

**Jullundur Motor Agency (Delhi) Limited
("JMADL" / "COMPANY")**



**Policy on Materiality of
Related Party Transaction**
(Updated till 19th March, 2019)

PREAMBLE:

The Board of Directors (the “**Board**”) of Jullundur Motor Agency (Delhi) Limited (the “**Company**”) has adopted this policy on “Materiality of Related Party Transaction” (the “**Policy**”) upon recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“**RPT**”) in compliance with the requirements of Section 188 of the Companies Act, 2013 read with Rules made there under and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulation, 2015), as amended from time to time. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee. This Policy applies to transactions between the Company and one or more of its Related Party (ies). It provides a framework for governance and reporting of RPT including material transactions.

OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Party (ies) in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirement(s) to ensure transparency in the conduct of RPT’s in the best interest of the Company and its shareholders/stakeholders and to comply with the statutory provisions in this regard.

DEFINITIONS

“Audit Committee or Committee”	Committee of the Board constituted from time to time under the provisions of Regulation 18 of Listing Regulations, 2015 and Section 177 of the Companies Act, 2013
“Associate”	As defined under Section 2 (6) of the Companies Act, 2013
“Board”	As defined under Section 2 (10) of the Companies Act, 2013
“Key Managerial Personnel”	As defined under Section 2(51) of the Companies Act, 2013
“Material Related Party Transaction”	A transaction with a related party shall be considered material if – i) The transaction(s) 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 or INR 25 Cores, whichever is lower; or ii) A transaction involving payments to a related party with respect to brand usage or royalty to be entered into individually or taken together with previous transactions during a financial year, exceed 2% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or INR 2.5 Crores, whichever is lower;
“Arm’s length”	Transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.
“Related Party”	As defined under Section 2 (76) of the Companies Act, 2013 read with Regulations 2 (1) (zb) of Listing Regulations, 2015 read with any amended thereof.
“Related Party Transaction”	Any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged or not and for example:– ➤ Sale, purchase or supply of any goods or materials;

	<ul style="list-style-type: none"> ➤ Selling or otherwise disposing of, or buying property of any kind; ➤ Leasing of property of any kind; ➤ Availing or rendering of any services; ➤ Appointment of any agent for the purchase or sale of goods, materials, services or property; ➤ Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; ➤ Underwriting the subscription of any securities or derivatives thereof, of the Company; ➤ Financing (including loans and equity contributions in cash or kind); ➤ Providing or obtaining guarantees and collaterals; and ➤ Deputation of employees
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POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All proposed Related Party Transactions must be reported to the Committee for prior approval, in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal / ordinary course of business of the Company, the Committee may grant standing pre -approval / omnibus approval, details whereof are given in a separate Section of this Policy. In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances or due to extreme urgency, the Committee may ratify the transactions in accordance with this Policy.

IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential RPT(s). They will also be responsible for providing additional information about the transaction(s) that in addition to the information to be furnished before the Stock Exchange in accordance with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board or the Committee may request that the relevant information be placed before the Committee and the Board.

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any change(s) in the above relationship(s), directorship(s), holding(s), interest(s) and / or control(s) immediately on him / her/it becoming aware of such event(s).

The Company strongly prefers to receive such notice of any potential RPT(s) well in advance so that the Committee/ the Board has adequate time to obtain and review information about the proposed transaction(s).

The Company Secretary in consultation with the Chief Financial Officer may refer any potential RPT(s) to any external legal consultant(s)/transfer pricing expert and the outcome or opinion of such external party (ies) shall be brought to the notice of the Committee / the Board. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION(S)

All RPT(s) shall be subject to the prior approval of the Committee and the Board. A member of the Committee who (if) has a potential interest in any RPT(s) will not remain present at the meeting or abstain from discussion and voting on such RPT(s) and shall not be counted in determining the presence of the quorum when such transaction(s) is/are considered.

CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Audit Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Audit Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a) Whether the terms of the RPT's are in the ordinary course of the Company's business and are on an 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) Whether the RPT includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d) Whether the RPT would affect the independence or present a 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, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, 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 Committee deems relevant.

While considering the arm's length nature of the transaction, the Audit Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Audit Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

APPROVAL BY THE BOARD

If the Audit Committee determines that a RPT(s) 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 RPT(s), then the Board shall consider and approve the RPT(s) 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.

STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE

In case of frequent / regular / repetitive transactions which are in the normal / ordinary course of business of the Company, the Committee may grant standing Pre-approval / Omnibus Approval. While granting the approval, the 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.

Such transactions will be deemed to be Pre-approved and may not require any further approval of the Committee for each specific transaction(s) unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the RPT(s) cannot be foreseen and all prescribed details are not available, the Committee may grant Omnibus Approval subject to the value per transaction which shall not exceed INR 50,00,000/- (Rupees Fifty Lacs only). The details of such transaction(s) shall be reported at the next meeting of the Board of Directors for ratification. Further, the Committee shall on an annual basis review and assess such transaction(s) including the limits to ensure that they are in compliance with this Policy. The Omnibus Approval shall be valid for a period of 1 (One) year and fresh approval shall be obtained after the expiry of 1 (One) year.

APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

All Material RPT(s) in excess of the limits as specified under the provisions of Section 188 and any other section, if applicable, of the Companies Act, 2013 & rules made thereunder and also, read with Listing Regulations, 2015, shall require approval of the shareholders through Ordinary Resolution or Special Resolution, as may be required, in accordance with the provisions of the Companies Act, 2013 and Listing Regulations, 2015 and the Related Party (ies) shall abstain from voting on such resolution(s). All RPT(s) which are over and above of aforesaid limits and which are not in the Ordinary Course of Business or not at Arms' Length basis, shall also require the prior approval of the shareholders through Ordinary Resolution or Special Resolution, as may be required, in accordance with the provisions of the Companies Act, 2013 and Listing Regulations, 2015 and the Related Party (ies) shall abstain from voting on such resolution.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a RPT(s) that has / have not been approved or ratified under this Policy, the transaction(s) shall be placed as promptly as practicable before the Committee or the Board or the Shareholders as may be required in accordance with this Policy for review and ratification. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction(s) and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction(s), and the Company shall take such action as the Committee deems appropriate under the circumstances.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every RPT(s) entered into by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering into such transaction(s). Chief Financial Officer shall be responsible for such disclosure.

The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations, 2015 / the Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations, 2015 / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

DISSEMINATION OF POLICY

Either this Policy or an important provision(s) of this Policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the Annual Report of the Company.

DISCLOSURE OF RELATED PARTY TRANSACTIONS

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

MODIFICATION OF POLICY

The Board in consultation with the Committee shall have the power to amend any of the provision(s) of this Policy and or substitute any of the provision(s) with a new provision and or replace this Policy entirely with a new Policy. The Board shall also review this Policy once at least once three (3) years.