

GUJARAT PIPAVAV PORT LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Introduction

The Board of Directors (the "Board") of Gujarat Pipavav Port Limited (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions ("RPT") and materiality of such transactions.

2. Objective

Related Party Transactions have been one of the major areas of focus for corporate governance reforms. The Changes introduced in the Corporate Governance norms through the Companies Act, 2013 and the Revised Clause 49 of the Listing Agreement require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement is that companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy is to regulate transactions between the Company and its Related Parties based laws and regulations applicable to the Company. This policy intends to ensure proper approval and reporting of transactions between the Company and its Related Parties.

3. Definitions

"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.

"Audit Committee" or **"Committee"** means Committee constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Agreement with the Stock Exchanges and the Companies Act, 2013.

"Board of Directors" or **"Board"** means the Board of Directors of Gujarat Pipavav Port Limited, as constituted from time to time.

"Company" means "Gujarat Pipavav Port Limited."

"Control" means:

- (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or
- (b) control of the composition of the Board of Directors in the case of a Company or of the composition of the corresponding governing body in case of any other enterprise, or
- (c) substantial interest in voting power and the power to direct, by statute or agreement, the financial and/ or operating policies of the enterprise.

"Key Managerial Personnel" in relation to the Company, as defined under the Companies Act, 2013 means:

- (i) The Chief Executive Officer, or the Managing Director or the Manager;
- (ii) The whole-time Director;
- (iii) The Company Secretary; and
- (iv) The Chief Financial Officer.

"Material Related Party Transaction" means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with

previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Policy" means Policy on Related Party Transactions.

"Related Party" means related party as defined in Clause 49 of the Listing Agreement which is as follows:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013 which 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 is a member or director;
 - (v) a public company in which a director or manager is a director or 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 under 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 company 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;
 - (ix) Director or key managerial personnel of the holding company or his relative with reference to a company; or
- (ii) such entity is a related party under the applicable accounting standards i.e. parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/ or operating decisions.

"Related Party Transaction" in relation to the Company means a transaction (the term will include a single transaction or a group of transactions in a contract) which is:

- a) a transfer of resources, services or obligations between the Company and a related party regardless of whether a price is charged;
- b) a contract or arrangement with a related party with respect to:
 - i) sale, purchase or supply of any goods or materials;
 - ii) selling or otherwise disposing of, or buying, property of any kind;
 - iii) leasing of property of any kind;
 - iv) availing or rendering of any services;
 - v) appointment of any agent for purchase or sale of goods, materials, services or property;
 - vi) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
 - vii) underwriting the subscription of any securities or derivatives thereof, of the Company;
- c) defined as a 'related party transaction' under the relevant provisions of the Companies Act, 2013 or the listing agreement or any other related law, regulation, accounting standards etc. as amended from time to time.

"Relative" means relative as defined under section 2(77) of the Companies Act, 2013 and Rule framed thereunder, if:

- i. They are members of a Hindu undivided family ;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister).

"Significant influence" means participation in the financial and/ or operating policy decisions of an enterprise, but not control of those policies.

4. Applicability

The Policy shall be applicable to all the Related Party Transactions entered in to by the Company except the following:

- a) Loans/ advances given to a related party.
- b) Guarantee given or security provided in connection with a loan to a related party.
- c) Investment(s) made in a related party.
- d) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- e) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

5.1 Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance (**Annexure 1**) so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

5.2 Review and Approval of Related Party Transactions

- 5.2.1.1 All Related Party Transactions shall require prior approval of the Audit Committee. The approval of the Audit Committee may be granted by way of a Circular Resolution.
- 5.2.1.2 The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered in to by the Company subject to the following conditions:

- 5.2.1.2.1.1 The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Part Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- 5.2.1.2.1.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- 5.2.1.2.1.3 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 i.e. all transactions per type/ nature of transaction(s) per Related Party. It will be advisable to have contract/ agreement with Related Party to avoid this limitation.

- (iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
 - (v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of every financial year.
- 5.3** A). All Material Related Party Transactions shall, apart from prior approval of Audit Committee, also require prior approval of the Board of Directors and prior approval of the shareholders of the Company through special resolution and the related parties shall abstain from voting on such resolutions.

B). All existing Material Related Party contracts or arrangements as on April 17, 2014 which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 1, 2014 or earlier.

- 5.4** As per Listing Agreement, a Related Party Transaction, whether material or not, entered into with a wholly owned subsidiary of the Company, which is in the ordinary course of business and which is an Arm's length transaction shall not require any pre/post approval of the Audit Committee, Board or shareholders of the Company. However, as per provisions of the Companies Act, 2013, approval of the Audit Committee will be required in case of Related Party Transactions entered into with Wholly Owned Subsidiary Companies.

- 5.5** A Related Party Transaction which is not a Material Related Party Transaction and which is in the ordinary course of business and at an Arm's Length Transaction shall require prior approval of the Audit Committee only or can be covered under the omnibus approval of the Audit Committee.

- 5.6** A). In case of Related Party Transaction (including that entered into with a wholly owned subsidiary) which is not in the ordinary course of business and/ or which is not at an Arm's Length Transaction, (whether or not it is a Material Related Party Transaction) prior approval of the Board granted at the meeting of the Board shall be necessary.

B) Prior approval of the shareholders of the Company by a special resolution shall also be necessary IF the transaction referred in 6A above exceeds the

monetary limits prescribed vide Rule 15(3) of the Companies (Meetings of Board and its powers) Rules, 2014. The present limits are as mentioned below:

- (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent. of the turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
- (ii) selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent, exceeding ten percent of the net worth of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of turnover of the Company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the Company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

Explanation- It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (v) appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (vi) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited Financial Statement of the preceding Financial year.

- 5.7** Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting of the Board or its Committee during discussions on the subject matter of the resolution relating to such contract or arrangement.
- 5.8** Wherever required, in case of wholly owned subsidiary, the special resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the Company.
- 5.9** All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to particular transaction or not on Related Party Transaction which require approval of shareholders.
- 5.10** The approval requirements for Related Party Transactions are summed up as follows:
 - i. Prior approval of Audit Committee is required in all cases.
 - ii. Prior approval of Board of Directors is required:
 - A. In case of Material Related Party Transaction(s) with other than Wholly owned Subsidiary Companies, and

- B. At the meeting of the Board of Directors, in case the transaction(s) is/ are not in the ordinary course of business and/ or is/ are not an Arm's length transaction.
- iii. Prior approval of the shareholders of the Company is also required:
 - A. In case of transaction(s) referred in ii. A above, and
 - B. In case of transaction(s) referred in ii. B above, if the transaction(s) exceeds the monetary limits prescribed in Rule 15(3) of the Companies (Meetings of Board and its powers) Rules, 2014.

5.11 Process for Dealing with Related Party Transactions

1. A list of all the Related Parties in relation to the Company based on the declarations received from its Directors and Key Managerial Personals shall be provided by the Secretarial Department to all the concerned departments, and updated from time to time.
2. Every department, prior to entering in to any contract or arrangement with a related party, shall fill the details of the contract or arrangement in the format enclosed as an annexure to the Policy and submit the same to the Secretarial Department.
3. The Secretarial Department shall, within 3 working days of submission of details, convey to the concerned department the approvals required if any for the contract/ arrangement and approximate time within which such approval can be obtained.
4. The Secretarial Department may ask for further information about the contract/arrangement, if felt necessary, to determine the nature/ type of transaction.
5. The contract/ arrangement shall not be entered in to without the necessary approval from the Audit Committee/ Board/ shareholders, if such prior approval(s) is/ are necessary under the Policy.
6. The Secretarial Department shall arrange for the approval of the Audit Committee/ Board/ Shareholders, as may be necessary.
7. Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse and abstain from discussion and voting on the approval of the Related Party Transaction.
8. To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, 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. In determining whether to approve a Related Party Transaction, the Committee will consider *inter-alia* the following factors, to the extent relevant to the Related Party Transaction:
 - > Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - > 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;
 - > Whether the Related Party Transaction would affect the independence of an independent director;
 - > Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - > Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
 - > Whether the Related Party Transaction would present an improper 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, Executive Officer or other Related Party, the direct or indirect nature of the director's, 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 Board/ Committee deems relevant.

9. If the Committee determines that a Related Party Transaction 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 Related Party Transaction, then 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.
10. In case the Related Party Transaction is required to be approved by the shareholders, the same shall be arranged.
11. Upon receipt of necessary approvals, the Secretarial Department shall convey the same to the concerned department.

5.12 Prohibitions relating to Related Party Transaction

Normally, no Related Party Transaction shall be entered into by the Company unless it is in the ordinary course of its business and at arm's length basis. In case it is essential and in the interest of the Company to enter into such Related Party Transaction, the said transaction is required to be pre-approved as may be necessary under the Companies Act, 2013 and other applicable laws and this policy by following the requisite procedure in this regard.

6. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In a case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

7. Disclosures

The Policy on dealing with Related Party Transactions shall be disclosed on the Company's website and a web link thereto would be disclosed in the Annual Report of the Company.

The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

Details of all material transactions with related parties shall be disclosed quarterly along with compliance report on Corporate Governance.

Further, the Company shall make such disclosures relating to Related Party Transactions as may be requisite under the Companies Act, 2013 and Rules made there under, Listing Agreement, Accounting Standards or any other relevant legislation/ law applicable in this regard.

8. Amendments

The Board of Directors shall have the power to amend or substitute any of the provisions of this Policy or replace this Policy in its entirety with a new Policy.

In case of any amendment to the Companies Act, 2013 or Rules made there under, Listing Agreement, Accounting Standards or any other relevant legislation/ law applicable in this regard, this policy shall automatically stand amended accordingly with immediate effect.

In case of such changes/ amendments, the Secretarial Department will carry out the changes and inform all concerned including the Directors of the Company. Such changes shall also be informed to the Audit Committee and the Board of Directors of the Company in the next meeting.

9. Interpretation

- a) Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation/ law applicable to the Company.
- b) In case of any dispute or difference upon the meaning/ interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term/ provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

Annexure 1

Name of the Department		
Name and designation of the person submitting the form		
Name of the Related Party		
Nature of relationship of the Related Party with the Company		
Brief Description of the Contract / Arrangement		
Total value of the Contract / Arrangement in Indian rupees		
Duration of the Contract / Arrangement		
Advance paid / received if any		
Other material terms of the Contract / Arrangement		
Manner of determining commercial terms including pricing.		
Details of the factors relating to the Contract / Arrangement not considered, if any, and rationale for the Same.		
Whether the Contract / Arrangement shall be considered an 'Arm's Length Transaction' under the Policy. If yes then reasons / rationale Thereof.		
Any other relevant / important information relating to the Contract / Arrangement which the Submitter may like to provide.		

Sign:
(Name of the submitter)
Date:

(To be filled in by the Secretarial Department)

Date of the approval by the Audit Committee

Date of the approval by the Board

Date of the approval by Shareholders