



LAHOTI OVERSEAS LTD.

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POLICY ON RELATED PARTY TRANSACTIONS

I] Introduction:

1. This policy on related party transactions and materiality of Related Party Transactions is formulated in terms of Clause 49 VII and VIII of the listing agreement which provides that the Company shall formulate a policy on “materiality of related party transactions” and also on dealing with related party transactions. The policy takes in to account various provisions on related party transactions mentioned in Clause 49 of the listing agreement and also in the Companies Act, 2013.
2. The term Related Party is defined in Section 2(76) of the Companies Act, 2013 and Clause 49 VII B of the listing agreement.
3. The definition of Related Party in Clause 49VII B of the listing agreement is broader than the definition given in Section 2(76) of the Companies Act, 2013. Hence, this policy is formulated to cover transactions with “Related Parties” as defined in the Companies Act, 2013 as well as Clause 49 VII of the listing agreement.

II] Meaning of Related Party

An entity shall be considered as related to the company if any of the following conditions applies:

- a. Such entity is a related party under Section 2(76) of the Companies Act, 2013, as defined below:

As per Section 2(76) of the Companies Act, 2013 Related Party with reference to Company means:-

- (i) Director or Relative of Director
- (ii) Key managerial personnel (KMP) i.e Managing Director, Whole-time Director, Company Secretary and Chief Financial Officer or Relative of KMP
- (iii) a firm, in which a director, or his relative is a partner.
- (iv) a private company in which a director or his relative is a member or director.
- (v) a public company in which a director is a director and holds along with his relatives, more than 2% 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





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- of a director.
- (vii) any person on whose advice, directions or instructions a director is accustomed to act.
 - (viii) a director or key managerial personnel of the holding, subsidiary or associate Company of such Company or his relative;
 - (ix) Nothing in sub-clauses (vi) and (viii) shall apply to the advice etc. given in a professional capacity
 - (x) any company which is subsidiary or an associate company of the company; or

As per Section 2(77) of the Companies Act, 2013 Related Party with reference to Company means:-

“Relative with reference to any person, means any one 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 the following manner:

- (1) Father:
Provided that the term “Father” includes step-father.
- (2) Mother:
Provided that the term “Mother” includes the step-mother.
- (3) Son:
Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother:
Provided that the term “Brother” includes the step-brother;
- (8) Sister:
Provided that the term “Sister” includes the step-sister.





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- b. Such entity is a related party under the applicable accounting standards.

III] Provisions as to Related Party Transactions in the Companies Act, 2013 and Listing Agreement:

1. Under the Companies Act, 2013 the related party transactions are governed by Section 188 of the Companies Act, 2013 which covers only following transactions of commercial nature:
 - a) sale, purchase or supply of any goods or materials;
 - b) selling or otherwise disposing of, or buying, property of any kind;
 - c) leasing of property of any kind;
 - d) availing or rendering of any services;
 - e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
 - g) underwriting the subscription of any securities or derivatives thereof, of the company.
2. The transactions of financial nature like giving of loan, guarantee and providing security to “any person in whom any director is interested” are governed by Section 185 of the Companies Act, 2013 which prohibits such transactions, whereas inter corporate loans, investment and guarantee, with or without related parties, are governed by Section 186 of the Companies Act, 2013.
3. As per Clause 49 VII of the listing agreement, a related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. It provides different regulatory provisions for related party transactions and **Material** related party transactions. It requires all related party transactions to be executed with prior approval of the Audit Committee. However, the Audit Committee may give omnibus approval subject to certain conditions. Moreover, **all Material related party transactions**, barring few exceptions, requires **approval of shareholder by special resolution where the related parties shall abstain from voting thereon.**

IV] Meaning of Related Party Transactions:

For the purpose of this policy Related Party Transaction means a transaction within the meaning of Section 188 of the Companies Act, 2013 or Clause 49VII of the listing agreement as described in Clause III above.

A transaction with a related part shall be construed to include single transaction or a group of transactions in a contract.





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V] Meaning of Material related party transaction:

1. 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 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
2. All existing material related party contracts or arrangements which are likely to continue beyond 31/03/2015 shall be placed for approval of the shareholders by special resolution and the related parties shall abstain from voting on such resolution.

VI] Approvals, Disclosures and related provisions:

No Related Party Transaction shall be entered in to by the Company without complying with the following provisions:

1. The Company shall obtain 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:

- i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- iii) Such omnibus approval shall specify:
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - b) the indicative base price / current contracted price and the formula for variation in the price if any and
 - c) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid





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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 Related Party Transaction entered into by the company pursuant to each of the omnibus approval given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2. The Company shall also obtain consent of the Board of Directors given by a resolution at a meeting of the Board.
 - i) The agenda item of the Board meeting shall disclose:
 - (a) the name of the related party and nature of relationship
 - (b) the nature, duration of the contract and particulars of the contract or arrangement
 - (c) the material terms of the contract or arrangement including the value, if any
 - (d) any advance paid or received for the contract or arrangement, if any
 - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
 - (f) 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
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
 - ii) No Interested Director shall be present at the meeting during discussions on the subject matter of the resolution relating to related party transaction.
3.
 - i) The Company shall obtain approval of the Company by a special resolution for **any Related Party Transaction within the meaning of Section 188 of the Companies Act, 2013 as mentioned in para III 1. above**, unless the transaction entered in to by the Company is in the ordinary course of business and on arm's length basis.
 - ii) The Company shall obtain approval of the Company by a special resolution for any **Material Related Party Transaction**. All entities falling within definition of related party shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
Provided that clause 3.i) and 3 ii) shall not be applicable in case the transactions is entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.





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iii) All existing related party contracts or arrangements which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first general meeting subsequent to 1st October, 2014.

Provided that:

- (a) No member of the company shall vote on such special resolution, if such member is a Related Party.
- (b) The explanatory statement to the notice of general meeting shall contain name of the related party, name of director or KMP who is related, if any, nature of relationship, nature, material terms, monetary value and particulars of the contract or arrangement and any other information relevant or important for the members to take a decision on proposed resolution.
- iv) Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:
 - a) name of the related party ;
 - b) name of the director or key managerial personnel who is related, if any;
 - c) nature of relationship;
 - d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - e) any other information relevant or important for the members to take a decision on the proposed resolution.
- v) Disclosures to be made in Board's Report:

Every related party transaction or contract shall be disclosed in the Board's report along with the justification for entering into such contract or arrangement.

4. Besides subsequent approval, it shall be open to the Company to proceed against a director or any other employee who had entered in to such contract or arrangement in contravention of the applicable provisions of the Companies Act, 2013 for recovery of any loss sustained by it.
5. Details of all related party transactions shall be disclosed quarterly along with the compliance report on corporate governance.
6. This policy on dealing with Related Party Transactions will be disclosed on the website of the Company, www.lahotioverseas.in, and a web link thereto shall be provided in the Annual Report of the Company.





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7. Every contract or arrangement with Related Party entered in to by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering in to such contract or arrangement.
8. Board of Directors shall be monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.
9. This policy, as approved by the Board of Directors of the Company at its meeting shall be effective from 12th February, 2015.

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