

**GALLANTT METAL LIMITED**  
**POLICY ON RELATED PARTY TRANSACTIONS**

The Board of Directors (the “Board”) of Gallantt Metal Limited (the “Company”) had originally adopted this Policy on Related Party Transactions (“the Policy”), as required in terms of Clause 49 of the Listing Agreement at its meeting held on 10.07.2014 and revised on 12.11.2014. The Board or the Audit Committee of the Board (“Audit Committee”), subject to confirmation by Board, may review and amend this policy from time to time.

**EFFECTIVE DATE**

This Policy shall become effective from the date of its adoption by the Board.

**PURPOSE**

The Board recognizes that certain transactions present a heightened risk of conflicts of interest or the perception thereof. Therefore, the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, determination of materiality, approval and reporting of such Related Party Transactions.

**DEFINITIONS**

1. “Applicable Law” means the Companies Act, 2013 and the rules made thereunder, the Listing Agreement and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
2. “Compliance Officer” means the Chief Financial Officer of the Company.
3. “Key Managerial Personnel” means
  - (i) the Chief Executive Officer or the managing director or the manager;
  - (ii) the company secretary;
  - (iii) whole-time director;
  - (iv) the Chief Financial Officer
4. “Material Related Party Transactions” means such Related Party Transactions to be entered into with a related party, value whereof individually or taken together with previous Related Party Transaction 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 or such other threshold as may be laid down from time to time by Applicable Law.

5. "Relative(s)" shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made thereunder and the Listing Agreement.

6. "Related Party" means any person or entity who is:

(i) a related party under Section 2(76) of the Companies Act, 2013 read with rules issued thereunder;

(ii) a related party under the applicable accounting standards; or

(iii) Any other person or entity as may be covered under Applicable Law from time to time.

7. "Related Party Transaction" means any transaction with a Related Party involving a transfer of resources or obligations that is subject to the provisions of Applicable Law and shall include the following:

(i) purchases or sales of goods (finished or unfinished);

(ii) purchases or sales of property and other assets;

(iii) rendering or receiving of services;

(iv) leasing of property of any kind or hire purchase arrangements;

(v) transfers of research and development;

(vi) transfers under license agreements;

(vii) transfers under finance arrangements (including loans and equity contributions in cash or in kind);

(viii) provision of guarantees or collateral;

(ix) agency arrangements, management contacts including for deputation of employees; and

(x) settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

8. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions for the purpose of this Policy:

(i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, 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.

(ii) Reimbursement of expenses incurred by a Related Party for business purpose of the Company.

(iii) Reimbursement of pre-incorporation expenses incurred by a Related Party as approved by the Board of Directors.

(iv) 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.

(v) Any transaction which is in the ordinary course of business and on an arms' length basis as determined in terms of this Policy.

(vi) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require approval in advance by the Audit Committee.

All terms not defined herein shall take their meaning from the Applicable Laws.

## **POLICY STATEMENT**

### ***A. Identification of Related Parties***

The Compliance Officer shall at all times:

a. Identify and keep on record Company's Related Parties, along with their personal/company details.

b. The Compliance Officer shall identify such managers, departmental heads and such other employees (Designated Employees) who are responsible for entering into contracts/ arrangements/ agreements with entities for and on behalf of the Company and circulate the list of Related Parties to all such Designated Employees of the Company along with the approval thresholds for entering into transactions with such listed Related Parties.

c. The Compliance Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees as specified in (b) above.

d. The record of Related Parties shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

e. The record of Related Parties and the Designated Employees identified for reporting the related party transactions shall be placed before the Audit Committee [*semi-annually*]

f. With regard to Immaterial Transactions (defined below), internal systems may be created to ensure that the Designated Employees approving the transactions are not related to the contracting parties and alternative approving authorities are put in place. The internal systems shall be placed before the Audit Committee and shall be circulated

amongst all Designated Employees for effective monitoring of all Related Party transactions whether Immaterial Transactions or otherwise.

B. Procedures for review and approval of Related Party Transactions

(a) All Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy.

(b) The threshold limits for approvals will be as follows:

i. The transactions for which omnibus approval of the Audit Committee has already been sought will not require prior approval of the Audit Committee for each transaction entered into pursuant to the same. Where the need/purpose of the transactions to be entered into with Related Parties cannot be foreseen and details related to name of the party, nature of transaction, maximum amount of transaction, indicative base price / current contracted price and the formula for variation in the price and such other parameters as may be laid down by the Audit Committee, are not available at the time of taking such approval, the omnibus approval for such transactions shall be granted subject to their value not exceeding Rs.1 crore per transaction (**Immaterial Transactions**). Further, such transactions shall be reported to the Audit Committee quarterly.

ii. All transactions with Related Parties for which no omnibus approval has been accorded as above, shall require prior approval of Audit Committee.

iii. Where Related Party transactions have been entered into prior to such transactions being placed before the Committee reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee.

(c) For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to the following transactions, subject to clause (b) i above, at the first meeting every financial year and such approvals shall be valid till the first meeting of Audit Committee in the next financial year only. This shall not be applicable to transactions for which omnibus approval of either the Board or shareholders has already been sought. Omnibus approvals shall be granted based on the following:

i. Frequency of the transactions in the last [3] years;

ii. Volumes of transactions undertaken with such Related Party.

iii. Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought.

iv. Contractual terms offered by third parties for similar transactions

v. Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.

vi. Where the Audit Committee is not convinced on the need for granting omnibus approvals, the Audit Committee may reject the proposal placed before it with reasonable explanation for the same.

(d) Where the Audit Committee has granted omnibus approval for certain transactions, the transactions will be put for review before the Audit Committee quarterly in every financial year.

(e) Exceptions allowed under Applicable Laws to Related Party Transactions shall be exempted from the scope of this policy unless the Audit Committee decides otherwise.

(f) The Audit Committee will undertake an evaluation of the Related Party Transaction. If that evaluation indicates that the Related Party Transaction would require the approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.

(g) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law or as mentioned in point E(c) below, the Board shall ensure that the same be put up for approval by the shareholders of the Company.

(h) If prior approval of the Audit Committee / Board / general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, within 3 months of entering in the Related Party Transaction.

(i) In any case where either the Audit Committee /Board / a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.

(j) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favourable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Person's interest in the transaction.

(k) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.

(l) If a Related Party Transaction will be ongoing, the Board / Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board, on at least an annual basis, shall review and assess on-going relationships with the Related Party to ensure that they are in compliance with the Act and rules made thereunder, the Listing Agreement and this Policy and that the Related Party Transaction remains appropriate.

(m) In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

(n) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

#### C. Standards for Review

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) contractual terms for the Related Party transactions and whether the same are comparative with the market standards and whether beneficial to the company.
- (d) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (e) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (f) whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- (g) the purpose of, and the potential benefits to the Company from the Related Party Transaction;

(h) 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;

(i) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction and

(j) Whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;

(k) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company; and

(l) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Audit Committee / Board deems relevant.

(m) required public disclosure, if any; and

(n) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee / Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee / Board, as applicable, may approve / ratify / recommend to the shareholders, the Related Party Transaction only if the Audit Committee / Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee / Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

#### D. Determination of Ordinary Course of Business

“In the Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing/ giving of guarantees or collaterals or loans or any other financial assistance, in the normal routine in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course business.

#### E. Determination of Arms' length nature of the Related Party Transaction

(a) Price Determination

At the time of determining the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms' length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

(b) Underwriting and Screening of arms' length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Compliance Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

(c) Related Party Transaction limits:

(i) The Related Party Transaction must be within the lower of the following transaction limits with respect to any Related Party:

1. Limits on Material Related Party Transactions; and
2. Expected transaction volumes based on past transactions with Related Parties using linear rate of growth as evidenced by past data.

Where any of the limits above are breached, then prior approval of the appropriate authority as prescribed by the Applicable Law should be sought.

(ii) Credit limits extended to the Related Party must be usual as for unaffiliated parties.

F. Disclosures

(a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.

(b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.

(c) The Company is also required to disclose this Policy on its website and also provide web link to the same in the Annual Report of the Company.



(d) The Company shall keep one or more registers as specified under Applicable Law giving the particulars of all contracts or arrangements with any related party.

**By order of the Board  
For GALLANTT METAL LIMITED**

**Sd/-**

**Sandip Kumar Agarwal  
CHIEF FINANCIAL OFFICER**

**11.11.2014**