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# POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

## 1. OBJECTIVE:

1.1. Company is committed to upholding high standards of corporate governance and recognizes that any transactions with parties which are related to the Board members or Senior Management can present a risk of actual or apparent conflicts of interest.

1.2. Taking this into consideration, objective of this Policy is to lay down requisite process framework and approval mechanism for dealing with material related party transactions.

1.3. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions (RPTs) in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## 2. DEFINITIONS:

For this Policy, following terms shall have the meanings ascribed to them as under:

2.1. **"Act"** means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
2.2. **"Arm's length basis"** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
2.3. **"Associate Company"**, means an associate company as defined under the Act.
2.4. **"Board"** means Board of Directors of the Company.
2.5. **"Company"** means Ajanta Pharma Limited.
2.6. **"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and takeovers) Regulations, 2011.
2.7. **"Key Managerial Personnel"** (KMP) means the Key Managerial Personnel of the company in terms of the Act.
2.8. **"Listing Regulations"** means the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and agreement signed by the Company and the Stock Exchanges in pursuance thereof.
2.9. **"Material modifications"** means any modifications to the existing related party transactions which were approved by the Audit Committee or Board or Shareholders during the year, which would change the complete nature of the transaction and in case of monetary thresholds, which is in excess of 20% of the originally approved transaction, as the case may be.

2.10. **"Material Related Party Transactions"** 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 Rupees one thousand crore or 10% of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower and transactions involving payments to a related party with respect to brand usage or royalty if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. The above limit may be varied as per prescribed limit under applicable regulations from time to time.

2.11. **"Office or place of profit"** means office or place of profit as defined under the Act.

2.12. The term Related Party, Related Party Transactions and Relative will carry the meanings as defined under the Companies Act, 2013 read with Rules made thereunder, Listing Regulations and the Accounting Standards.

2.13. **"Subsidiary"** means subsidiary as defined under the Act.

**3. POLICY:**

3.1. In order to ensure transparency and procedural fairness of RPTs, as also to ensure compliance with provisions of the Act and Listing Regulations, Board of Directors (the "Board") of the Company lays down this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (the "Policy").

**4. PROCEDURE OF DEALING WITH RPTs**

4.1. **Disclosure by Directors:**

Every Director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his/her concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy or that could reasonably be expected to give rise to a conflict of interest.

4.2. **Review and approval mechanism of Related Party Transaction**

**4.2.1. Audit Committee**

Prior approval of the Audit committee shall be required for:

a. All RPTs regardless of whether they are in ordinary course of business or on arm's length or not and subsequent material modifications;

b. RPTs where Company's subsidiary is a party but Company is not a party, if the value of such transaction, whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the consolidated turnover, as per the last audited financial statements of the Company;

c. W.e.f. 1st April 2023, a RPT to which the Company's subsidiary is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of such subsidiary.

d. Audit committee shall consider the following factors while deliberating the RPTs for its approval: -

- Name of party and details explaining nature of relationship;
- Duration of the contract and particulars of the contract and arrangement;
- Nature of transaction and material terms thereof including the value, if any;
- Manner of determining the pricing to ascertain whether the same is on arm's length;
- Business rationale for entering into such transaction;
- Any other information relevant or important to take a decision on the proposed transaction.

Any member of the Committee who has a potential interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT. Further, only those members of the audit committee, who are independent directors, shall approve RPTs.

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs of the Company and such approval shall be applicable in respect of 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;

Provided that where the need for RPT 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 (Rupee One Crore) per transaction.

d. Audit Committee shall review, on a quarterly basis, details of RPTs entered into by the Company pursuant to the omnibus approvals given.
e. Such omnibus approvals shall be valid for a period not exceeding 1 (one) year and shall require fresh approvals after the expiry of 1 (one) year.

**4.2.2. Board of Directors**

All Material RPTs, transactions which are not in the ordinary course of business or not at the arm's length price, shall be placed before the Board for obtaining its approval. Where approval of Board of Directors is required for any RPT or if the Board in any case elects to reviews any such matter or it is mandatory under any law for Board to approve the RPT, then 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.

Any member of the Board who has any interest in any RPT will recuse himself and abstain from discussion and voting on the approval of the RPT.

**4.2.3. Shareholder approval**

Unless exempted, all material RPTs and subsequent material modifications as also all RPTs covered within the scope of Section 188 of the Act which are either not in the ordinary course of business or not on arm's length basis and exceeds the threshold under Section 188 of the Act, shall require prior approval of the shareholders through resolution.

If any member of Company is a related party as per this policy, such member of the Company shall not vote on resolution passed for approving such RPT irrespective of whether the entity is a party to the particular transaction or not.

**4.2.4. Transactions which do not require approval**

Notwithstanding the foregoing, the following RPTs shall not require any approval:
a. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
c. Transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the company's accounts and placed before the shareholders at the general meeting for approval.

d. Transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

**4.2.5. RPTs not approved under this Policy**

If an RPT is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the RPT, to the extent permissible under the law.

In connection with any review of a RPT, the Committee has authority to modify or waive any procedural requirements of this Policy.

**4.2.6. Ratification of RPTs**

Where any RPT is effected without prior approval of the Audit Committee, or the Board or the Shareholders, as the case may be, then the same may be ratified as per the process laid down under the Act and the Regulations.

**4.2.7. Disclosure**

- All the RPTs and material RPTs shall be disclosed to the regulatory authorities and placed on the website in accordance with the provisions of the Act and the Regulations.
- The Company shall disclose the policy on dealing with RPTs on its website.
- Make such other disclosures as may be required under applicable laws.

**5. MONITORING & REVIEW:**

5.1. The Board may monitor, review and amend the Policy from time to time as also whenever **necessitated** due to amendments to the Act, Listing Regulations or any other Regulations. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

5.2. This policy (including the thresholds) shall be reviewed by the Board of Directors once in three years and/or and when required and updated accordingly.

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