

Prism Cement Limited
Policy on Related Party Transactions

(Effective from February 11, 2016)

1. SCOPE AND PURPOSE OF THE POLICY

Prism Cement Limited (hereinafter referred to as “the Company”) is mainly engaged in the business of building materials having three Divisions, namely, Cement, H & R Johnson (India) and RMC Readymix (India). As a part of the business activity, the Company deals with entities which are related parties.

As a part of its business activity, the Company deals with entities which are related parties. The Company recognises that related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), the Company had formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

In view of the various circulars and clarifications issued by the Ministry of Corporate Affairs and the Stock Exchanges from time to time and pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 notified on September 2, 2015 (“SEBI LODR”), the Board of Directors has, on the recommendation of the Audit Committee, adopted the following policy and procedures with regard to Related Party Transactions.

This policy will supersede the Policy on Related Party Transactions adopted by the Board effective from October 1, 2014 and will be applicable to all the transactions that the Company may propose to enter into on or after February 11, 2016 with its Related Parties.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI LODR and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- 3.1 **“Audit Committee”** means the Audit Committee of Board of Directors of the Company constituted under provisions of SEBI LODR and the Act.
- 3.2 **“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.

- 3.3 **“Board of Directors” or “Board”** means the Board of Directors of the Company, as constituted from time to time.
- 3.4 **“Material Related Party Transaction”** means a transaction with a Related Party which is material in terms of the provisions of the Act and SEBI LODR, as amended from time to time.
- 3.5 **“Ordinary course of business”** would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per its Memorandum & Articles of Association.
- 3.6 **“Related Party”** means a related party as defined under the Companies Act, 2013 or Rules made thereunder and SEBI LODR, as amended from time to time.
- 3.7 **“Related Party Transaction” (RPT)** shall mean such transactions as specified under Section 188 of the Act or rules made thereunder and under Regulation 2(1)(ZC) of SEBI LODR, as amended from time to time.
- 3.8 **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

All capitalised terms used in this policy document but not defined herein shall have the meaning ascribed to such term in the Act and the Rules framed thereunder, Securities Contracts (Regulation) Act, 1956 and the SEBI LODR or any other applicable law or regulation as amended from time to time.

4. MATERIALITY THRESHOLDS

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or 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.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Related Party Transactions are prohibited, unless prior approval is taken from the Audit Committee and/or the Board of Directors of the Company in accordance with this policy. In dealing with Related Party Transactions, the Company will follow the following approach:

- a) Identification of related parties

All Directors are responsible for informing the Company of their interest as under (including interest of their Relatives) in other companies, firms or concerns at the time of appointment, at the beginning of every financial year and within 30 days of any change in such interest during the year :

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;
3. Private Companies in which he/she or his/her Relative is a member or a Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. 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
6. 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 Key Managerial Personnel (KMP) of the Company will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided :

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;

In addition, all Directors, KMPs, officers authorised to enter into contracts/arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction, including any additional information about the transaction that the Audit Committee/Board may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and Rules thereunder and the SEBI LODR as may be applicable.

b) Identification of Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee

may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Any transaction by the Company with a Related Party will be regulated as per this Policy.

c) Procedure for approval of Related Party Transactions:

I. Approval of the Audit Committee

- (1) In compliance with the statutory requirements, the Audit Committee of the Company at its first meeting held after April 1, 2014 i.e. on May 27, 2014 had approved a list of all ongoing related party transactions/contracts/arrangements as of April 1, 2014.
- (2) All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
- (3) Where the Company enters into a contract/transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination/variation, if any, maximum amount of transaction, credit terms etc., prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and such transactions will not require any additional approval of the Audit Committee.
- (4) Any modification to existing Related Party Transactions as per provisions of Section 177 of the Act.

The Audit Committee shall specify the criteria as stipulated in Rule 6A of Companies (Meeting of Board and its Powers) Rule, 2014 for making the omnibus approval.

- (5) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely :
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.

(c) the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

- (6) The omnibus approval shall contain or indicate the following :
- a) name of the related parties;
 - b) nature and duration of the transaction;
 - c) maximum amount of transaction that can be entered into;
 - d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction.

- (7) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- (8) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- (9) Any other conditions as the Audit Committee may deem fit.
- (10) A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.

II. Approval of the Board of Directors of the Company

- a) As per the provisions of Section 188 of the Act, all kinds of Transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval.
- b) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 - Ø Transactions which may be in the ordinary course of business and at arm's length basis, but which exceed the limits prescribed under the Act and Rules thereunder from time to time (i.e. value

threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

- Ø Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Ø Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- Ø Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

- c) Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board may review the following documents/ seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Ø Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Ø Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Ø Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Ø Special terms covered/to be covered in separate letters or undertakings or any other special or sub-arrangement forming part of a composite transaction;
- Ø Benchmarking information that may have a bearing on the arm's length basis analysis, such as :
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;

- management assessment of pricing terms and business justification for the proposed transaction;
- comparative analysis, if any, of other such transaction entered into by the company.

In determining whether approval needs to be accorded to a Related Party Transaction, the Audit Committee/Board will consider the following factors:

- Ø Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as if the transaction did not involve a Related Party;
- Ø 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;
- Ø Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Ø Whether the Related Party Transaction would present a conflict of interest for any Director or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

d) The agenda of the Board meeting at which resolution is proposed to be moved shall disclose :

- (i) The name of the related party and nature of relationship;
- (ii) The nature, duration of the contract and particulars of the contract or arrangement;
- (iii) The material terms of the contact or arrangement including the value if any;
- (iv) Any advance paid or received for the contact or arrangement, if any;
- (v) The manner of determining pricing and other commercial terms, both included as part of contact and not considered as part of the contact;
- (vi) 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

- (vii) Any other information relevant or important for the Board to take a decision on the proposed transaction.

III. Approval of the Shareholders of the Company

In terms of the provisions of the SEBI LODR, as may be amended from time to time, all Material Related Party Transactions shall require approval of shareholders of the Company through resolution and the Related Parties shall abstain from voting on such resolution(s) whether the entity is a related party to the particular transaction or not.

All Related Party Transactions pursuant to Section 188 of the Act which are not in the ordinary course of business and/or not an Arms' length basis and which cross the threshold limits prescribed under Act shall also require the approval of shareholders of the Company through resolution and the Related Parties with whom transactions are being entered shall abstain from voting on such resolution(s).

In case, the shareholders do not approve a Related Party Transaction, the Board/Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

Proviso to Section 188 (1) of the Act and Regulation 23(5) of the SEBI LODR provide that the requirement for seeking shareholders' approval shall not be applicable to transactions entered between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

All existing material related party contracts or arrangements entered into prior to the date of notification of the SEBI LODR, i.e. September 2, 2015 and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting after September 2, 2015.

IV. Ratification of Related Party Transaction

Ratification, if any allowed by the Act or the SEBI LODR, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee/Board in exceptional circumstances only.

A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee/Board for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

V. Related Party Transactions that shall not require Approval

The following transactions shall not require separate approval under this policy :

- 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.
- 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
- Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act and the SEBI LODR;
- Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.
- Transactions entered into with the approval of the Audit Committee/ Board in accordance with previous Related Party Policy of the Company.

6. DISCLOSURES

- a. The Company will disclose to the Stock Exchange details of all material transactions with related parties along with the compliance report on corporate governance on a quarterly basis.
- b. The Company will disclose the Policy on dealing with RPT's on its website www.prismcement.com and provide a weblink thereto in the Annual Report.
- c. In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

7. AMENDMENT TO THE POLICY

Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

Any or all provisions of this policy would be subject to revision/amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s), notification(s), etc., issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), notification(s), etc.