



# Coral India Finance And Housing Limited

## **Related Party Transaction**

### **Policy on Materiality of Related party Transactions and dealing with Related Party Transactions**

*[Pursuant to Companies Act, 2013 and Rules made thereunder and Regulation 23 of the SEBI  
(Listing Obligations and Disclosure Requirements) Regulations, 2015]*

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## TABLE OF CONTENTS

1.	Background	3
2.	Important Definition	3
3.	Threshold for Materiality of Transactions	7
4.	Identification of Related Parties and Related Party Transactions	7
5.	Approval of the Related Party Transactions	9
6.	Procedure and Criteria for approving related party Transactions	10
7.	Ratification of Related Party Transaction	11
8.	Related Party Transactions not previously approved	11
9.	Disclosures & Reporting	11
10.	Review, modifications and amendments in the policy	11



## 1. BACKGROUND

- 1.1 Coral India Finance and Housing Limited is a multi segment company and presently has operations in Construction and Finance sectors. In the normal course of business, the Company enters transactions with Related Parties to meet its business objectives. Thus, Related Party Transactions are indispensable for the Company. The Related Party may have potential or actual conflicts of interests. Coral India Finance and Housing Limited have always followed the highest standards of ethics, governance and transparency to conduct its business activities including Related Party Transactions adhering to an appropriate governance framework. Coral India Finance and Housing Limited ensure that its Related Party Transactions are in the best interest of the Company and the relationship with Related Parties does not in any way influence the transactions.
- 1.2 The Companies Act, 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') prescribe comprehensive regulatory framework governing the Related Party Transactions. The Act and the SEBI LODR also require the Companies to adopt comprehensive policy on dealing with the Related Parties.
- 1.3 In the context of above, in compliance with the provisions of the Act and SEBI LODR, on recommendations of the Audit Committee, the Board of Directors of Coral India Finance and Housing Limited have adopted this revised Policy on Materiality and Dealing with Related Party Transactions ('the Policy') on February 12, 2019. The Policy shall be effective from March 01, 2019.
- 1.4 The Policy inter-alia encompasses process for identification of related parties, procedure for entering into related party transactions, approval at various levels, disclosures and reporting obligations, criteria and procedure for approving Related Party Transactions, etc.

## 2. IMPORTANT DEFINITIONS

- 2.1 **Annual Consolidated Turnover** is the gross amount of revenue recognized in the statement of profit and loss from the sale, supply or distribution of goods or on account of services rendered or both, by a company during a financial year as per the latest consolidated financial statement of the Company.
- 2.2 **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.
- 2.3 **Key Managerial Personnel (KMPs)** in relation to a company means:
  - (i) the Chief Executive Officer (CEO) and /or the Managing Director (MD) or the Manager;
  - (ii) the Company Secretary (CS);
  - (iii) the Whole- time Director (WTD);
  - (iv) the Chief Financial Officer (CFO);
  - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - (vi) Such other officer as prescribed under the Companies Act from time to time.



## 2.4 Material Related Party Transaction

In accordance with SEBI LODR, material related party transactions means:

- Any related party transaction / transactions, to be entered into individually or taken together with previous transactions during a financial year, which exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the company;
- Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into 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 statement of the Company.

**2.5 Ordinary course of business-** if transactions satisfy any of the following criteria, such transactions will be generally in the ordinary course of business:

- 1) The memorandum of Association of the Company should cover such transaction;
- 2) There are previous instances of the Company having carried out such transaction;
- 3) These transactions are frequent over a period of time;
- 4) The transaction should be in furtherance of the business objectives of the Company;
- 5) The transactions, if not frequent, are important to the business objectives of the Company;
- 6) The transactions are incidental to construction and finance sectors or part of standard industry practice or but for which the business would be adversely affected;

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

Explanation: Any words used in the Policy but not defined herein shall have the same meaning as described to it in the Act or Rules made thereunder, SEBI LODR, Indian Accounting Standards or any other relevant legislation / law applicable to the Company.

**2.6 Related Party -** In accordance with Regulation 2(1) (zb) of SEBI (Listing Obligation and Disclosure Requirements), 2015 including any statutory modification, amendment thereof as may be issued from time to time, an entity shall be considered as related party to the Company if:

- i. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. Such entity is a related party under the applicable Accounting Standards.

**Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.**

In accordance with **Section 2(76) of the Companies Act, 2013**, Related Party in reference to a company 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:

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

- (viii) any body corporate 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; or
  - (C) an investing company or the venturer of the company.

Explanation.—For the purpose of this clause, “the 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.]

- (ix) such other person as may be prescribed;

For the purposes of sub-clause (ix) of clause (76) of section 2 of the Act a Director (other than Independent Director) or KMP of the holding company of such company or his relative.

**The Accounting Standard 24 defines related party** - is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
  - (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) 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).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.



If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 2.7 Related Party Transaction

- 1) In accordance with Regulation 2(1) (zc) of the SEBI (LODR), related party transaction means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged or not.

**Explanation:** A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

- 2) In accordance with Companies Act, 2013, Related Party Transaction includes the following transactions between the related parties:
  - (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; and
  - (g) Underwriting the subscription of any securities or derivatives thereof, of the company.
- 3) In accordance with Ind AS 24 a related party transaction means a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**2.8 Relatives** - In accordance with Section 2 (77) of the Companies Act, 2013 read with related rules issued thereon including any statutory modification, amendment thereof as may issue from time to time, 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
- (ii) a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
  - (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.



### 3. THRESHOLD FOR MATERIALITY OF TRANSACTIONS

The threshold limits for determining the materiality of the related party transaction during the financial year are as under:

Transactions Covered	As per Companies Act, 2013	As per SEBI (LODR), 2015
Sale, purchase or supply of any goods or materials directly or through appointment of agents *	Amounting to 10% of Turnover or Rs. 100 Crore, whichever is lower	10% of the Annual Consolidated Turnover of the company as per the last audited financial statements of the listed entity.
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	Amounting to 10% of Net Worth or Rs. 100 Crore, whichever is lower	
Leasing of property of any kind*	Amounting to 10% of Turnover or Net Worth or Rs. 100 Crore, whichever is lower	
Availing or rendering of any services directly or through appointment of agents *	Amounting to 10% of Turnover or Rs. 50 Crore, whichever is lower	
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2.5 Lakh	
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	Exceeding 1% of Net Worth	

\* Note: The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

*The turnover or net worth referred in the above clause shall be computed on the basis of the last audited financial statement of the company.*

### 4. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS

- 4.1 Every Director and Key Managerial Personnel (KMP) shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information about all persons, firms, entities in which he is interested whether directly or indirectly, to the Company Secretary.
- 4.2 On the basis of the above referred information received and basis of the Companies Act, 2013 and SEBI (LODR) a consolidated list of related parties shall be prepared.
- 4.3 The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with details as per clause 5.2 of this Policy for requisite prior approval.

### 5. APPROVAL OF THE RELATED PARTY TRANSACTIONS



## **5.1 Approval of the Audit Committee**

- 5.1.1 All Related Party Transactions, subject to clause 4.1.2 of this Policy shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation.
- 5.1.2 Related Party Transactions with the wholly owned subsidiaries are exempted from any approval requirement and would require only periodical reporting, preferably on quarterly basis.
- 5.1.3 The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, which are routine and repetitive in nature, if the transactions satisfy the following conditions:
- a. Such related party transactions are repetitive in nature.
  - b. Specific need of such omnibus approval i.e. the transactions are in the best interest of the Company.
- 5.1.4 The omnibus approval shall specify (a) the name/s of the related party, (b) nature of transaction, (c) duration/period of transaction, (d) maximum amount of transaction that can be entered into, (e) the indicative base price / current contracted price and the formula for variation in the price, if any and (f) such other conditions as the Audit Committee may deem fit;
- 5.1.5 Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction.
- 5.1.6 Such omnibus approval shall be based on the criteria specified in clause 6.1 of this Policy.
- 5.1.7 Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of such year.
- 5.1.8 In case the Committee does not approve any transaction, then it shall make its recommendations to the Board.
- 5.1.9 In case any member of the Committee is interested in any potential Related Party Transaction, such member shall not vote to approve the transaction, when such transaction is being considered.

## **5.2 Approval of the Board of Directors**

The following Related Party Transactions shall be subject to prior approval of Board of Directors:

- 5.2.1 All kinds of transactions with the Related Parties which are not in the ordinary course of business or not executed at an arm's length shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.



5.2.2 Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration / determination by the Board may be recommended to the Board for its approval.

5.2.3 Where it is mandatory under any law for Board to approve the Related Party Transactions.

5.2.4 Related Party Transactions, in which the Directors or the Key Managerial Personnel, are concerned or interested.

5.2.5 Where any director is concerned or interested in any potential Related Party Transaction, such director shall not vote to approve the transaction, when such transaction is being considered.

### **5.3 Approval of the Shareholders of the Company**

5.3.1 The following Related Party Transactions shall be subject to prior approval of shareholders of the company by way of a resolution:

- i. All Material Related Party Transactions as mentioned in Clause 2.4 of the policy. [Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved].
- ii. Related Party Transactions, which are not in the ordinary course of business or not executed at an arm's length basis, exceeding the threshold limits as specified in Clause 3 of the policy.

5.3.2 All entities/individuals falling under the definition of "Related Parties" shall not vote to approve such shareholders' resolution, whether such entities/individuals are a party to the transaction or not.

## **6. PROCEDURE AND CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS**

6.1 As approved by the Board of Directors, the Audit Committee has specified the following criteria for granting omnibus approval:

6.1.1 Any transaction with Director, Key Managerial Personnel, Promoter, Promoter group under omnibus route shall additionally require Board approval;

6.1.2 While assessing any proposal, the Audit Committee may review the documents / seek information from Management.

6.1.3 The transactions undertaken pursuant to omnibus approval shall be reviewed by the Audit Committee on a quarterly basis;

6.1.4 Transactions of following nature will not be subject to omnibus approval of the Audit Committee:

- a. Transactions which are not repetitive in nature;
- b. Transactions involving sale or disposal of an undertaking of the Company;



- 6.2 For the purpose of procuring approval of the Audit Committee / the Board, the Management shall submit a comprehensive proposal for approval of the Related Party Transactions containing the following information:
- 6.2.1 Name of the related party and nature of relationship;
  - 6.2.2 Nature, duration of the contract and particulars of the contract or arrangement;
  - 6.2.3 Material terms of the contract or arrangement including the value, if any;
  - 6.2.4 For transactions requiring omnibus approval:
    - a. Maximum amount of transaction that can be entered into during the financial year.
    - b. Indicative base price / current contracted price and the formula for variation in the price, if any.
  - 6.2.5 Any advance paid or received for the contract or arrangement, if any;
  - 6.2.6 In case of transactions not requiring Omnibus Approval, manner of determining the pricing and other commercial terms, both included as part of contract.
  - 6.2.7 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
  - 6.2.8 Any other information relevant or important for the Board/Audit Committee to take a decision on the proposed transaction
- 6.3 In determining whether to approve a Related Party Transaction, the Committee shall inter-alia consider the following factors to the extent relevant in the matter:
- 6.3.1 Whether the proposed transactions are in the best interest of the Company.
  - 6.3.2 Whether the terms of the proposed Related Party Transactions are fair and on arm's length basis
  - 6.3.3 Whether the proposed Related Party Transactions are permissible under the provisions of the applicable laws.
  - 6.3.4 Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
  - 6.3.5 Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - 6.3.6 Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company / extent of the Director or KMP's interest in such contract or arrangement.
  - 6.3.7 In case there is any change in the approved limits/terms of any transactions, a separate statement shall be attached for ratification by the Audit Committee/ Board.



The Audit committee / Board also have the authority to modify previously approved Related Party Transactions.

## **7. RATIFICATION OF THE RELATED PARTY TRANSACTIONS**

Where any contract or arrangement, which is considered as a Related Party Transaction exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, as the case may be, such transaction shall be ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into.

## **8. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the matter shall be reviewed by the Audit Committee.

## **9. DISCLOSURE & REPORTING**

- 9.1 This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.
- 9.2 Every Contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with sub-section (1) of Section 188 of the Companies Act, 2013 shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- 9.3 A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.
- 9.4 Details of Material Related Party Transactions as per clause 3 of the policy shall be disclosed quarterly along with the compliance report on corporate governance to be filed with Stock Exchanges. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- 9.5 In addition to the above, company shall disclose related party transactions on a consolidated basis to the stock exchange within 30 days from the date of publication of its half yearly standalone and consolidated financial results in the prescribed format, and simultaneously publish the same on its website.

## **10. REVIEW, MODIFICATIONS AND AMENDMENTS IN THE POLICY**

- i. The policy shall be reviewed and updated by the board of directors at least once in every three years subject to recommendation of the Audit Committee.



- ii. The Audit Committee may review and amend this policy as may be required from time to time in accordance with the provisions of the Companies Act, 2013, rules made therein, the SEBI (LODR) including any further amendments and notifications as may be made effective in this regard. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR), accounting standards and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this policy.

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