



**COTEC HEALTHCARE LIMITED**  
**POLICY ON MATERIALITY OF RELATED PARTY**  
**TRANSACTIONS**

Under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015

**CIN: U24232UT1998PLC016093**  
**Kishanpur, Bhagwanpur, NH-74, Roorkee Dehradun Highway, Bhagwanpur (Haridwar),**  
**Haridwar, Roorkee -247661 Uttarakhand, India**

## 1. Introduction

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("**Listing Regulations**") requires every listed company to formulate a Policy on materiality of related party transactions of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

The Board of Directors ("**the Board**") of Cotec Healthcare Limited ("**the Company**") has adopted the following policy and the Board may amend this policy from time to time.

## 2. Objectives of the Policy

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The objective of this Policy is to set out

- (a) Identification of the related parties;
- (b) The materiality threshold for related party transactions;
- (c) Material modification thereof and
- (d) The manner of dealing with the transaction between the Company and its related parties based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions ("**RPT**") should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of the RPT. The Audit Committee may also grant omnibus approval for certain categories of transactions, which shall be valid for period not exceeding one financial year and shall require fresh approval for the next financial year and shareholders' approval obtained for omnibus approval in the annual general meeting shall be valid up to the date of next annual general meeting for a period not exceeding 15 (fifteen) months.

## 3. Definitions

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- a) "**Act**" shall mean the Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications or re-enactment thereof.
- 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**" means any other company, in which the Company has a significant influence, but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company.  
**Explanation** - for the purpose of this clause, "Significant Influence" means Control of at least twenty per cent of total voting power, or control of or participation in business decisions under an Agreement.
- d) "**Audit Committee**" means a Committee of Directors of the Company, as constituted from time to time under Section 177 of the Act and read with Regulation 18 of the Listing Regulations.
- e) "**Board**" means the Board of directors of the Company.
- f) "**Company**" means Cotec Healthcare Limited.
- g) "**Key Managerial Personnel**" or "**KMPs**" means Key Managerial Personnel as defined under the Act and rules made thereunder;
- h) "**Material Related Party Transaction**" means a transaction with a Related Party shall be considered material if the transaction/s to be entered into individually or taken together with previous transactions during a Financial Year, exceeds 10% (ten per cent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.]

A transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous

transactions during a financial year, exceed 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- i) "**Materiality Threshold**" means limits for related party transactions beyond which approval of the shareholders' as specified in the Act and rules thereof and amendments thereto will be required.
- j) "**Ordinary Course of Business**" with reference to a transaction with a Related Party means a transaction which is:
  - (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
  - (ii) historical practice with a pattern of frequency;
  - (iii) common commercial practice: or meets any other parameters / criteria as decided by the Board/Audit Committee, from time to time.
- k) "**Policy**" means this policy, as amended from time to time.
- l) "**Related Party**" A Party shall be deemed to be a Related Party if it is a Related Party as defined either under the Act or Listing Regulations, including all the amendments and modifications thereof from time to time.
- m) "**Related Party Transaction**" A Transaction shall be deemed to be a Related Party Transaction if it is a Related Party Transaction as defined either under the Act or Listing Regulations, including all the amendments and modifications thereof from time to time.
- n) "**Relative**" means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Listing Regulations as amended from time to time;

Any term or reference not defined in this policy shall have the same meaning and reference as defined under the Act and Listing Regulations as amended from time to time.

#### **4. Material Modification of Related Party Transaction:**

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Material Modification to such RPT means and includes any modification to an existing related party transaction having a variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / shareholders, as the case may be or Rs 1 crore, whichever is higher subject to the conditions as specified in Listing Regulations and Act.

#### **5. Ascertaining And Identification Of Related Party**

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##### **A. Ascertaining Related Party:**

- 5.1 Every director/KMP shall at the beginning of the financial year at the first meeting of the Board in which he participates and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. 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.
- 5.2 Directors/KMPS are also required to provide information regarding their engagement with other entity during the financial year which may be regarded as Related Party according to this Policy.
- 5.3 All of the subsidiaries of the Company, before entering into a RPT which may require approval of the Audit Committee & members of the Company under this Policy, to the attention of the Company about such proposed RPT (s), so that the requisite approvals shall be obtained by the Company.

5.4 The Company Secretary shall at all times maintain a database of Company's related parties in Management Information System (MIS) & it shall be updated whenever necessary and shall be reviewed in each quarter.

**B. Identification Of Related Party:**

5.5 Every Director, KMP, CEO/CFO & the Departmental Heads will be responsible for providing prior notice to the Company Secretary/CFO of any potential transaction with Related Party. Notice of any potential Related Party Transaction shall be provided well in advance to the Audit Committee so that it has adequate time to review the proposed Transaction.

5.6 The CEO & the Departmental Heads shall submit to the Chief Financial Officer the details of all existing/proposed transaction along with supporting information as per Table-A below:-

<b>Table-A</b>	
<b>Details required for Approval of Audit Committee</b>	
<b>Sr. No.</b>	<b>Particulars</b>
1	The name/s of the Related Party
2	Nature of transaction
3	Name of the director or Key Managerial Personnel who is related
4	Period of transaction
5	Nature, material terms and monetary value of the contract or arrangement along with justification;
6	The indicative base price/current contracted price and the formula for variation in the price, if any
7	Such other conditions/ information as required under the Act and Listing Regulations, as amended from time to time

5.7 CFO shall submit his notes to the Audit Committee giving his comments as to whether existing/proposed transaction(s) are on arms' length basis and in ordinary course of business.

5.8 The Committee will give due consideration to the CFO's notes while deciding whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

**6. Approval to Related Party Transactions**

**6.1 Approval of Audit Committee**

All Related Party Transactions or any subsequent modifications therein, shall require prior approval of the Audit Committee of the Company. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- 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.
- The Audit Committee shall satisfy itself the need for such Omnibus Approval and that such approval is in the interest of the Company.
- The aggregate amount of transactions/any particular transactions approved/to be approved under Omnibus Approval shall not exceed the limit specified by the Audit Committee of the company.
- Such Omnibus Approval shall specify (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit.

- Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid 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, at least on a quarterly basis, the details of Related Party Transactions 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.
- Omnibus approval shall not be made and shall not be applicable for the following: (i) transaction(s) in respect of selling or disposing off the undertaking of the Company; (ii) transactions which are not at arm's length or not in the Ordinary Course of Business.

## **6.2 Approval of Board of Directors**

Related Party Transactions which are not in the ordinary course of business or which is in the ordinary course of business but not at arm's length basis shall require prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.

- a) Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- b) The Board of Directors shall review, approve and recommend to the Shareholders for their approval, all Material Related Party Transactions and such transactions as required to be approved by shareholders of the Company in terms of section 188(1) of the Act and listing regulations.

## **6.3 Approval of Shareholders**

1. All material Related Party Transactions shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved
2. If a Related Party Transactions is not in the ordinary course of business, or which is in the ordinary course of business but not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act and rules made thereunder (including any amendment(s) thereto or re-enactment thereof for the time being in force), it shall require shareholders' approval by a resolution.
3. The Related Parties which may be related in the context of the Related Party Transaction for which the resolution is being passed and all other entities falling under the definition of related parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders. However, the shareholders' approval is not required for the 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.

## **7. Related Party Transactions Not Approved Under This Policy**

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- Subject to the provisions of the Act, in the event the Company becomes aware of a transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action as it deems appropriate.
- In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit 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/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **8. Reporting Of Related Party Transactions**

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- 8.1 Every contract or arrangement which is required to be approved by the Board/ shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- 8.2 The Company shall maintain a register pursuant to the provisions of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.
- 8.3 Every material RPT or RPT which is not on Arm's Length basis or such other details as may be required under the Act or Regulations shall be disclosed in the Annual Report with proper justification for entering into such transactions.
- 8.4 The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- 8.5 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 of the Company.
- 8.6 Details of RPTs shall be submitted to the stock exchanges in the format as specified by SEBI from time to time on half-yearly basis and copy of the same will be posted on the website of the Company.
- 8.7 The Company shall submit on 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.

## **9. Amendments**

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The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy. Any amendment in the applicable provisions of the Act or SEBI Listing Regulations or any other regulations, which are in force, in relation to the related party transactions, which is in contradiction to the clauses stated in the Policy, then such amendment in the applicable laws shall prevail over the applicable clauses as stated in the Policy.

## **Effective Date**

This policy shall be effective from the date on which the Board of Directors of the Company adopts the policy

