

ATLAS JEWELLERY INDIA LIMITED (AJIL)

MATERIALITY OF RELATED PARTY TRANSACTION POLICY (MRPT)

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1. Introduction

Securities and Exchange Board of India (SEBI) has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as “**SEBI (LODR) Regulations 2015**” or “**The Regulations**”] on September 2, 2015 effective from 1st December 2015 for the purpose of conversion of existing listing agreements into a single comprehensive regulation for various types of listed entities.

Further Regulation 23 of SEBI (LODR) Regulations 2015 mandates that every listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions

2. AJIL- LODR MRPT Policy

2.1 Considering the recent introduction of the SEBI (LODR) Regulations 2015 and the high expectations the regulators demand from listed entities the Company has undertaken an intensive exercise to revisit all its Corporate Governance policies and procedures and make amendments/ update or even replace them with more pro-active policies in line with the new Corporate Governance initiatives by the regulators.

2.2 In view of above ATLAS Jewellery India Limited (“**the Company**” or “**AJIL**”) has amended its existing policy on related party transactions and framed this policy to be called hereinafter as AJIL-Policy on Materiality of Related Party Transaction (**AJIL_LODR_MRTP_V01/1516**).

2.3 This Policy is framed by the Company pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This Policy applies with immediate effect to transactions, if any, requiring shareholders’ approval and shall apply to other related party transactions (where shareholders’ approval is not required) with effect from 1st December, 2015 or any modifications effected on or after 1st December, 2015 to subsisting transactions with Related Parties.

3. Policy Objective

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act 2013, Regulation 23 of the SEBI (LODR) Regulations 2015 and any other laws and regulations as may be applicable to the Company.

4. **Transactions between Company & Related Parties and Materiality Threshold**

Transactions between the Company and Related Parties shall be entered into in the manner that is compliant with the applicable provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Materiality Threshold:

A transaction with the Related Party shall be treated as "Material" if any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year:

- a. Exceeds the limits specified in Sub-rule (3) of Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 of the Companies Act, 2013 as amended from time to time and which are not in the Ordinary Course of Business and are not at Arm's Length Principle; or
- b. Exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company.

5. **Key Definitions**

5.1 "Act"

Means the Companies Act, 2013 including any statutory modification or re-enactment thereof.

5.2 "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

5.3 "Board"

Means the Board of Directors of the Company.

5.4 "Material Related Party Transaction"

As per explanation to Regulation 23(1) of the LODR Regulations means a transaction with a Related Party if the transaction(s) 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.

5.5 “Ordinary course of business”

Means 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. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

5.6 “Regulation”

Means SEBI (Listing Obligations and Disclosure Requirement) Regulations 2015

5.7 "Related Party" with reference to the company, means an entity where:

- I. Such entity is a related party as defined under section 2(76) of the Companies Act, 2013; or
- II. Such entity is a related party under the applicable accounting standards.

5.8 "Related Party Transaction"

Means a transaction between the company and a Related Party which transaction is of the nature specified in sub-clause (a) to (g) of section 188(1) of the Companies Act, 2013, or is a related party transaction as understood under Regulation 2(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

5.9 “Relative”

With reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder and read with Regulation 2(zd) of LODR Regulations.

6. Dealing with Related Parties

6.1 The Company shall not enter into any contract or arrangement with a Related Party without the approval of the Audit Committee.

6.2 In the event such contract or arrangement 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,

the Rules framed thereunder, Regulation 23 of the LODR Regulations and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

6.3 In addition, all material related party transactions will be placed for approval of the shareholders of the Company.

6.4 All existing material related party contracts or arrangements entered into prior to the date of notification of LODR Regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of LODR Regulations.

7. Internal Processes in regard to Related Party Transactions

The Company shall, with the approval of the Board of Directors, establish appropriate internal processes for the purpose of identification of Related Parties and any transactions with them, determination of whether the transaction (s) is in ordinary course of business, whether the transaction(s) is on an arm's length basis, monitoring "Materiality" threshold and other relevant matters to ensure adherence to this policy in entering into transactions with Related Parties.

8. Procedure for approval of Related Party Transaction

8.1 Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

8.1.1 The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;

8.1.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

8.1.3 The omnibus approval shall provide details of

- (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into,

- (ii) basis of arriving at 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.

8.1.4 However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction. The transaction under this category will also be reported to the Audit Committee.

8.1.5 The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to each of the omnibus approval given;

8.1.6 Such omnibus approval shall be valid for 1 year.

8.2 Approval of the Board of Directors of the Company

8.2.1 As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

8.2.2 In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

8.2.2.1 Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

8.2.2.2 Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;

8.2.2.3 Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;

8.2.2.4 Transactions meeting the materiality thresholds laid down Clause 4 of the Policy, which are intended to be placed before the shareholders for approval

8.3 Approval of the Shareholders of the Company

- 8.3.1 All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for approval.
- 8.3.2 For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- 8.3.3 In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

8.4 General Guidelines to Audit Committee/Board

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- 8.4.1 Nature of the transaction i.e. details of goods or property to be acquired/ transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- 8.4.2 Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- 8.4.3 Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- 8.4.4 Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
- Market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - Third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - Management assessment of pricing terms and business justification for the proposed transaction;
 - Comparative analysis, if any, of other such transaction entered into by the company

9. Related Party Transactions not approved under this policy

- 9.1 In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction and shall evaluate all options available to the Company including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.
- 9.2 In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate may direct additional actions including but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or AJIL as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

10. Amendment

The Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification shall be inconsistent with the applicable provisions of the Regulations, Act or any law for the time being in force.

11. Disclosures

- 11.1 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 on an arm's length basis along with the justification for entering into such transaction.
- 11.2 The detail of all material transactions with related parties shall be disclosed quarterly along with the Company's Compliance Report on corporate governance, in accordance with Regulation 27(2) of the LODR Regulations.
- 11.3 The Company shall disclose this Policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

12. Scope and Limitation

In the event of any conflict between the provisions of this Policy and the SEBI (LODR) Regulations 2015 or Companies Act, 2013 or any other statutory enactments, rules, circulars, notifications, then the provisions of such Regulations/Companies Act, 2013 or statutory enactments, rules, circulars, notifications shall prevail over this Policy. Any subsequent amendment / modification in the Regulation, Act and/or applicable laws in this regard shall automatically apply to this Policy.
