

**TALBROS AUTOMOTIVE COMPONENTS  
LIMITED**

**POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

**(Effective from October 1, 2014)**

## **POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS**

### **Preamble**

The Board of Directors (the “Board”) of Talbros Automotive Components Limited (the “Company” or “TACL”), acting upon the recommendation of its Directors and Audit Committee, has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee and Board of Directors will review and may amend this policy from time to time. This policy will be applicable to the Company. This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of its related parties.

### **Purpose**

This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of its related party. Further, policy on related party transaction has been formulated in order to comply with the requirement of clause 49 of listing agreement and the Companies Act, 2013. All proposed Related Party Transactions will be reviewed and approved by the Audit Committee, Board and Shareholders of the Company, as the case may be.

### **Definitions**

In this Policy, the following terms, words, expressions and specific definitions shall have the meaning set forth below and shall stand amended because of any regulatory amendments, notifications and clarifications etc. in the applicable Laws, Rules and Regulations.

- a. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and in compliance with The Companies Act, 2013.
- b. **“Board”** means Board of Directors of the Company.
- c. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- d. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes:
  - I. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
  - II. Chief Financial Officer; and
  - III. Company Secretary
- e. **“Material Related Party Transaction”** means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.
- f. **“Policy”** means Policy on dealing with Related Party Transactions.

- g. **“Related Party”** means related party as defined in Clause 49 of the Listing Agreement which is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a company if that person:
  - i. is a related party under Section 2(76) of the Companies Act, 2013; or
  - ii. has control or joint control or significant influence over the company; or
  - iii. is a key management personnel of the company or of a parent of the company; or
2. An entity is related to a company if any of the following conditions applies:
  - i. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - ii. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - iii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
  - iv. Both entities are joint ventures of the same third party; or
  - v. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - vi. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
  - vii. The entity is controlled or jointly controlled by a person identified in (1)
  - viii. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

- h. **“Related Party under Section 2(76) of the Companies Act, 2013”** 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 on whose advice, directions or instructions a director or manager is accustomed to act;

- (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) such other person as may be prescribed from time to time.
  - (a) A director (other than independent director) or key managerial personnel of the holding, company of such company or his relative;
- i. **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- j. **“Arm’s Length Transaction”** to means as defined under Companies Act, 2013 a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- k. **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
  - a. They are members of a Hindu undivided family;
  - b. They are husband and wife ; or
  - c. Father (including step-father)
  - d. Mother ( including step-mother)
  - e. Son ( including step-son)
  - f. Son’s wife
  - g. Daughter
  - h. Daughter’s husband
  - i. Brother ( including step-brother)
  - j. Sister (including step-sister)

### **Policy**

In accordance with the provision of Companies Act, 2013 and Clause 49 of listing agreement, all proposed Related Party Transactions will be reviewed and approved by the Audit Committee, Board of Directors and shareholders of the Company, as the case may be and disclosed by the Company.

### **Related Party**

Related party has been identified in accordance with applicable laws which include Companies Act 2013, clause 49 of listing agreement and Accounting Standard 18.

### **Procedures for identification of Potential Related Party Transactions**

Related Party Transactions will be brought to management's and the Board's attention in a number of ways. Each of our directors and executive officers is instructed and periodically reminded to inform the office of the Company Secretary about any potential Related Party Transactions. In addition, each such director and executive officer gives annual disclosures designed to elicit information about any potential Related Party Transactions.

Any potential Related Party Transactions that are brought to our attention are analysed by our Finance Department, in consultation with management and with outside counsel, if required; to determine whether the transaction or relationship does, in fact, constitutes a Related Party Transaction requiring compliance with this Policy.

### **Procedures for review and approval of related party transactions**

At each of its meetings, the Audit Committee will be provided with the details of each new, existing or proposed Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, and the benefits to the Company and to the relevant Related Party. In determining whether to approve a Related Party Transaction, the Committee will consider, among other factors, the following factors to the extent relevant to the Related Party Transaction:

- whether the terms of the Related Party Transaction are at arm's length basis to the Company and on the same basis as would apply if the transaction did not involve a Related Party;
- whether there are business reasons for the Company to enter into the Related Party Transaction;
- whether the Related Party Transaction would affect the independence of an outside director; and
- whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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 is allowed and would be detrimental to the Company; and
- whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction, and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Any member of the Audit Committee who has an interest in the transaction under discussion will abstain from voting. Upon completion of its review of the transaction, the Committee may determine to permit or to prohibit the Related Party Transaction.

In case there is any conflict between this policy and the applicable laws including clarifications etc, the matter shall be considered in view of the applicable laws including clarifications etc.

### **Determination of Arm's Length Price**

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income-tax Act, 1961 ("IT Act") as well as associated domestic and international guidance shall be referred to determine arm length price relating to all related party transactions.

### **Committee / Board to seek details**

While reviewing any Related Party Transaction, the Committee and/or the Board shall be at liberty to call for more information/details/advice/opinion from the following persons:

- Any employee
- Internal Auditor
- Statutory Auditor
- Cost Auditor
- Secretarial Auditor
- Legal Advisor
- External Expert/Consultant

### **Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

### **Amendment**

Audit Committee and Board have all the right to amend this Policy. However, this policy shall stand amended because of any regulatory amendments, clarifications etc in the applicable Laws.