

Policy on Related Party Transactions

VAIDYA SANE AYURVED LABORATORIES LIMITED

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1. Introduction

This policy has been adopted by the Board of Directors of VAIDYA SANE AYURVED LABORATORIES LIMITED (“the Company”), on the recommendation of the Audit Committee of the Company, to ensure high standards of Corporate Governance while dealing with Related Party (ies) (as defined below).

This policy shall be guided by the Framework Governing Related Party Transactions and has been drafted with an objective of ensuring compliance with the provisions pertaining to Related Party Transactions in the Companies Act, 2013(the Act) and with the Rules framed thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively known as “Regulations”).

2. Purpose

Related Party Transactions (“RPTs”) are appropriate if they are in the interest of the Company and its stakeholders. The purpose of the RPT Policy is to authorize, monitor, regulate and report contracts, arrangements and transactions between the Company and a Related Party.

This Policy lays down the process to be adopted by the Company for identification of the Related Parties, approval of the RPTs and any subsequent modification thereof. The Policy also lays down the reporting requirements of RPTs. The RPT Policy is prepared to comply with the Regulations.

3. Scope and Applicability

This Policy applies to all the transactions of the Company with its Related Parties including changes, if any, in such Related Parties from time to time. This policy also defines the on materiality of Related Party Transactions in accordance with Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy has been adopted by the Board of Directors based on recommendations of the Audit Committee.

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4. Definitions

For the purpose of this policy, the following definitions shall apply:

“Arm’s Length Transaction” means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Board of Directors or Board” means the collective body of the Directors of the Company including Committees of the Board wherever authorized by the Board.

“Chief Executive Officer (CEO)” means an officer of a company, who has been designated as such by it as defined under Section 2(18) of Companies Act, 2013.

“Chief Financial Officer (CFO)” means a person appointed as the Chief Financial Officer of the Company as defined under Section 2(19) of Companies Act, 2013.

“Company Secretary (CS) or Secretary ” means a Company Secretary as defined in Clause (c) of Sub-section (1) Section 2 of Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a company Secretary and as defined under Section 2(24) of the said Act.

“Key Managerial Personnel (KMP)”, in relation to a company shall have the meaning as defined under Regulation 2(1)(o) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Section 2(51) of the Companies Act, 2013, each as amended from time to time and includes any person so authorized and designated by the Board of Directors of the Company as KMP.

“Material Modification” means subsequent modification(s) to an existing Related Party Transaction & the related terms, if such modification(s) leads to a variance of 15% of

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the transaction value approved earlier by the Audit Committee/ Board/ Shareholders, as the case may be and shall also mean and include all such modifications to existing Related Party Transactions where such variance is expected to result in the value of the existing Related Party Transaction(s) exceeding a monetary value of INR 1,000 crores per annum irrespective of the absolute quantum of such modification. Where a modification is not quantifiable in monetary terms, the materiality for modification shall be laid down by the audit committee in respect of each contract based on facts and circumstances of the modification.

“Material Related Party Transactions” will have the same meaning as defined in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/ or such limits as may be prescribed either in the Act.

“Managing Director” means Managing Director as defined in Section 2(54) of the Act.

“Ordinary Course of Business” means a transaction which is carried out in the normal course of business and includes all such requisite activities which the Company can undertake as per its Memorandum 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;

“Regulations” shall have the meaning attributed to it in Clause 1 of the Introduction.

“Relative” in relation to a Related Party shall have the same meaning assigned to in Section 2(77) of the Companies Act, 2013.

“Related Party” will have the same meaning as defined under Section 2(76) of the Act and/ 2(1)(zb)the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Reference and reliance may be placed on the clarification issued by the Ministry of

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the Corporate Affairs, Government of India and Securities and Exchange Board of India and other Authorities from time to time on the interpretation of the term “Related Party”.

“Related Party Transactions (RPT)” shall have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended, and shall mean a transaction involving a transfer of resources, services or obligations between:

- a. the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand;
- b. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries

regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

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- (c) Retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

“Transaction” shall be construed to include single transaction or a group of transactions in a contract.

“Whole-time Director” means Whole-time Director as defined in Section 2(94) of the Act.

5. Policy

The objective of the Policy is to set out (a) the materiality thresholds for related Party transactions (b) manner of dealing with the transactions between the company and its related party.

The RPT Policy will be reviewed, approved and amended from time to time by the Audit Committee and the Board of Directors of the Company, subject to review of at least once in every three years or as and when there is an amendment under the Act of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 .

5.1 Identification of Related Parties and Related Party Transactions

The Company has formulated guidelines for identification and updating the list of related parties at regular intervals.

On an annual basis, the CS shall request a disclosure of Related Parties from each Director and each KMP within the meaning of Section 2(76), section 184 of the Act and under Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the prescribed format and in case of any change, the same would be notified to the Company Secretary.

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The Company Secretary shall determine and assess whether the transactions constitute a potential Related Party Transaction or not. Such identified transactions shall be taken up for further evaluation, monitoring and requisite compliance.

5.2 Approval and review of Related Party Transactions

The Company prefers to receive notice of any potential Related Party Transaction(s) in advance from relevant stakeholders, so that the Audit Committee / Board have sufficient time to review information regarding the proposed Transaction.

5.2.1 Materiality Threshold

The Board of directors has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

- a. Any 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% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or 1,000 crore, whichever is lower
- b. A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

5.2.2 Audit Committee

- (i) All Related Party Transactions and subsequent material modifications shall be prior approved by the Audit Committee and only by those members who are Independent Directors of the Company

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- (ii) a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- (iii) A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- (iv) The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - a. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - b. the transaction is not material in terms of clause 5.2.1
 - c. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification
 - d. The details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

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- e. Any other condition as specified by the audit committee

5.2.3 Information to be reviewed by the Audit Committee for approval of RPTs

To review the Related Party Transaction, the Audit Committee shall be provided with necessary information, to the extent relevant/applicable, with respect to actual or potential Related Party Transactions and/or prescribed under the Act (including secretarial standards) and the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, as amended from time to time read with relevant guidelines, and circulars issued by SEBI or applicable Stock Exchanges.

While considering any Related Party Transaction, the Audit Committee shall take into account the following:

- a. Type, material terms and particulars of the proposed transaction
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - (i) details of the source of funds in connection with the proposed transaction

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- (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT
- g. Justification as to why the RPT is in the interest of the listed entity;
 - h. A copy of the valuation or other external party report, if any such report has been relied upon;
 - i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

5.2.4 Omnibus Approval

The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the company or subsidiary subject to the following conditions namely:

- i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions shall be applicable in respect of transactions which are repetitive in nature.
- ii. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company.

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- iii. While according omnibus approval, the Audit Committee shall specify the following:
 - k. the name(s) of the Related Party,
 - l. nature of the Transaction,
 - m. period of the Transaction,
 - n. maximum amount of Transactions that shall be entered into,
 - o. the indicative base price/current contracted price and the formula for variation in the price if any; and
 - p. such other conditions as the Audit Committee may deem fit:
- iv. In the event the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such Transactions subject to their value not exceeding a sum of rupees one crore per Transaction.
- v. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the listed entity pursuant to each or its subsidiaries of the omnibus approvals given.
- vi. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- vii. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
 - 1. Transactions which are not at arm's length or not in the ordinary course of business;
 - 2. Transactions which are not repetitive in nature;
 - 3. Transactions exceeding materiality thresholds as laid down in the Policy
 - 4. Transactions in respect of selling or disposing of the undertaking of the

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company

5. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
6. Any other transaction as the Audit Committee may deem not fit for omnibus approval.

5.3 Consideration and approval of the Board of Directors

If the Audit 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 matters or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction. The considerations set forth above, under Paragraph 5.2.3, shall apply to the review and approval of the matter by the Board of Directors, with such modifications as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction.

5.4 Voting at Board/Committee meetings

Any member of the Audit Committee or the Board who has a potential conflict of interest in any Related Party Transaction (i) shall not be present during the discussion of the said Related Party Transaction at the meeting; and (ii) shall abstain from voting for the approval of such Related Party Transaction.

5.5 Approval of the Shareholders of the Company

Approval of the shareholder's by way of a resolution, as prescribed in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 shall be

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required in the following scenarios:

- (i) All the Material Related Party Transactions including any Material Modification to such Material Related Party Transactions, other than those mentioned in clause 5.7.
- (ii) Related Party Transactions, with the Related Parties which are not in the ordinary course of business or not at Arm's Length basis and which are beyond the limits specified in sub-rule (3) of rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time.

5.6 Voting on Related Party Transactions at shareholder meeting

- (i) In respect of Material Related Party Transactions that require the approval of the shareholders, all entities falling under the definition of Related Parties shall not vote to approve on the item of agenda in the notice relevant to the Transaction irrespective of whether the entity is a party to the particular Transaction or not.
- (ii) In respect of a Related Party Transaction that requires the approval of the shareholders by reason of it being not in the Ordinary Course of Business or not at Arm's Length Basis, the Related Party to the said Transaction shall not vote to approve on the item of agenda in the notice relevant to the Transaction.

5.7 Exclusions:

The approval of the Audit Committee or Board or shareholder of the company is not required for the following cases except to the material transaction with respect to brand usage or royalty :

- a. 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

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- b. Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
- c. Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand

5.8 Effect on Related Party Transaction not approved under this policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this policy prior to its consummation, the matter shall be reviewed by the Audit Committee and the Committee shall consider all relevant facts and circumstances regarding the Related Party Transaction and evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

5.9 Deemed approval

The transactions or arrangements which are specifically dealt in terms of specific provision(s) of the applicable laws and executed under separate procedures/ approvals mechanism shall not be required to be approved under this Policy, including but not limited to the following:

- a. Appointment of directors/Key Managerial Personnel/Senior Managerial personnel of the company/subsidiary/associate
- b. Remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material

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transaction.

- c. Corporate actions initiated by the company where all security holders including related party receives benefit on pro-rata basis, such as:
- the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
 - Payment of dividend by the Company
 - Subdivision or consolidation of securities by the Company
 - Issuance of securities by way of a rights issue or a bonus issue and
 - Buy-back of securities

6 Disclosure and Reporting

Appropriate disclosures as required under the Act and the SEBI LODR will be made in the Annual Report and to the Stock Exchanges.

The policy shall be published on VAIDYA SANE AYURVED LABORATORIES LIMITED website www.madhavbaug.com and web link of the policy shall be disclosed in the Company's Annual Report.

7 Compliance with the RPT Policy

- Every person associated with RPTs shall be accountable for complying with this RPT Policy that may be in force from time to time.
- A Director or KMP or any other employee, who had entered into or authorized the contract or arrangement in violation of the RPT Policy and RPT Framework shall be deemed guilty of non-compliance.

In case of breach of this Policy, the Audit Committee and/or Board of Directors

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may initiate appropriate action against the person responsible.

8 Administrative Measures

The Audit Committee of the Company, subject to supervision of the Board, shall interpret and administer this Policy. They shall also be the Competent Authority for investigating and taking appropriate actions / steps for prevention or remedy of any breach and / or defaults in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulations.

9 Amendment in Law

Any subsequent amendment/modification in the Regulations shall automatically apply to this Policy.

10 Whistle blower mechanism

Any officer or employee can avail of the vigil mechanism to report a fraudulent related party transaction or any transaction which is not in line with this Policy.

*****End of Policy*****