

AVANTI FEEDS LIMITED

RELATED PARTY TRANSACTION POLICY

I. INTRODUCTION

Avanti Feeds Limited (the “Company” or “AFL”) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm’s length basis. The Company has been in compliance with various laws and regulations in this regards so far and ensured that such transaction are in the best interest of the company and shareholders.

The Companies ACT, 2013 and the revised Clause 49 of Equity Listing Agreement (“Listing Agreement”) have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, the revised Listing Agreement specifies that the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company hereby seeks to formulate a robust Related Party Transaction Policy dealing with the identification, review and approval of Related Party Transactions and to ensure that all such transactions are in the best interest of the Company and its shareholders.

II. Applicability

The Policy shall be applicable to all Related Party Transactions to be entered into or modification of any Related Transactions w.e.f 1st October, 2014. ¹

III. Scope

This Policy is applicable to all Related Party Transactions as per Companies Act, 2013 and the listing Agreement. ²

¹ 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.

² The Policy has been prepared in accordance with the applicable provisions of Companies Act, 2013 and Listing Agreement. Any subsequent amendment/modification in this regards shall automatically apply to this Policy.

IV. Definitions

In this policy, unless the context otherwise requires:

- (a) “Act” shall mean the Companies Act 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
- (b) “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.
- (c) “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 percent of total share capital, or of business decisions under an agreement.
- (d) “Control” has the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.³
- (e) “Financial Year” shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
- (f) “Holding Company”, in relation to one or more other companies, means a company of which such companies are subsidiary companies.

³ “Control” includes 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: Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position.

(g) “Office or place of profit” means any office or place—

- i. 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;
- ii. 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;

(h) “Policy” means this Related Party Transaction Policy of the Company.

(i) “Relative” shall mean “relative” as defined in section 2 (77) of the Companies Act, 2013 and rules prescribed there under. ⁴

(j) “Related Party/ies” shall have the meaning as ascribed to it/them as per provision V of the Policy.

(k) “Related Party Transactions” shall have the meaning as ascribed to them as per provision VI of the Policy.

(l) “Significant RPT” shall have the meaning as ascribed to them as per provision VII of the Policy.

⁴Section 2 (77): “relative “, with reference to any person, means anyone who related to another, if---they are members of a Hindu Undivided Family; (ii) they are husband and wife; or (iii) one person is related to the other in such manner as may be prescribed;

Rule 4 Chapter 1: A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

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|--|--|
| (1) Father (including step-father) | (2) Mother (including the step-mother) |
| (3) Son (including the step-son) | (4) Son’s wife |
| (5) Daughter | (6) Daughter’s Husband |
| (7) Brother (including the step-brother) | (8) Sister (including the step-sister) |

- (m) “Special Resolution”. A resolution shall be a special resolution when—
- 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.

- (n) “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---
- i. Controls the composition of the Board of Directors; or
 - ii. 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.

- (o) “Material RPT” shall have the meaning as ascribed to them as per provision VII (b) of the Policy.

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/ or Listing Agreement.

V. IDENTIFICATION OF RELATED PARTIES

‘Related Party’ is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and /or operating decisions and includes the following:

1. A person or a close member of that person's family is related to the Company if that person:
 - a. Is a related party under Section 2 (76) of the Companies Act, 2013⁵; or
 - b. Has control or joint control or significant influence over the company; or
 - c. Is a key managerial personnel of the Company or of the Holding Company; or
2. An entity is related to the Company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013;or
 - b. The entity is an associate or joint venture of the Company; or
 - c. Any post-employment benefit plan for the benefit of employees of either the company or an entity related to the Company; or
 - d. The entity is controlled or jointly controlled by a person identified in (1); or
 - e. A person identified in (1) (b) has significant influence over the entity (or of the Holding Company of that entity);

VI. RELATED PARTY TRANSACTION

A related party transaction ("RPT") is a transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged whether by way of any contract, arrangement or otherwise.

⁵ Section 2(76) "related party" with reference to a company, means---

- (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 a director
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) Anybody 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;
- (viii) 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;
- (ix) Such other person as may be prescribed;

Rule 3 of chapter 1 provided that a director (other than an Independent Director) or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

VII. TYPES OF RELATED PARTY TRANSACTIONS

- a. Significant RPT ⁶ shall mean any of the following transactions (entered into by the company with any of its Related Parties) which are either not in the ordinary course of business or not on an arm's length basis:
- Sale, purchase or supply of any goods or materials;
 - Selling or otherwise disposing of, or buying, property of any kind;
 - Leasing of property of any kind;
 - Availing or rendering of any services;
 - Appointment of any agent for purchase or sale of goods, materials, services or property;
 - Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - Underwriting the subscription of any securities or derivatives thereof, of the company

Thus, any of the above transactions which are in ordinary course of business and on arm's length basis shall not be considered as significant RPT.

- b. Material RPT ⁷ shall mean such transactions with a related party which, when entered into individually, or taken together with previous transactions, during a financial year, exceeds
- i. Ten percent of the annual turnover as per the audited financial statements of the company of the preceding financial year or
 - ii. Ten percent of the net worth of the company as per the audited financial statements of the company of the preceding financial year, **whichever is higher.**
- c. **Other RPT** shall mean any other Related Party Transaction which is not included in (a) and (b) above.

⁶This is as per Section 188 of the Act as applicable to AFL currently. Any subsequent amendment/ modification in this regards shall automatically apply to this provision.

⁷This is as per provisions of the Listing Agreement. Any subsequent amendment/ modification in this regards shall automatically apply to this Provision.

VIII. REVIEW AND APPROVAL PROCESS

The following provisions lay down the procedure for review and approval of various types of Related Party Transactions:

I. Audit Committee

- i. The Agenda for the Audit Committee Meeting (at which RPT's are to be placed) shall contain a statement of Related Party Transactions for its consideration and recommendation to Board, prior to the Company entering into such transaction.
- ii. The Audit Committee shall consider and if thought fit, approve the RPT and recommend the same to the Board for its approval. Such approval of Audit Committee may be obtained only at a duly convened meeting where the Audit Committee members may participate either in person or through video conferencing or other audio visual means.

II. Board of Directors

- i. The Agenda for the Board Meeting (at which RPT's are to be placed) shall contain a statement of Related Party Transactions recommended by Audit Committee along with reasons for entering into such RPT.
- ii. Where any director is interested in any RPT, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- iii. The Board shall consider and if thought fit, approve the RPT recommended by the Audit Committee.
Such an approval of Board has to be obtained at a duly convened meeting of the Board where the Directors may participate either in person or through video conferencing or other audio visual means.

III. Shareholders

The Approval of the Shareholders for the Related Party Transactions will be obtained whenever required under Sec188 of the Companies Act 2013 and under Company (Meetings of Board and its Powers) Rules'2014.

IX. GENERAL PRINCIPLES

- i. The Audit Committee shall have following powers with respect to RPT:
 - 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 RPT.
- ii. The CFO of the company is authorised to issue necessary guidelines for implementation of this Policy.
- iii. The Company while entering into any RPT, shall ensure that such RPT is in the best interest of the Company and adheres to this Policy.

X. DISCLOSURE REQUIREMENTS

- i. Significant RPT are to be disclosed in Board's Report.
- ii. The Company shall disclose the Policy on its website and also provide link in the Annual Report.

XI. Review Periodically:

The Company shall review the Policy from time to time.