



EVEREST KANTO CYLINDER LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

(w.e.f. October 1, 2014)

Approved by the Board of Directors at the meeting held on February 10, 2015

1. PREAMBLE

The Board of Directors (the "Board") of Everest Kanto Cylinder Limited (the "Company") has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges in India. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to Transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material Transactions.

2. APPLICABILITY

The Policy shall be applicable to all Related Party Transactions to be entered into or modification of any Related Party Transactions w.e.f. 1st October, 2014. However, Related Party Transactions entered into and any subsequent modification to any Related Party Transaction from 1st April, 2014 to 30th September, 2014 shall be in compliance with the provisions of Companies Act, 2013.

3. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of Transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as per Companies Act, 2013 and the Listing Agreement as may be amended from time to time. The Company is required to disclose each year in the Financial Statements certain Transactions between the Company and Related Parties as well as policies concerning Transactions with Related Parties.

The provisions of this Policy are designed as per the requirements of Clause 49 in order to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

4. DEFINITIONS

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

"Audit Committee or Committee" means the Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

"Arm's Length Basis" means a Transaction between two Related 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 Domestic Transfer Pricing under Income Tax Act, 1961.

"Associate Company", means any other company, in which the Company has a

significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

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

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Clause 49” means the Clause no. 49 of the Listing Agreement entered into by the Company with the stock exchanges

“Company” means Everest Kanto Cylinder Limited

“Control” shall mean the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner; and

“Financial Year” shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.

“Holding Company”, in relation to one or more other companies, means a company of which such companies are Subsidiary Companies;

“Key Managerial Personnel”, in relation to a company, means—

- (a) the Chief Executive Officer or the managing Director or the manager;
- (b) the Company Secretary;
- (c) the Whole-time Director;
- (d) the Chief Financial Officer; and
- (e) such other officer as may be prescribed;

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

“Material Related Party Transaction” means a transaction or transactions with a Related Party entered into individually or which taken together with previous transactions during a Financial Year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company.

“Office or Place of profit” means any office or place—

- (a) where such office or place is held by a Director, if the Director Holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (b) where such office or place is held by an individual other than a Director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate Holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

“Related Party” means an entity related to the Company as follows:

- (a) such entity is a Related Party under Section 2(76) of the Companies Act, 2013; or
- (b) such entity is a Related Party under the applicable accounting standard

Related Party under Section 2(76) of Companies Act, 2013 and the rules made thereunder are as follows-

- (i) a Director or his Relative;
 - (ii) a Key Managerial Personnel or his Relative;
 - (iii) a firm, in which a Director, manager or his Relative is a partner;
 - (iv) a private company in which a Director or manager is a member or Director;
 - (v) public company in which a Director or manager is a Director or holds along with his Relatives, more than 2% of its paid-up share capital;
 - (vi) any body corporate whose Board of Directors, Managing Director or manager is accustomed to act in accordance with the advice, directions or instructions of a Director or manager;
 - (vii) any person on whose advice, directions or instructions a Director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (i) any company which is—
 - a) a Holding, Subsidiary or an Associate Company of such Company; or
 - b) a Subsidiary of a Holding Company to which it is also a Subsidiary;
- (ii) a Director or Key Managerial Personnel of the Holding Company or his Relative
- (iii) such other persons as may be prescribed by Central Government.

Related Party as per the Accounting Standard 18 is as follows:

Parties are considered to be related if at any time during the reporting period one party has the ability to Control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

“Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged including but not limited to the following:

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of, or buying property of any kind;
- (c) Leasing of property of any kind;
- (d) Availing or rendering of any services;
- (e) Appointment of any agent for the purchase or sale of goods, materials, services or property;
- (f) Such Related Party’s appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company;
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;
- (h) Financing (including loans and equity contributions in cash or kind);

- (i) Providing or obtaining guarantees and collaterals; and
- (j) Deputation of employees.

(The above is an indicative list and not an exhaustive one)

A transaction with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

“Relative” means a relative as defined under section 2(77) the Companies Act, 2013 and the rules prescribed thereunder and includes anyone who is related in any of the following manner:

- (a) Members of a Hindu undivided family;
- (b) Husband or wife;
- (c) Father (including step-father);
- (d) Mother (including step-mother);
- (e) Son (including step-son);
- (f) Son’s wife;
- (g) Daughter;
- (h) Daughter’s husband;
- (i) Brother (including step-brother); or
- (j) Sister (including step-sister)

“Significant Influence” means participation in the financial and/or operating policy decisions of an enterprise, but not Control of those policies

“Special Resolution” means a resolution where —

- (a) the intention to propose the resolution as a Special Resolution has been duly specified in the notice calling the general meeting or other intimation given to the members of the resolution;
- (b) the notice required under the Act has been duly given; and
- (c) the votes cast in favour of the resolution, whether on a show of hands, or electronically or on a poll, as the case may be, by members who, being entitled so to do, vote in person or by proxy or by postal ballot, are required to be not less than three times the number of the votes, if any, cast against the resolution by members so entitled and voting.

“Subsidiary Company” or “Subsidiary”, in relation to any other company (that is to say the Holding Company) means a company in which the Holding Company—

- (a) Controls the composition of the Board of Directors; or
- (b) exercises or Controls more than one-half of the total share capital either on its own or together with one or more of its Subsidiary Companies

A Company shall be deemed to be a Subsidiary Company of the Holding Company even if the Control referred to in sub-clause (i) or sub-clause (ii) is of another Subsidiary Company of the Holding Company. The composition of a

Company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the Directors.

5. POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the Transactions in accordance with this Policy.

6. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis before the commencement of a Financial Year:

- (a) Names of his / her Relatives;
- (b) Partnership firms in which he / she or his / her Relative is a partner;
- (c) Private Companies in which he / she is a member or Director;
- (d) Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- (e) Any Body Corporate whose Board of Directors, Managing Director or manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- (f) Persons on whose advice, directions or instructions, he / she is accustomed to act (Other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, Directorships, Holdings, interests and / or Controls immediately on him / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –

- (a) All Directors and Key Managerial Personnel;
- (b) All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
- (c) Company's Holding Company, Subsidiary Companies and Associate Companies;
- (d) Subsidiaries of Holding Company;
- (e) Director or Key Managerial Personnel of the Holding Company or their Relatives;
- (f) All Everest Kanto Group entities; and

- (g) Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement or the applicable Accounting Standard.

The database shall be updated whenever necessary and shall be reviewed at least once a year by the Company Secretary. The functional / business heads / Chief Financial Officer /Company Secretary shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the Transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 to this Policy.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential Related Party Transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

- (a) All Related Party Transactions or changes therein must be placed by the Compliance Officer before the Audit Committee for its prior approval in accordance with this Policy.
- (b) In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
 - (i) the Related Party's interest in the Related Party Transaction;
 - (ii) the approximate amount involved in the Related Party Transaction;
 - (iii) the approximate amount of the Related Party's interest in the Transaction without regard to the amount of any profit or loss;
 - (iv) whether the Related Party Transaction was undertaken in the Ordinary Course of Business of the Company;
 - (v) the purpose of, and the potential benefits to the Company from the Related Party Transaction
 - (vi) Whether the terms of the Related Party Transaction are fair and on Arm's Length basis to the Company and would apply on the same basis if the

Transaction did not involve a Related Party;

- (vii) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative Transactions, if any;
- (viii) Whether the Related Party Transaction would affect the independence of an independent director;
- (viii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Transaction;
- (ix) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company
- (x) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant

Required public disclosure, if any, and

Any other information regarding the Related Party Transaction or the Related party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable in light of the circumstances of the particular Transaction.

If the evaluation by the Audit Committee indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such Transaction, the Related Party Transactions, together with a summary of material facts, will be placed before the Board for its approval.

- (c) If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a Special Resolution pursuant to Companies Act, 2013 and any other applicable law, the same shall be put up for approval by the shareholders of the Company.

- (d) If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible or is not obtained for any other reason, then the Related Party Transaction shall be ratified by the Audit Committee/ the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.
- (e) In any case where the Audit Committee or Board or a general meeting decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee/ Board has authority to modify or waive any procedural requirements of this Policy.
- (f) Where any Related Party Transaction is not ratified by the Audit Committee or the Board or, as the case may be, by the shareholders within three months from the date on which such transaction was entered into, and such transaction entered into is with a Related Party to any Director, or is authorised by any other Director, then the Directors concerned shall indemnify the Company against any loss incurred by it.
- (g) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee/ Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on term no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.
- (h) No Related Party shall participate in any discussion or approval or voting of a Related Party Transaction irrespective of whether the entity is a party to the particular transaction or not, except that the Director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee/ Board.
- (i) In addition, the Audit Committee/ the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- (j) Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:
 - (i) Transactions entered into between the Company and its wholly owned Subsidiary whose accounts are consolidated with the Company and placed

before the shareholders at the general meeting for approval.

- (ii) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.
- (iii) 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.

8. PARTICULARS OF RELATED PARTY TRANSACTIONS TO BE PLACED BEFORE THE AUDIT COMMITTEE MEETING OR BOARD MEETING

The Agenda of the Audit Committee or Board meeting at which a Related Party Transaction is proposed to be moved shall disclose-

- (a) The name of the Related Party and nature of relationship;
- (b) The nature, duration of the contract and particulars of the contract or arrangement;
- (c) The material terms of the contract or arrangement including the value, if any;
- (d) Any advance paid or received for the contract or arrangement, if any;
- (e) The manner of determining the pricing and other commercial terms both included as part of contract and not considered as part of the contract;
- (f) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

9. DETERMINATION OF ORDINARY COURSE OF BUSINESS

"Ordinary Course of Business" shall mean all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the

normal routine in managing its trade and business and undertaken as per the Memorandum of Association of the Company.

10. DETERMINATION OF ARM'S LENGTH NATURE OF THE RELATED PARTY TRANSACTION

While considering the Arm's Length nature of the transaction, the Audit Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Audit Committee shall take into consideration the subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise Arm's Length nature of the transaction.

The Audit Committee may also consider the permissible methods of Arm's Length pricing as per the applicable laws (such as Income Tax Act including Safe Harbour Rules)

For the above purposes, the Audit Committee shall be entitled to rely on professional opinion.

11. UNDERWRITING AND SCREENING OF RELATED PARTY

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria/ underwriting standards and procedures as may be applicable in case of an unaffiliated party.

12. APPROVAL BY CIRCULAR RESOLUTION OF THE AUDIT COMMITTEE

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Audit Committee to enter into a Related Party Transaction, such transaction may be approved by the Audit Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Audit Committee at its next scheduled meeting.

13. OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant an omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- (a) Name of the Related Party
- (b) Nature of the transaction

- (c) Period of the transaction
- (d) Maximum amount of the transactions that can be entered into
- (e) Indicative base price / current contracted price and formula for variation in price, if any
- (f) Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and would not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied or amended. Any proposed variations / amendments to these factors shall require a prior approval of the Audit Committee.

Further, where the need of such Related Party Transaction cannot be foreseen and all prescribed details are not available, the Committee may grant omnibus approval for such transaction subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The Audit Committee shall on a quarterly basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

14. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

All Material Related Party Transactions shall require approval of the shareholders by the way of Special Resolution and the Related Parties shall abstain from voting on such resolution.

15. TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

All Related Party Transactions, which are not in the Ordinary Course of Business or not at Arm's Length basis, shall also require prior approval of the shareholders by the way of Special Resolution and the Related Parties shall abstain from voting on such resolution.

16. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- (a) All Related Party Transactions for which approval of shareholders by way of Special Resolution is required under the Companies Act, 2013, are to be disclosed in Board's Report along with justification for entering into such transactions.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly to the Stock Exchanges along with the compliance report on corporate governance.
- (c) The Company shall disclose the Policy on its website and a weblink thereto shall be provided in the Annual Report.

17. CONFLICTING PROVISIONS

In the event of any conflict between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments or rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments or rules shall prevail over this Policy.