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RELATED PARTY TRANSACTIONS -POLICY& PROCEDURES, 2014

Preamble

The Board of Directors (the “Board”) of VST Industries Limited (the “Company” or “VST”), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent modifications, amendments or re-enactment thereto (the “Act”) and Listing Agreement entered into with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

Objective

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party as defined below, in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons.

Transactions Covered by this Policy

Transactions covered by this policy include any transfer of resources, services or obligations between the Company and a related party and other transactions defined hereunder as “Related Party Transaction”.

All RPTs , other than material transactions, existing prior to the commencement of Section 188 of the Companies Act, 2013 shall continue without following the procedure as laid down in this policy until the contract’s original termination date. However, any modifications to such RPTs made after commencement of Section 188 of the Companies Act, 2013 will require approvals as set forth in this policy.

All existing material transactions which are likely to continue beyond March 31, 2015 require to be approved by the shareholders in the first General meeting subsequent to October 1, 2014.

Since the Company does not have any subsidiary, policy for determining material subsidiary is not required to be framed.

Definitions

- 1) **“Board”** means the Board of Directors of the Company.
- 2) **“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 or his relative is a member or 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) 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 under 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) a director or key managerial personnel of the holding company or his relative with reference to the company;
 - (x) such entity as is a related party under the applicable accounting standards
 - (xi) such other person as may be prescribed;
- 3) **“Relatives”** -with reference to any person, means any one who is related to another, if –
 - (i) They are members of a Hindu Undivided Family;
 - (ii) They are husband and wife; or
 - (iii) One person is related to the other in the following manner, namely:-
 - a) Father including step father
 - b) Mother including step mother
 - c) Son including step son
 - d) Son’s Wife
 - e) Daughter
 - f) Daughter’s Husband

- g) Brother including step brother
- h) Sister including step sister

- 4) **“Related Party transactions”** -Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and shall include any contract or arrangement with the related party with respect to –
- (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 agents for 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; and
 - (g) underwriting the subscription of any securities or derivatives thereof, of the company

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

- 5) **“Material transaction”** for the purpose of this policy shall mean any transactions/transactions to be entered into individually or taken together with previous transactions during a financial year, which exceeds five per cent of the turnover or net worth of the company computed on the basis of audited financial statement of preceding financial year or rupees fifty crores, whichever is lower.
- 6) **“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.
- 7) **“Transactions on 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.

- 8) **“Key Managerial Personnel”** includes
- (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) the Company Secretary;
 - (iii) the Whole-time Director;
 - (iv) the Chief Financial Officer
 - (v) such other officer as may be prescribed under the Companies Act, 2013
- 9) **“Associate Company”**, in relation to another company, means a company in which that other 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.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Any other term not defined here shall have the meaning as per the provisions of Companies Act, 2013.

Disclosures

The Directors and key managerial personnel are required to give the disclosure of their interest in terms of the provisions of the Companies Act, 2013 as under:

- (i) At the time of their appointment or at the first meeting of the Board in which they participate as director and
- (ii) At the first meeting of the Board in every financial year and
- (iii) Whenever there is change in the disclosure already made.

In addition, whenever a director or key managerial personnel becomes aware of any proposed transaction with the company in which he may be deemed to be a related party by virtue of the interest of his relative or otherwise, he/she shall immediately disclose his/her interest.

The Company shall also maintain an updated database of firms, companies, body corporate, other persons who may be deemed to be a related party by virtue of their shareholding, control over the company or through one of the directors, key managerial personnel or their relatives or otherwise.

Review and Approval of Related Party Transactions

By Audit Committee

All Related Party Transactions except those relating to compensation of Directors, Key Managerial Personnel in connection with their duties to the Company including reimbursement of business & travel expenses as approved by the Board and / or the Shareholders shall be referred to the Audit Committee for its approval.

However, the Audit Committee may grant omnibus approval for related party transactions 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 Company's policy on Related Party Transactions and shall grant such omnibus approval to the transactions which are repetitive in nature after evaluating the following criteria:
 - (i) The nature of transaction;
 - (ii) The related parties involved in the transaction;
 - (iii) The amount involved;
 - (iv) The prevailing price for similar goods or transaction;
 - (v) Whether the said transaction can be entered into with some other party who is not related to the company at competitive cost without compromising the quality of work;
 - (vi) The rationale for paying higher price, if any;
 - (vii) The benefit of the transaction to the Company and its stakeholders;
 - (viii) The frequency & repetitiveness of the transaction;
 - (ix) Whether the transactions is in the ordinary course of business and at arm's length;
 - (x) Such other matter as it may deem necessary.
- 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 Related Party Transaction 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 per transaction.

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

By the Board and Members

1. All related party transactions , covered under Section 188(1) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 with all amendments thereto, other than such transactions which are in the ordinary course of business and on arm's length basis, shall be entered into only with the consent of the Board of Directors by a resolution passed at the meeting of the Board.
2. The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose the following :-
 - (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 from the contract or arrangement, if any;
 - (e) The manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
 - (f) Whether all factors relevant to the contract have been considered, if ant, 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.
3. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
4. All related party transactions which are material transactions will also need the approval of the Company by a special resolution. The explanatory statement to be annexed to the notice of the general meeting for the approval of such RPT shall contain the following particulars:-
 - (a) Name of the related party;
 - (b) Name of the director or key managerial personnel who is related, if any;
 - (c) Nature of relationship;
 - (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) Any other information relevant or important for the members to take a decision on the proposed resolution.
5. All the entities falling under the definition of related parties shall abstain from voting on the resolution approving the RPT irrespective of whether the entity is a party to the particular transaction or not.

Related Party Transactions not Previously Approved

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required, and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

Registers & Disclosures

1. The Company shall keep and maintain a register, either physically or electronically, as per the statutory provisions, giving separately the particulars of all contracts or arrangements to which this policy applies.
2. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall disclose this policy relating to Related Party Transactions on its website and provide a web link to the same in the Annual Report.
4. All contracts and arrangements entered into by the company under Section 188 (1) of the Companies Act, 2013 shall be referred to in the Board's report to the shareholders along with the justification for entering into such contracts or arrangements.