



# **STRIDES PHARMA SCIENCE LIMITED**

## **POLICY FOR GOVERNANCE OF RELATED PARTY TRANSACTIONS**

## 1 PREAMBLE

This Policy is framed in line with the requirements of Section 188 of the Companies Act, 2013 read with the relevant Rules made thereunder, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Indian Accounting Standard 24.

## 2 DEFINITIONS

- a) **“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder amended from time to time.
- b) **“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.
- c) **“Associate Company”**, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

*For the purpose of this clause:*

*(a) the expression "significant influence" means control of at least 20% of total voting power or control of or participation in business decisions under an agreement;*

*(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.*

- d) **“Audit Committee or the Committee”** means the Audit Committee constituted by the Board of Directors of the Company in accordance with the provisions of Section 177 of the Act read with Regulation 18 of the Listing Regulations.
- e) **“Board”** means the Board of Directors of the Company.
- f) **“Company”** means Strides Pharma Science Limited (formerly ‘Strides Shasun Limited’).
- g) **“Key Managerial Personnel (KMP)”** means KMP as defined under Section 2(51) of the Act read with Regulation 2(o) of the Listing Regulations.
- h) **“Listing Regulations”** shall mean The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.
- i) **“Material Related Party Transaction/ Material RPT”** means such transactions as prescribed in the Act or the Listing Regulations, as may be applicable.
- ia) **Material RPT as per Regulation 23 of the Listing Regulations**

- 1) Transaction(s) to be entered into individually or taken together with previous transactions with a related party during the financial year exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 2) <sup>1</sup>Transactions involving payments made to a related party with respect to brand usage or royalty, if individually or taken together with the previous transactions during a financial year exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**ib) Material RPT as per Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014**

<b>Nature of Transactions</b>	<b>Materiality Threshold for the Transactions</b>
Sale, purchase, supply of any goods or materials, directly or through agent	Amounting to 10% or more of the Turnover of the Company or Rs. 100 Crores, whichever is lower
Selling or otherwise disposal of or buying property of any kind directly or through agent	Amounting to 10% or more of Networth or Rs. 100 crores, whichever is lower
Leasing of property of any kind	Amounting to 10% or more of Networth or 10% or more of the Turnover of the Company or Rs. 100 Crores, whichever is lower
Availing or rendering of services directly or through agent	Amounting to 10% or more of Turnover of the Company or Rs. 50 Crores, whichever is lower
The limits specified above shall apply for transaction/ transactions individually or taken together with previous transactions during a financial year.	
Appointment to any office or place of profit in the Company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2,50,000/-.
Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company.	Exceeding 1% of the Net worth

*The Turnover or Net worth referred above shall be computed on the basis of the audited financial statements of the preceding financial year.*

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<sup>1</sup> Effective April 1, 2019

- j) **“Ordinary Course of Business”** for the purpose of this policy will cover the business of the Company and its Group, usual transactions, customs and practices of a business including incidental and/ or facilitative activities of the Business of the Company and its Group.

The following factors have been considered for determination of whether the transactions are in the ordinary course of business:

- a) Objects of the Company permit the activities undertaken;
- b) There is a historical practice to conduct such activities;
- c) A pattern of frequency to conduct such activities over a period of time; and
- d) The transactions are common in industrial practice.

- k) **“Policy”** means Policy for Governance of Related Party Transactions.

- l) **“Related Party”** means related party as defined under Section 2(76) of the Act and Regulation 2(zb) of the Listing Regulations. Related Party includes:

- i. A Director or his Relative;
- ii. A KMP or his Relative;
- iii. A Firm, in which director, manager or his Relative is a partner;
- iv. A Private Company, in which director, manager or his Relative is a member or director;
- v. A Public Company, in which director or manager 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 of a director or a manager;
- vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act;
- viii. Any body corporate which is:
  - a holding, subsidiary or an associate company of the Company; or
  - a subsidiary of a holding company to which it is also a subsidiary; or
  - an investing company or the venturer of the company
- ix. A Director other than an Independent Director or KMP of the holding company or his relative.
- x. <sup>2</sup>Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company.
- xi. 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;

*Explanations:*

- 1) *Nothing in clauses (vi) and (vii) above shall apply to advice, directions or instructions given in a professional capacity.*

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<sup>2</sup> Effective April 1, 2019

2) *Investing Company or the venturer of a company means a body corporate whose investment in the Company would result in the Company becoming an associate company of the body corporate.*

**m) “Related Party Transaction or RPT”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes:

- 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 the 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;
- h) Financing (including loans and equity contributions in cash or kind);
- i) Providing or obtaining guarantees and/ or collaterals;
- j) Management contracts including deputation of employees;
- k) Transfer of research and development;
- l) Transfer under licence agreements

*(The above is an indicative list and not an exhaustive one)*

*Transactions with a related party shall be construed to include a single transaction or a series of transactions in a contract entered/ to be entered into by the Company with the Related Party during a financial year.*

**n) “Relative”** means a relative as defined under Section 2(77) of the Act read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014. Relatives include anyone who is related in any of the following manner:

- i. Members of a Hindu undivided family;
- ii. Spouse
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son) and his spouse
- vi. Daughter & her spouse
- vii. Brother (including step-brother)
- viii. Sister (including step-sister)

**o) “Senior Management Personnel” (SMP)** shall mean personnel of the Company who are members of its core management team and one level below the Board, excluding board of directors.

### **3 IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Every Director, KMP and SMP of the Company is responsible for providing notice to the Company Secretary of any potential RPT involving him/ her or his/ her Relative, including all information relevant to the transaction.

The Company Secretary shall determine whether the transaction constitute a RPT requiring compliance with this Policy.

All Directors, KMPs and SMPs of the Company are required to declare and disclose their concerns or interests in any company or bodies corporate on an annual basis, including that of their Relatives, and subsequently, whenever there is any change in disclosures.

The Directors, KMPs and SMPs shall ensure that all business transactions entered into between the Company and themselves comply with the terms of this Policy.

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

### **4 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

All RPTs are subject to prior approval of the Audit Committee, irrespective of its materiality.

Audit Committee shall review such RPTs based on the information provided and recommend the same for approval of the Board. The Board of Directors shall consider and approve the RPTs based on the recommendation of the Audit Committee.

Interested Directors shall not be present during discussion and voting for such transactions.

*In terms of Section 184 of the Companies Act, 2013: Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into:*

*(a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or*

*(b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:*

*Provided that where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes*

*concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.*

Further, Material RPTs shall be subject to prior shareholders' approval. Pursuant to Regulation 23(7) of the Listing Regulations, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the transaction or not.

**Exception in terms of Regulation 23 (5) of the Listing Regulations and the Act:**

Transactions entered into between the Company and its wholly owned subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, are exempt from:

- a) seeking approval of the Audit Committee
- b) seeking approval of the Shareholders (including Material RPTs)

**5 CONSIDERATIONS FOR APPROVAL OF THE PROPOSED RELATED PARTY TRANSACTIONS**

Audit Committee will be provided with all relevant information about the proposed RPT as per the format provided in **Annexure 1**.

The Committee will consider the following factors while approving the RPT:

- a) That the terms of the RPT are in the ordinary course of the Company's business and is at arm's length basis;
- b) The business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- c) Any potential reputational risks that may arise as a result of or in connection with the proposed RPT; and
- d) Impact of the RPT on the independence/ conflict of interest for any Director or Key Managerial Personnel of the Company.

**6 OMNIBUS APPROVAL BY THE AUDIT COMMITTEE**

In the case of frequent/ regular/ repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval.

While granting such approval, Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a) Name of the related party;
- b) Nature of the transaction;
- c) Period of the transaction;
- d) Maximum amount of the transactions that can be entered into;

- e) Indicative base price/ current contracted price and formula for variation in price, if any; and
- f) Such other conditions as the Audit Committee may deem fit.

Further, where the need of the related party transaction cannot be foreseen, and all prescribed details are not available, Committee may grant omnibus approval - subject to the value per transaction not exceeding Rs. 1 Crore. The details of such transaction shall be reported at the next meeting of the Audit Committee for noting and approval/ ratification.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

The Audit Committee shall review on a quarterly basis details of RPT entered into by the Company pursuant to each of the omnibus approvals given.

Further in terms of the Act, omnibus approval shall not be made for transactions in respect of selling or disposing of the Undertaking of the Company.

*Undertaking as defined under the Act, shall mean an undertaking in which investment of the Company exceeds 20% of its networth as per the audited balance sheet of the preceding financial year or an undertaking which generates 20% of the total income of the Company during the previous financial year.*

## **7 DEVIATIONS**

In the event the Company becomes aware of a RPT that has not been approved under this Policy, the matter shall be referred to the Audit Committee.

The Committee shall consider all of the relevant facts and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction.

## **8 DISCLOSURE TO THE STOCK EXCHANGES<sup>3</sup>**

Within 30 days from the date of publication of its standalone and consolidated financial results for the half year, the Company shall disclose RPTs on a consolidated basis in terms of the Listing Regulations and publish the same on the website of the Company.

## **9 DISSEMINATION OF POLICY**

This policy shall also be uploaded on the website of the Company and a weblink thereto shall be provided in the Annual Report of the Company.

## **10 POLICY REVIEW**

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

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<sup>3</sup> Effective half year ending March 31, 2019

**ANNEXURE - 1**

**INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE IN RELATION  
TO THE PROPOSED RELATED PARTY TRANSACTION**

#	Particulars	Remarks
1	Name of related party and nature of relationship	
2	Nature, duration of the contract and particulars of contract/ arrangement	
3	Material terms of the contract/ arrangement including value	
4	Advance paid or received for the contract/ arrangement, if any	
5	Manner of determining the pricing and other commercial terms, both included as part of the contract and not considered, with rationale for not considering those factors.	
6	Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.	