



**GALAXY BEARINGS LIMITED**

[CIN: L29120GJ1990PLC014385]

**POLICY ON RELATED PARTY TRANSACTIONS**

(As approved by the Board of Directors of the Company on 15<sup>th</sup> November, 2014)

## **INTRODUCTION:**

The Board of Directors (the “Board”) of Galaxy Bearings Limited (hereinafter referred to as the “Company”) has adopted the following policy and procedures with regard to related party transactions (hereinafter referred to as the ‘Related Party Transaction (RPT) Policy or “Policy”’), in line with the requirements of Section 188 of Companies Act, 2013 read with Rules made there under (hereinafter referred to as ‘The Act’) and Clause 49 of the Listing Agreement on Corporate Governance and subsequent amendments thereto (hereinafter referred to as ‘Clause 49’),

The Board may consider amendments to this Policy based on the recommendations of the Audit Committee, from time to time

## **PURPOSE:**

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders. Further, as per Clause 49, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions including material transactions.

The Audit Committee shall periodically review this policy and may recommend amendments to the Board from time to time as it deems appropriate.

## **DEFINITIONS & INTERPRETATIONS:**

*All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Agreement, as per the Companies Act, 2013 and the Rules, Notifications and Circulars made/ issued thereunder, as amended, from time to time.*

**“Board of Directors”** or **“the Board”** means the Board of Directors of **Galaxy Bearings Limited**, as constituted from time to time.

**“The Company”** wherever occur in the policy shall mean **Galaxy Bearings Limited**.

**“The Chairman”** means Chairman of the Board Meeting elected by the Board.

**“Arm’s Length Transaction”** means a

- (a) The transaction carried on between the Company and the Related Party on similar terms and conditions as of a unrelated party, including the price, and
- (b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income-tax Act, 1961.

**“Audit Committee”** means the Committee of the Board of Directors constituted under section 177 of the Act and Clause 49 of the Listing Agreement.

**“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; and
- v. such other officer as may be prescribed under the Companies Act, 2013

**“Material Related Party Transactions”** shall mean a transaction as defined “material” in Clause 49(VII)(C) of the Listing Agreement and/or contracts or arrangements given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules 2014 requiring shareholder’s approval.

**“Ordinary course of business”** A transaction shall be deemed to be in the ordinary course of business if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counterparty normally deals and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to business.

**“Related Party”** means a related party as defined in Section 2(76) of the Act read with Clause 49 of the Listing Agreement.

**“Related Party transaction” or “RPT”** shall mean such transaction as specified under Section 188 of the Act and Clause 49 (Vii A) of the Listing Agreement Transaction with a related party shall be construed to include a single transaction or a group of transaction in a contract.

**“Relative”** in respect of the Company’s Directors and Key Managerial Personnel shall mean and include the following:

- (i) Members of HUF
- (ii) Husband and wife
- (iii) Father, including step father
- (iv) Mother, including step mother
- (v) Son, including step son
- (vi) Son’s Wife
- (vii) Daughter, including step daughter,
- (viii) Daughter’s husband
- (ix) Brother, including step brother
- (x) Sister, including step sister

## **POLICY ON RELATED PARTY TRANSACTIONS:**

### **IDENTIFICATION OF RELATED PARTIES:**

- Each Director, Key Managerial Personnel whenever wishes to enter into a Related Party Transaction with the Company involving either him/ her or his/her Relative, shall give a Notice to the Company along with all the relevant details and documents.

- Notice of any Related Party Transaction shall be given well in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.
- Every Director, Key Managerial Personnel shall also make annual disclosures as under:
  - List of Relatives as defined in the Policy.
  - List of private companies where the Company's Director, Manager or his relative(s) is either a director or a member.
  - List of firms where the Company's director or his relatives are partner.
  - List of Public companies in which any Company's director is also a director and he, along with his/her relatives also holds more than 2% of the shareholdings.
- Every Director and Key Managerial Personnel shall also promptly intimate any change in the annual disclosures mentioned above.

#### **DETERMINATION OF ARM'S LENGTH.**

The Company adopts generally accepted practices and principles in determining whether the transaction is at 'arms length'. In the absence of any definition, the Company may refer to guidance given in Income Tax laws, Customs laws, EXIM laws, etc.

Determining arms length price is a matter of judgement and it shall be assessed on case by case basis depending upon the facts and circumstances in each case.

#### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:-**

##### **A. Approval by the Audit Committee:**

- The Company shall not enter into any Related Party Transactions with any Related Party without prior approval of the Audit Committee. 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:
  - Such omnibus approval shall be applicable in respect of transactions which are repetitive in nature.
  - The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest 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 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.

- Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- The Notices of any Related Party Transaction received by the Company from the Directors, Key Managerial Personnel shall be forwarded to the Company Secretary with a direction to convene a meeting of the Audit Committee.
- The Company Secretary shall convene the meeting of the Audit Committee, as directed, and shall place all the relevant information/documents relating to the proposed Related Party Transaction(s) before the Audit Committee, which inter- alia shall include:
  - The name of the Related Party and nature of relationship;
  - The nature, duration and particulars of the contract or arrangement; such as business purpose of the transaction, the benefit of the contract or arrangement to the Company/Related Party etc.
  - The material terms and conditions of the contract or arrangement including the value, if any;
  - Any advance paid or received for the contract or arrangement, if any;
  - The manner of determining the pricing and other commercial terms, both included as part of contract and also not considered as part of the contract;
  - 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
  - Any other information relevant or important for the Audit Committee and/or Board of Directors to take a decision on the proposed Related Party Transaction.
- The Audit Committee will consider the information/documents related to Related Party Transactions placed before it and either approve or reject the same on merit.
- If any member of the Audit Committee is interested in any Related Party Transaction with a Related Party, such member shall not be present at the Audit Committee Meeting, neither during the discussions on the subject matter nor at the time of voting on the resolution relating to such Related Party Transaction.

**B. Approval of the Board:**

- The following Related Party Transactions shall, after the approval of the Audit Committee, also be placed before the Board of Directors for approval:
  - Transactions not in arm's length.

- Transactions not in ordinary course of business.
  - Material transactions.
- The Board of Directors shall consider the information/documents placed before it and either approve or reject the proposed Related Party Transactions with a Related Party.
  - If any director is interested in any Related Party Transaction with the Related Party, he/she shall not be present at the Board Meeting, neither during the discussion on the subject matter, nor at the time of voting on the resolution relating to such Related Party Transaction.

**C. Approval by the Shareholders:**

- Transaction with related parties (as defined under Companies Act 2013) covered within the scope of Section 188 of the Act, which are either not in the ordinary course of business or not on 'arm's length basis and exceeds the threshold under section 188 of the Act shall require prior approval of the shareholders through special resolution. All Material Related Party Transactions covered within the scope of Clause 49 shall also require approval of the shareholders through special resolution. For this purpose, all entities falling under the definition of related parties (as defined under Clause 49) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. The related party shall abstain from voting where such contract or arrangement is being considered.
- If the prior-approval of the shareholders required than, No transaction, contract or arrangement shall be carried out/entered into with a Related Party, without the prior approval of the shareholders by way of a Special Resolution.

**RATIFICATION OF EXCEPTIONAL CASES:**

- Any transaction, contract or arrangement entered into by the Company with a Related Party, without obtaining the consent of the Board of Directors or approval of shareholders by a Special Resolution of the General Meeting, can in genuine cases be ratified by the Board of Directors or the shareholders at a General Meeting, as permitted in the Act.
- If the approval sought from the Board of Directors and the shareholders is not granted, the transaction, contract or arrangement shall stand cancelled with immediate effect and the Director or the concerned related party shall be liable to indemnify the losses, if any, caused to the Company on account of the said Related Party Transaction.
- For the purpose of indemnification of loss, as referred above, it will be open for the Company to proceed against a director or any other concerned related party who had entered into such contract or arrangement in contravention of the provisions of the Act, for recovery of such loss.

**DISCLOSURES:**

- The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.

- Every transaction, contract or arrangement entered into with Related Parties shall be referred to in the Report of the Board of Directors to the shareholders along with the justification for entering into such transaction, contract or arrangement.

#### **MISCELLANEOUS:**

- This Policy shall be deemed to have come into force w.e.f. date of its adoption.
- If any provision of this Policy contravenes any provision of the Act, and Clause 49 of the Listing Agreement, that provision of this Policy shall always be deemed to have been amended since inception in line with the applicable provisions of the Act, AS-18 and Clause 49.
- The parties which are covered under the definition of Related Party in terms of the Accounting Standard – 18 issued by the Institute of Chartered Accountants of India but not covered under this Policy, transactions with such party(ies) shall be governed in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India.
- Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board Report and to the Stock Exchange.

#### **AMENDMENTS IN LAW:**

- Any subsequent amendment/modification in the Listing Agreement and/or other applicable Laws in this regard shall automatically apply to this policy.

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