



TANFAC INDUSTRIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS)

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1. PREAMBLE

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction ("Policy") is prepared and adopted to build a framework for the Related Party Transactions of TANFAC Industries Limited ("Company") , in accordance with the requirement of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 (hereinafter referred to as the 'Listing Regulations' in this policy) read with the provisions of the Companies Act, 2013 (hereinafter referred to as the 'Act' in this policy) and relevant Rules made there under; as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws, rules and regulations

2. PURPOSE OF THE POLICY

Listing Regulations requires all listed Companies to formulate a policy on materiality of related party transactions and also dealing with related party transactions to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Accordingly, this Policy is prepared for the identification and regulation of the related party transactions keeping in view the provisions of the Act and the Rules prescribed there under and the Listing Regulations and any other laws and regulations as may be applicable to the Company and the revision history of the same is provided below:

3. APPLICABLE DEFINITIONS

3.1. Act means the Companies Act, 2013 and includes Rules made thereunder.

3.2. Arms' length transaction (ALP) means a transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

3.3. Board means the Board of Directors of TANFAC Industries Limited;

3.4. Committee means the Audit committee as defined under the Act and the Listing Regulations

3.5. Company means "TANFAC Industries Limited";

3.6. Key Managerial Personnel or KMPs means key managerial personnel as defined under the Act, and includes:

(i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

(iv) 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;

3.7. 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 one thousand crore or ten percent of the annual turnover as per the last audited financial statements of the Company, whichever is lower;

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover as per the last audited financial statements of the Company.

Notwithstanding the above, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five per cent (5%) of the annual consolidated turnover as per the last audited financial statements of the Company.

3.8. Material Modifications mean any modification of the existing related party transactions which amounts to;

- a) either change/modification in the aggregate value of transaction for an amount exceeding 25% of the aggregate value; or
- b) any change in any terms and condition of the transactions resulting the change in its price or consideration of the individual transaction for an amount exceeding 25% of the aggregate value, where the said terms and conditions were disclosed at the time of taking approval; or/ and
- c) Extension in duration of Related Party Transaction contract beyond a period of 12 months.
- d) Such other criteria as the Audit committee may determine from time to time

3.9. Policy means this Policy on Related Party Transactions.

3.10 "Listing Regulations" means 'the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

3.11. Related Party means shall have the same meaning ascribed to such term under Section 2(76) of the Companies Act and applicable accounting standards, as may be amended from time to time and includes the following: (a) any person or entity forming a part of the promoter or promoter group of the Company; or (b) any person or any entity, holding equity shares of ten per cent or more; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, at any time, during the immediate preceding financial year.

3.12. Relative means relative as defined as per sub section (77) of Section 2 of the Act and Rules prescribed thereunder, as amended from time to time and the Regulation 2 (1) (zd) of Listing Regulations.

4. POLICY

Following is the structure of dealing with transactions with Related Parties with the Company:

- 1. Identification & Monitoring of Related Parties
- 2. Identification of potential Related Party Transactions;
- 3. Approval of Related Party Transactions; and
- 4. Disclosure of Related Party Transactions.

4.1. IDENTIFICATION & MONITORING OF POTENTIAL RELATED PARTY

Process for Identification of Related Parties

- a) The Company shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/ KMPs/Promoter and Promoter Group, corporate and investment structure, as per the definition provided in the Act and Listing Regulations as amended from time to time. Disclosure from the Directors/KMPs shall be received by the Company at the beginning of every financial year and as and when the information changes. Disclosure from promoter and promoter group shall be received on annual basis.
- b) At the end of every financial year, the Company shall identify the person(s) apart from promoter or promoter group, who at any time during the proceeding financial year held 10% as the case may be, of the equity shareholding of the Company
- c) The names of all Related Parties identified of the Company shall be consolidated, as a Related Party List and this List as amended from time to time shall be progressively shared with the Accounts/ Finance team of the Company.

Monitoring of Related Parties

The Directors/ KMP's/ Promoter/ Promoter Group of the Company should promptly communicate to the Company, any subsequent changes in the initial disclosure submitted by them in the beginning of the financial year. The Company shall update the Related Party List based on intimations received from the Directors, KMPs and Promoter and Promoter Group or changes in corporate or investment structure as informed from time to time.

Responsibility of Directors and KMP's:

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

Time Line:

Such notice of any potential Related Party Transaction shall be given well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transactions.

4.2. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

A. Determination of Related Party Transaction

Following transaction(s) entered into with a related party under the provisions of the Act or the Listing Regulations shall be considered as Related Party Transactions:

1. Sale, Purchase or Supply of any goods or materials;
2. Selling or otherwise disposing of, or buying property of any kind;
3. Leasing of property of any kind;
4. Availing or rendering of any services;
5. Appointment of any agent for purchase or sale of goods, materials, services or property;
6. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
7. Underwriting the subscription of any securities or derivatives thereof, of the Company.
8. Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged.

9. Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged. Following transactions shall not be considered as related party transactions:
10. Issue of specified securities on preferential basis under the SEBI (ICDR) Regulations, 2018;
11. Corporate actions which are uniformly applicable/offered to all the shareholders in proportion to their shareholding: o Payment of dividend; o Subdivision/ consolidation of securities; o Rights issue/ bonus issue; o Buy-back of securities

Following transactions shall not be considered as related party transactions:

1. Issue of specified securities on preferential basis under the SEBI (ICDR) Regulations, 2018;
2. Corporate actions which are uniformly applicable/offered to all the shareholders in proportion to their shareholding;
3. Payment of dividend;
4. Subdivision/ consolidation of securities;
5. Rights issue/ bonus issue;
6. Buy-back of securities

Manner of dealing with Related Party Transactions

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee unless otherwise specifically exempted in accordance with this Policy.

Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

B. Nature of Transaction

All the potential Related Party Transactions and modifications therein shall be reviewed in detail by the Audit Committee.

Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any Director or Key Managerial Personnel of the Company or any Related Party. The criteria for determination of the same are mentioned below:

(i) Determination of Ordinary Course of Business

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company:

- a. in the normal routine in managing trade or business; or
- b. is permitted by the Memorandum of Association of the Company; or
- c. which fall under the purview of the business objectives, operational activities and/or financial activities; or
- d. meets any such other criteria as may be decided by the Board/ Audit Committee

(ii) Determination of Arms' length nature of the Related Party Transaction

- a. Price Determination At the time of determining the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

(i) Permissible methods of arms' length pricing as per applicable Laws, internal procedures and/or guidelines of the Company.

(ii) To rely on professional opinion in this regard.

(iii) Quotations shall be invited from all the players in the market irrespective of the relationship and price of the contract and/or arrangement shall be decided without any deviation and on uniform basis or by such any other mechanism as may be decided by the Audit Committee and/or by Board from time to time.

b. Selection of arms' length Related Party Transaction

(i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and other terms and conditions as may be applicable in case of an unrelated party.

(ii) Credit Limits extended to the related party must be usual as for unrelated parties.

4.3. APPROVAL OF RELATED PARTY TRANSACTIONS AND SUBSEQUENT MODIFICATIONS:

Matrix for approval of related party transactions (RPT):

Nature of Transaction	Audit Committee	Board of Directors	Shareholders
Ordinary Course of Business and at arm's length	Prior approval	Exempted	Yes, prior approval of the shareholders if material related party transaction including Material Modification therein at any point of time
Not in Ordinary Course of Business or not at arm's length	Prior approval	Yes, prior approval of the Company before entering into any contract or arrangements mentioned under subsection (1) of Section 188	Yes, prior approval of the shareholders if material related party transaction including Material Modification therein at any point of time

5. Restriction on Voting rights of related parties

- As per the Act, no member of the company shall vote on a resolution to approve the contract or arrangement, if such a member is a related party in context to the contract or arrangement for which the said resolution is being passed.
- As per Listing Regulations, all entities falling under the definition of related parties shall abstain from voting on a Material Related Party Transaction to approve the same irrespective of whether the entity is a party to the particular transaction or not.
- As per Listing Regulations, only those members of the Audit Committee, who are Independent Directors, shall approve the related party transactions

As per the Act if the Related party transactions under Section 188 falls under the following limits prior approval of the shareholders by resolution will be required provided the transaction is either not in the ordinary course of business or on arm's length basis.

Limits as per Rule 15 of the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014

S.No.	Nature of Related Party Transaction	Criteria
01.	Sale, purchase and supply of any goods or materials, directly or through appointment of agent	Amounting to 10% or more of the turnover of the company
02.	Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	Amounting to 10% or more of net worth of the company
3.	Leasing of property of any kind	Amounting to 10% or more of turnover of the company
4.	Availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of the turnover of the company
5.	Appointment of any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs 2.5 lacs
6.	Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1 % of net worth

1. The Audit Committee may give omnibus approval for related party transactions, which are repetitive in nature, subject to compliances with the relevant provisions of the Act and Listing Regulations.
2. The 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.
3. 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 Transaction(s) subject to their value not exceeding INR 10,000,000 (Rupees One Crore) per transaction in compliance with the provisions of Section 177(4) of the Companies Act and Regulation 23 of Listing Regulations,
4. Thereafter, the Audit Committee, shall review at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
5. The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of one financial year.
6. Where the Audit Committee does not approve any related party transaction other than those mentioned in Section 188, then it shall recommend the same to the Board.
7. The Audit Committee and Shareholders while approving any related party transaction shall be provided such information as may be required under the Act and Listing Regulations

6. DISCLOSURE OF RELATED PARTY TRANSACTIONS

1. Every material related party transaction and related party transaction which were not at arm's length, shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly/ half yearly along with the compliance report on corporate governance.
3. Adequate disclosure of all related party material transactions with related parties shall be submitted to the stock exchanges in the format as specified by SEBI from time to time and copy of the same will be posted on the website of the Company.
4. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
5. A register of Related Party Transactions shall be maintained as per the Act and placed before the Board and signed by all the Directors present at the Meeting.
6. Related Party relationship and transactions with them shall be disclosed in the Financial Statements as per the requirements of relevant Accounting Standards.
7. Details of related party transactions to be disclosed in the Corporate Governance Report/ Annual Report as required under the provisions of the Act and Listing Regulations.

7. CONFLICT IN POLICY

In the event of conflict or inconsistency between the provisions of this policy and the provisions of the applicable laws, the policy shall be construed and interpreted in consonance with the applicable laws and in the failure of such harmonic interpretation and construction, the applicable laws shall prevail

8. REVIEW

The Board shall, as may be required, assess the adequacy of this Policy but at least once every three years and make necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.