, 2019.

**4. Definitions:**

**“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

**“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.

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

**“Company”** means Royal Cushion Vinyl Products Limited.

**“Key Managerial Personnel”** as defined in sub-section (51) of section 2 of the Companies Act, 2013 or under the applicable accounting standards means –

- (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; and
- (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
- (vi) such other officers as may be prescribed;

**“Key Managerial Personnel”** as per Indian Accounting Standard (Ind AS) 24 means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

**“Relative”** as per Section 2(77) of Companies Act, 2013 with reference to any person, means anyone who is related to another, if –

- i. They are members of HUF;
- ii. They are husband and wife; or
- iii. One person is related to other in following manner;
  - Father (includes step-father)
  - Mother (includes step-mother)
  - Son (includes step-son)
  - Son’s wife
  - Daughter
  - Daughter’s husband
  - Brother (including step-brother)
  - Sister (including step-sister)

**“Related Party”** means as defined under sub-section (76) of Section 2 of the Companies Act, 2013, 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 related party.

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### “Related Party” as per Section 2(76) of Companies Act, 2013:

- (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 body corporate 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 purposes of this clause “Investing Company” means a body corporate whose investment in the company would result in the company becoming as associate company of the body corporate.

### “Related Party” as per Indian Accounting Standard (Ind AS) 24:

A Related Party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - (i) has control or joint control of the reporting entity;
  - (ii) has significant influence over the reporting entity; or

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- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
  
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) 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).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**“Related Party Transactions”** means a transfer of resource, services or obligations between a listed entity/reporting entity and a Related Party, regardless of whether a price is charged and a “transaction” with the Related Party shall be construed to include a single transaction or a group of transactions in a contract.

The Section 188(1) of Companies Act, 2013 includes the following transactions, which are covered within the purview of the Related Party Transactions:

No Company shall, except with the consent of the Board of Directors given by a resolution in a meeting of the Board and subject to such other terms and conditions as may be prescribed, enter into 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;

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- 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

Provided that no contract or arrangement, or transactions exceeding such sums, as prescribed, shall be entered into except with the prior approval of the Company by a resolution.

Provided further that no member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is Related Party.

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Company in its Ordinary Course of Business other than transactions which are not on an Arm's Length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

**“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 (10%) ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

In case of transactions involving payments made with respect to brand usage or royalty, if the said transaction(s) exceeds two percent (2%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;

**“Ordinary Course of Business”** means and include:

- (i) The usual transactions, customs and practices of a business and of a Company, however it shall not include the following transactions:

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- a. Complex equity transactions such as corporate restructuring or acquisitions, merger, de-merger and amalgamation.
  - b. Sales transactions with unreasonably large discounts or returns.
  - c. Transactions under contracts, whose terms are changed before expiry having material adverse impact on the Company.
- (ii) In regards to above point following transaction shall inter alia be deemed to have been made in the Ordinary Course of Business:
- a. Any transactions covered in the Main Objects or the Objects incidental to attainment of the Main Objects as envisaged in the Memorandum and Articles of Association of the Company.
  - b. Any transactions which is usually carried on by any PVC manufacturing Company within India or Overseas.
  - c. Any transaction which has been done by the Company frequently in last three years.
  - d. Any transactions done with a Related Party on a similar basis as of a third party.
  - e. Any transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money by allocating resources which generates income for the Company.

**“Associate Company”** means any other company, in which the Company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a Joint Venture Company.

Explanation—for the purposes of this clause, “significant influence” means Control of at least twenty per cent of total voting power, or control of or participation in business decision under an agreement.

**“Control”** means and include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner; also include meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“Policy” means Related Party Transaction Policy of the Company.

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

- (a) Each Director, Key Managerial Personnel whenever wishes to enter into a Related Party Transactions with the Company involving either him/her or his/her relative, shall give a notice to the Company along with all relevant details and documents.
- (b) Notice of any Related Party Transactions, referred above shall be given well in advance so that the Company has adequate time to obtain additional information or documents about the proposed Related Party Transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.
- (c) Every Director, Key Managerial Personnel shall also make Annual Disclosures as required under Section 184(1) of the Companies Act, 2013 read with rule 9(1) of Companies (Meetings of Board and its Powers) Rules, 2014 in form MBP-1.
- (d) Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned above.

## **6. Approvals required for Related Party Transactions:**

### **Approval by Audit Committee:**

- (a) The Company shall not enter into any Related Party Transactions with any Related Party without prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
  - I. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - II. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
  - III. 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



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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 Rs. 1 (one) crore per transaction;

- IV. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given;
  - V. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- (b) The Notices referred in point No.5 (a) above received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene the meeting of the Audit Committee.
- (c) The Company Secretary shall convene the meeting of Audit Committee as directed, and shall place all relevant information/documents relating to the proposed Related Party Transactions before the Audit Committee, which inter alia shall include:
- I. The name of the Related Party and nature of relationship;
  - II. The nature and duration of the Contract and particulars of the Contract or arrangement;
  - III. The material terms of the Contract or an agreement including the value, if any;
  - IV. Any advance paid or received for a contract or arrangement, if any;
  - V. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a part of the contract;
  - VI. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with rationale for not considering those factors; and
  - VII. Any other information relevant or important for the Audit Committee and/or Board to take decision on proposed transaction.
- (d) If any member of the Audit Committee is interested in any Related Party Transactions with a Related Party, such member shall not be present at the Audit Committee Meeting neither during the discussions on subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.

**Approval of the Board:**

- (a) The following Related Party Transactions shall be placed before the Board of Directors for approval, after the approval of the Audit Committee:
- (i) Transactions not in Arm’s Length
  - (ii) Transactions not in Ordinary Course of Business
  - (iii) Material Related Party transactions
- (b) Board of Directors shall consider the information/documents placed before it and either approves or reject the proposed Related Party Transactions.
- (c) The Board of Directors shall also obtain an approval of Shareholders by way of resolution for approval of Related Party Transactions.
- (d) In case of approval is proposed to be sought through postal ballot or general meeting, the Board of Directors shall approve the notice and the Explanatory Statement [including the particulars mentioned in rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014] of the same.
- (e) An Interested Director shall not remain present during the discussion on such related party agreement or contract.

**Approval of the Shareholders:**

- (a) No Material Transaction, contract or arrangement shall be carried out or entered into with a Related Party, without the prior approval of shareholders by way of resolution.
- (b) No Related Party shall vote on resolutions relating to any Related Party Transactions.

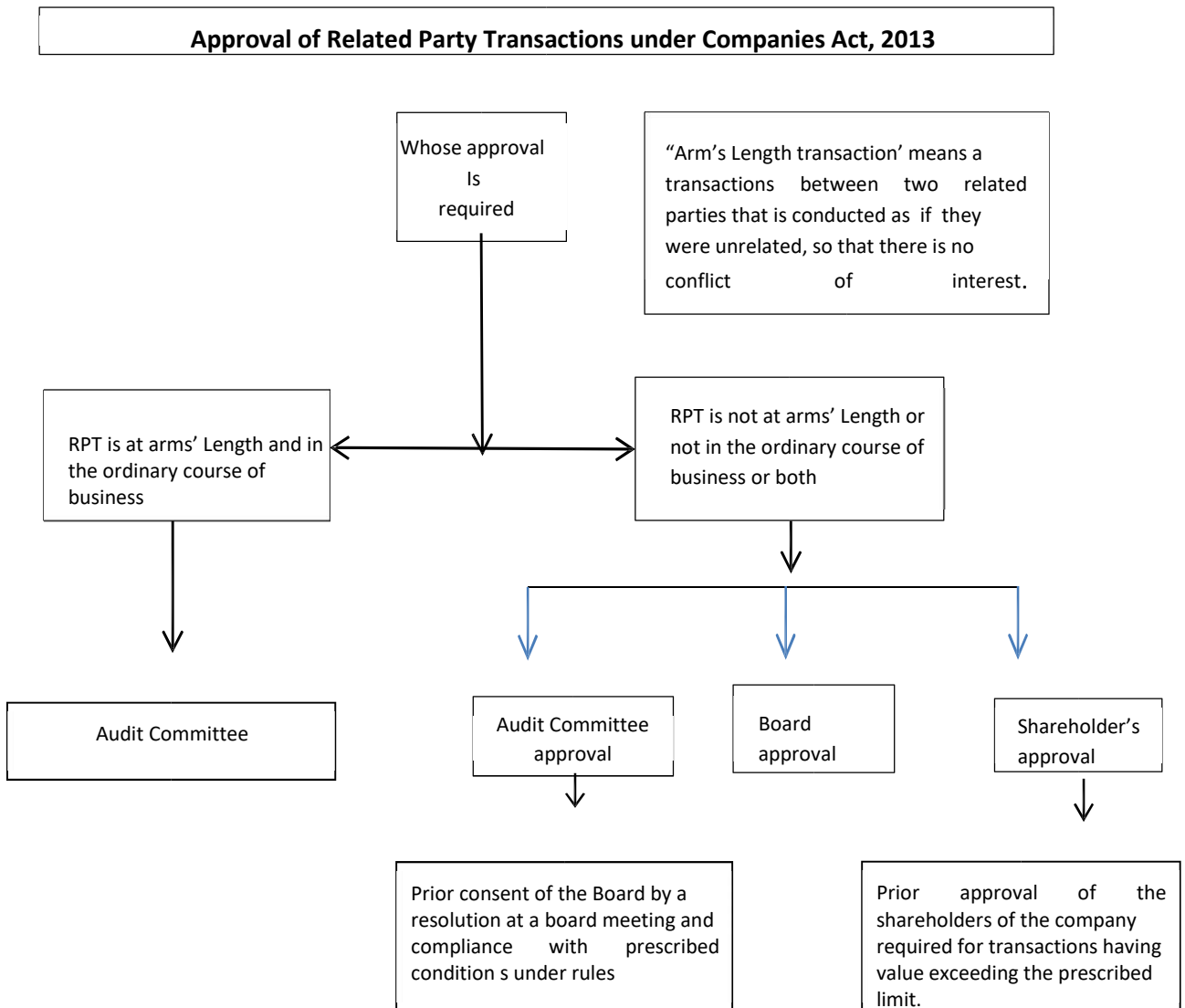
Explanation: All entities falling under the definition of the related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. However nothing contain in this provision shall apply in case 90 % or more members, in number, are relatives of promoters or are related parties.

Provided the provision shall not be applicable in the following cases:

- i. Transactions entered into between two government companies;
- ii. Transactions entered into between holding company and its wholly owned subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation: “Government Company” shall have the same meaning as defined in Section 2 (45) of Companies Act, 2013.

**7. Related Party Agreement/Contract :**



Details of contract/arrangements/transactions not on Arm’s Length basis and material contracts/arrangements/transactions shall be disclosed in the Board’s report.

A. The Company shall not enter into a Related Party Transaction/s except with prior approval of its shareholders by passing a resolution, where such transaction/s to be entered into-

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- (a) As Contracts or arrangements in respect of clauses a. to e. of sub-section 1 of section 188 listed herein above but should be within the prescribed limit as set out herein below:

<b>Transactions Covered</b>	<b>Transaction Value</b>
Sale, purchase or supply of any goods or materials	> 25% of Annual Turnover
Selling or otherwise disposing of, or buying, property of any kind	> 10% of Net Worth
Leasing property of any kind	> 10% Turnover or Net Worth
Availing or rendering of any services	> 10% of Net Worth
Such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration > Rs.2.50 Lacs
Underwriting the subscription of any securities or derivatives thereof of the Company	> 1% of Net Worth

Note: The turnover or the Net Worth criteria shall be considered from the Audited Financial Statement of the preceding financial year.

**8. Threshold Limit:**

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the Related Parties of a Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

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Provided that approval from shareholders will not be required for Material Related Party Transaction in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognize stock exchange within one day of the resolution plan being approved.

The Company has fixed the following materiality threshold for the purpose of Regulation 23 of the SEBI Listing Regulations:

- i) Payment to a Related Party with respect to brand usage or royalty – 2% of the annual consolidated turnover of the Company as per last its audited financial statements.
- ii) Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements.

### **9. Review of the policy:**

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

### **10. Disclosures :**

1. The policy on dealing with Related Party Transactions is to be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report. As per LODR, all Related Party Transaction to be disclosed quarterly along with the Compliance report on Corporate Governance.
2. Particulars of every contract or arrangement with Related Parties under section 188 (1) of the Act are to be included in the Board’s Report to the shareholders along with justification for entering into the transaction in the prescribed Form AOC-2.
3. A Register pertaining to Related Party Transactions is maintained by the Company in accordance with the Companies Act, 2013, which is placed before the Board / Annual General Meeting as per the requirements of Companies Act, 2013.

4. Disclosure regarding Related Party relationship and transactions with them shall be made in Financial Statements as per the requirements of relevant Accounting Standards and the Listing Regulations.

If there have been transactions between Related Parties, during the existence of a related party relationship, the reporting enterprise should disclose the following.

- I. The name of the transacting Related Party;
- II. A description of the relationship between the parties;
- III. A description of the nature of transactions;
- IV. Volume of the transactions either as an amount or as an appropriate proportion;
- V. Any other elements of the Related Party Transactions necessary for an understanding of the financial statements;
- VI. The amounts or appropriate proportions of outstanding items pertaining to related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
- VII. Amounts written off or written back in the period in respect of debts due from or to related parties.

## **11 . General Principles**

- i) It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii) The Audit Committee shall have the following powers with respect to Related Party Transactions:
  - To seek information from any employee.
  - To obtain outside legal or other professional advice.
  - To secure attendance of outsiders with relevant expertise, if it considers necessary.
  - To investigate any Related Party Transaction.

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- iv) The CEO/CFO of the Company is authorized to issue necessary guidelines/instructions for implementation of this Policy.
- v) The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

### **12. Indemnity:**

Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to authorize any Director, or is authorized by any other Director, the Directors concerned indemnify the Company against any loss incurred by it.

### **13. Penalties:**

The Company may proceed against the Director/Employee, who had entered into contract or arrangement in contravention of the provisions, for recovery of any loss sustained by it as a result of such contract or arrangement. In case of listed Company, such Director/employee may be punishable with imprisonment for a term up to One year and/or with a fine of Rs.25,000/- to Rs.5,00,000/-.

### **14. Amendment**

In the event of any conflict between the provisions of this policy and of the Act or SEBI LODR or any other statutory requirements, rules, regulations, enactments, the provisions of such Act or SEBI LODR or any other statutory requirements, rules, regulations, enactments, the provisions shall prevail over this policy

Any subsequent amendment/modification in SEBI LODR, Act and/ or applicable laws in this regard shall automatically apply to this policy.