

Chowgule Steamships Limited

POLICY ON RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

The Board of Directors (the "Board") of Chowgule Steamships Limited (the "Company") has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy will be applicable to the Company effective 1 October 2014. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

2. PURPOSE

This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of "Related Party" as defined below which includes its Directors, Key Managerial Personnel and their relatives or certain entities or persons related to them. This includes disclosure to be made each year in Director's Report about particulars of contracts or arrangements with related parties referred to in sub- Section (1) of Section 188 of Companies Act, 2013 in the prescribed form. In addition, the Audit Committee and the Board have to review any Related Party Transactions involving Independent Directors as part of the annual determination of their independence as provided under Section 149 of Companies Act, 2013.

3. DEFINITIONS

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.

"Board of Director" or **"Board"** means the Board of Directors of Chowgule Steamships Limited, as constituted from time to time.

"Key Managerial Personnel" or "Key Management Personnel" means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder.

"Policy" means Related Party Transaction Policy.

"Related Party" means a person or entity that is related to the Company. Parties are related if one party has the ability to control the other party or exercise significant influence over the other party directly or in directly in making the financial and/or operating decisions and includes:

1. A person or a close member of that person's family is related to a company if that person is
 - (a) a related party under Section 2(76) of the Companies Act, 2013 which are as follows; or
 - (b) has joint control or significant influence over the Company;
 - i. a director or his relative;

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- 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 is a member or director;
- v. a public company in which a director or manager is a director or 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:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- 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 persons as may be prescribed – Director or Key Managerial Personnel of the holding company or his relative, shall be deemed to be related party.

The term close person shall mean the relatives of the person as defined hereinafter.

2. An entity is related to a company if any of the following conditions applies:
- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b) 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
 - c) 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
 - d) Both entities are joint ventures of the same third party; or
 - e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f) The entity is for a post-employment benefit Plan, for the benefit of employees of the company or an entity related to the company. If the company is itself for such a Plan, the sponsoring Employers are also related to the company; or
 - g) The entity is controlled or jointly controlled by a person identified in (1).

A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

3. *The term Associate Company and Significant influence shall be as defined under the Companies Act, 2013.*

4. *The term Joint Venture shall mean only jointly controlled entities.*

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5. The term "control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

"Related Party Transaction" means transaction in the nature of contract involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

"Relatives": "Relative", with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son's wife
 - (e) Daughter
 - (f) Daughter's husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

4. POLICY

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

4.1. Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. 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.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

4.2. Review and Approval of Related Party Transactions

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company

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and to the Related Party, and any other relevant matters. The information provided shall specifically cover the following:

- 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 contract or arrangement including the value, if any;
- iv. any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- 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;
- vii. the persons/authority approving the transaction; and
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vi. 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 Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and 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.

- Approval by Special resolution for:
 - (a) Material Related Party Transactions
 - (b) Related Party Transactions not in Ordinary Course of Business or not on Arm's length basis

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Shareholders' Approval

All material Related Party Transactions and transactions mentioned in Sub-Section 1 of Section 188 of Companies Act, 2013 will require approval of the shareholders through special resolution and the related parties will have to abstain from voting on such resolutions. No member who is a related party shall vote on special resolutions stated above. Any Specified Transactions which are in the ordinary course of business of a company **and** on arm's length basis do not require any Board Approval or Shareholder's Approval. Specified Transactions which are (1) in the ordinary course of business of a company but are not on arm's length basis; or (2) not in the ordinary course of business of a company (irrespective of whether on arm's length basis or not) require Board Approval as well as Shareholder's Approval.

Board Approval

All the Related Party Transactions subject to prior approval of the Board of Directors of the Company as per the provisions of Section 188 (1) of the Companies act 2013.

Audit Committee Approval

All related part transactions are subject to prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for related party transactions subject to fulfillment of conditions a laid down in the Listing Agreement and any other statute from to time.

Policy framework

4.3. Decision regarding transaction in ordinary course of business and on arm's length basis

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

4.4. Material Related Party Transaction

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover or ten percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher.

4.5 POLICY ON MATERIAL SUBSIDIARY

I. Purpose and Scope:

The Policy for determining 'material' subsidiary companies has been framed in accordance with the provisions of clause 49(V)(D) of the Listing Agreement.

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The Policy will be used to determine the Material Subsidiaries of the Company and to provide the governance framework for such subsidiaries.

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

II. Identification of 'Material' subsidiary:

A subsidiary shall be considered as material if –

- a. the investment of the Company in the subsidiary exceeds 20 per cent of its consolidated net worth as per the audited balance sheet of the previous financial year or,
- b. if the subsidiary has generated 20 per cent of the consolidated income of the Company during the previous financial year.

Material non-listed Indian subsidiary shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20 per cent of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding financial year.

III. Governance framework:

- i. The Audit Committee of Board of the Company shall review the financial statements, in particular, the investments made by the unlisted subsidiary Company.
- ii. The minutes of the Board Meetings of the Unlisted Subsidiary Companies shall be placed before the Board of the Company.
- iii. The management shall periodically bring to the attention of the Board of Directors of the Company, a statement of all Significant Transactions and Arrangements entered into by the unlisted subsidiary company.
- iv. One Independent Director of the Company shall be a director on the Board of the Material Non-Listed Indian Subsidiary Company.

IV. Disposal of Material Subsidiary:

The Company shall not:

- a. dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or cease the exercise of control over the subsidiary without passing a special resolution in its General Meeting, except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal.

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b. sell, dispose off and lease assets amounting to more than twenty percent of the assets of the material subsidiary on an aggregate basis during a financial year without prior approval of shareholders by way of special resolution, unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal.

V. Policy Review:

This Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

5. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a 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 failure of the internal control systems, 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, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

6. REGULATORY AUTHORITIES

This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as Clause 49 of the Listing Agreement or such other Rules / Regulations, as may be notified by SEBI from time to time

7. DISCLOSURES

If a company enters into any Specified Transactions then such contracts or arrangements shall be referred to in the Board's report to the shareholders along with a justification for entering into such contract or arrangement. The agenda of the Board meeting at which such resolution is proposed shall contain relevant disclosures as required under the Companies Act and listing Agreement. Further, the Statement to be annexed to the notice of a general meeting convened pursuant to section 101 of 2013 Act should contain the relevant particulars as may be required.

Details of all material transactions with related parties will be disclosed quarterly to the Stock Exchange along with the compliance report on corporate governance. The Company will disclose this policy on its website and also in its Annual Report.

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8. COMMUNICATION

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.chowgule.co.in.

