



FACOR ALLOYS LIMITED

Policy on Related Party Transactions

(As approved by the Board of Directors on 13TH February 2015)



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Effective from 1st April, 2014

1. Introduction:

Facor Alloys Limited (the "Company") recognises that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

The equity listing agreement with stock exchange mandates formulation of a policy on transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the "Board") of Facor Alloys Limited has adopted the following policy and procedure with regard to Related Party Transactions.

2. Applicability

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

3. Purpose

This Policy is framed based on requirements of clause 49 of the listing agreement entered by the Company with the stock exchange and also to comply with the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of "The Companies (Meetings of Board and its Powers) Rules, 2014, Related party transactions as covered under AS 18 of the applicable Indian Accounting Standards and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

4. Definitions

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

"Arm's Length basis" means a transaction between two related parties or affiliated parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

"Associate Company" means any company, in which the Facor Alloys Limited (FAL) has a significant

influence, but which is neither a Subsidiary company nor a joint venture company of Facor Alloys Limited.

Explanation-For the purposes of this clause, "significant influence" means Control of at least twenty per cent of total share capital, or of business decisions under an agreement.

"Audit Committee" or "Committee" means "Audit Committee" of the Board of Directors of the Company.

"Board of Directors" or "Board" means the Board of Directors of the Company.

"Company" means Facor Alloys Limited.

"Key Managerial Personnel" means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.

"Policy" means Related Party Transaction Policy of the Company.

"Related Party" means U/s 2(76) of the Companies Act, 2013 any person or an entity:

- (i) which is a related party under section 2(76) of the Companies Act, 2013.; or
- (ii) which is a related party under the applicable accounting standards.

"Related Party Transaction" means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged.

"Relatives" "Relative" as given u/s 2(77) of the Companies Act, 2013 with reference to any person, means anyone who is related to another, if-

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son's wife
 - (e) Daughter
 - (f) Daughter's husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

5. Policy

All Related Party Transactions shall require prior approval of the Audit Committee and are to be referred for prior approval of the Board of Directors of the Company by the Committee in accordance with this Policy. In exceptional cases, where a prior approval is not taken due to inadvertence or omission or due to unforeseen circumstances, the Committee may consider ratifying the same in accordance with this policy.

5.1. Identification of potential Related Party Transactions

1. FACOR Group Companies:

All the Companies in Facor Group which qualify as Related parties as per Section 2(76) of the Companies Act, 2013 read with Rule 15 of "The Companies (Meetings of Board and its Powers) Rules, 2014" will be considered as Related Parties.

2. Key Managerial Personnel and connected Related Parties:

Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company its Related Parties. The Board shall record the disclosure of Interest.

The Company shall also identify Related Party Transactions with Directors or Key Managerial Personnel of the holding company/ies or their relatives.

3. The Company will identify the potential transactions with the Related Parties.

5.2. Review and approval of Related Party Transactions

Audit Committee:

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in Clause 49 of the Listing Agreement.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transaction and/or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchange.

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 shall not require prior approval of the Audit Committee.

Board:

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board, in any case, decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Shareholders:

All the material Related Party Transactions shall require prior approval of the shareholders through special resolution and the Related Party/ies with whom transaction is to be entered shall abstain from voting on such resolutions.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require prior approval of the shareholders through special resolution if so required and the Related Parties shall abstain from voting on such resolution.

5.3. Material Related Party Transactions

A transaction with a Related Party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover as per the last audited financial statements of the Company.

6. Related Party Transactions not approved under this policy

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

7. General Principles

- i) All Related party transactions shall require prior approval of the Audit Committee unless an Omnibus approval for related party transactions have been granted by the Audit Committee.
- ii) Where any Director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution related to such contract or arrangement.
- iii) 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.
- iv) 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.
- v) 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.
- vi) The CMD of the Company is authorised to issue necessary guidelines/instructions for implementation of this Policy.
- vii) 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.

8. Disclosures

Details of all material transactions with Related Parties shall be disclosed to stock exchange quarterly along with the compliance report on corporate governance.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

9. Amendments in Law

Any subsequent amendment/modification in the listing agreement and/or other applicable laws in this regard shall automatically apply to this Policy.

10. Scope Limitation

In the event of any conflict between the provisions of this policy and of the Listing Agreement/Companies Act, 2013 or the rules framed thereunder, or any statutory enactment(s)/rules, the provisions of such Listing Agreement/Companies Act, 2013 or the statutory enactment(s) /rules shall prevail over this policy.