



# *CORAL LABORATORIES LTD*

## **Related Party Transactions Policy**

(effective April 01, 2019)

## **Introduction**

The Board of Directors (the 'Board') of Coral Laboratories Limited (the 'Company') has adopted this policy and procedures with regard to Related Party Transactions ('Policy'), in line with the requirements of Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI (LODR) Regulations') read with Section 188 of the Companies Act, 2013 including the Rules made thereunder (hereinafter referred to as 'the Act') as amended from time to time.

The Policy shall be subject to periodic review and updated by the Board at an interval not exceeding three years from the date of its previous review/approval.

## **Purpose**

The objective of this Policy is to determine 'materiality' of a related party transaction and to ensure proper approval, disclosure and reporting of related party transactions as applicable under the SEBI (LODR) Regulations, between the Company and any of its related parties.

## **Applicability and governing law**

The amended Policy is adopted in board meeting dated April 1<sup>st</sup>, 2019, which will be effective from 1st April 2019 and will be applicable to the Company with respect to all Related Party Transactions covered within the scope of Regulation 23 of the SEBI (LODR) Regulations.

This Policy on Related Party Transactions shall be governed by the Act read with Rules made thereunder, as may be in force for the time being as well as regulation 23 of the SEBI (LODR) Regulations or such other Rules/Regulations, as may be notified by the Government/ SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modification).

## **Key Definitions**

"Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"Audit Committee" means Committee of Board of Directors of the Company constituted pursuant to regulation 18 of SEBI (LODR) Regulations and Section 177 of the Act.

“Board of Directors” or “Board” in relation to a Company means the collective body of the directors of the Company.

“Key Managerial Personnel” in relation to a Company means

- i. the Chief Executive Officer, or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. Chief Financial Officer;
- v. 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 and
- vi. such other officer as may be prescribed under the Act.

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association.

“Related Party Transaction” means, a transfer of resources, services or obligations between a listed entity and a related party, 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. “Related Party”, with reference to the Company, shall have the meaning of related party as defined in Section 2(76) of the Act, regulation 2(zb) of SEBI (LODR) Regulations or under applicable Accounting Standards.

“Relatives” with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with clause 4 of the Companies (Specification of definition details) Rules, 2014.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

### **Threshold Limit for Materiality**

A transaction with a Related Party shall be considered to be ‘Material’ if the transaction / transactions to be entered into individually or taken together with previous transactions with the said party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the immediately preceding 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(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two per cent of the annual consolidated turnover of the Company as per the immediately preceding audited financial statements of the Company.

## **Policy on related party transactions**

### **Identification of Related Parties and Related Party Transactions**

The Company Secretary or the Compliance Officer (as the case may be) shall at all times maintain a database of Company's Related Parties, identified on the basis of the definition set forth in the Key Definitions section above, along with their personal/company/entity details including any revisions therein.

Each director and Key Managerial Personnel shall be responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

### **Approval of Related Party Transactions**

Prior approval of Audit Committee

All related party transactions shall require prior approval of the Audit Committee. Audit committee may, with the approval of the Board, grant omnibus approval for related party transactions which are repetitive in nature, proposed to be entered into by the Company subject to such conditions as it may prescribe, in compliance with the provisions of the Act and SEBI (LODR) Regulations.

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

- a. Transaction in consistent with the main and/or ancillary objects of the Company.
- b. Transaction not specified under the extraordinary disclosure of the previous audited financial statements.
- c. Repetitiveness of the transactions more than once during the current year or last three financial year with any party.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is required in the interests of the Company.

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 transactions cannot be foreseen and aforesaid details are not available.

The omnibus approval of the Audit Committee shall be valid only up to 1 (one) year and shall require fresh approval after expiry of one year. Details of the Related Party Transactions entered into pursuant to omnibus approval, shall be reviewed by Audit Committee on at least a quarterly basis.

All Related Party Transactions approved by the Audit Committee shall also be placed before the Board for its noting.

Any member of the Board and the Audit Committee who may be deemed to have any interest in any proposed Related Party Transaction will disclose the same and abstain from discussion and voting on the approval of the same.

#### **Prior approval of Board of Directors under the Act:-**

Related Party Transactions covered under section 188 of the Act, with which are either not in the Ordinary Course of Business or are not at Arms' Length basis shall also require prior approval of the Board of Directors.

#### **Shareholders' approval requirements**

Shareholders' approval shall also be sought in case of following Related Party Transactions:

- All Material Related Party Transactions, provided that it shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- Related Party Transactions which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' and exceeds the threshold under section 188 of the Act

All 'related parties' shall abstain from voting in favour on such resolutions whether the entity is a related party to the particular transaction or not

No member of the Company shall vote in favour/to approve the related party transaction, in a special resolution where a related party contract or arrangement is being considered if such a member is a Related Party in the context of the contract or arrangement which is being considered.

However, the above shall not be applicable to transactions between the Company and its wholly owned subsidiary, if any, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

### **Related party transactions not approved under this policy**

In the event the Company becomes aware of a Related Party Transaction which has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as may deem appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholder, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

### **Disclosure of Related Party Policy**

1. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement
2. The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction should contain the following details:
  - Name of the Related Party;
  - Name of the Director or Key Managerial Personnel, who is related, if any;
  - Nature of relationship;
  - Nature, material terms, monetary value and particulars of contract or arrangement;
  - Other relevant or important information which helps Shareholders take a decision
3. Details of all material transactions with the Related Parties should be disclosed to the Stock Exchanges on quarterly basis along with the Corporate Governance Compliance Report.
4. The Policy on dealing with Related Party Transactions shall be uploaded on the Company's website
5. The Company shall publish the Policy in its Annual Report.
6. This Policy will be communicated to all operational employees and other concerned persons of the Company.
7. The Policy will be reviewed by Board as and when required.