



Let's Solve

RELATED PARTY TRANSACTIONS POLICY

Ver.1.3
(July 23, 2018)



A Larsen & Toubro
Group Company

RELATED PARTY TRANSACTIONS POLICY

PREAMBLE:

Larsen & Toubro Infotech Limited (“L&T Infotech” or the “Company”) is a part of L&T Group, which is professionally managed and has good corporate governance and internal control systems.

The Board of Directors (the “Board”) of the Company understands the importance of stakeholder’s confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (the “Committee”), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

PURPOSE:

The policy is not only in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 and the Listing Regulations. Pursuant to Regulation 23 of the Listing Regulations, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions.

DEFINITIONS:

All the terms used and defined herein are in addition to those defined in the Act, Listing Regulations or any other applicable law or regulation:

“Act” means the Companies Act, 2013 (‘Act’) read with the Rules thereto including any subsequent amendments thereof.

“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” means Audit Committee of the Board of Directors of the Company.

“Board” means Board of Directors of the Company.

“Group Company” of “Group Companies” means Larsen & Toubro Limited, the Holding Company and its Subsidiaries.

“Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

“Material transactions” means Related Party Transactions defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 requiring shareholders’ approval. Provided that in case of any amendment to the Act or Listing Regulations, definition of Material transactions will be deemed to be changed without any further approval of Audit Committee or Board.

“Related Party” is a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations.

“Related Party Transaction” or “RPT” means transactions as given under clause (a) to (g) of sub-section (1) of Section 188 of the Act and the corresponding Rules thereto and as defined

in clause (zc) of Regulation 2 of the Listing Regulations. These include sale, purchase, leasing or supply of goods or property, availing/ rendering of any services, appointment of agents for any of these transactions, underwriting of securities and transfer of resources, services or obligations between the Company and its related party/ies, regardless of whether a price is charged or not.

POLICY:

I. Prior Approval of Audit Committee

All RPTs shall be referred to the Audit Committee for prior approval with effect from April 1, 2014, irrespective of its materiality. The Audit Committee shall also approve any subsequent modification of RPTs. Further, any variations against the pre-approved transactions will be placed before the Audit Committee for ratification.

Prior approval of Audit Committee is not required for RPTs entered into between the Company and its wholly owned subsidiary. However, as a good corporate governance measure, the transactions between the Company and its wholly owned subsidiaries shall be placed before the Audit committee for noting and approval.

Further, any related party transaction entered into by a Director/Officer of a Company involving an amount not exceeding Rs. 1 Crore, shall be priorly approved by the Audit Committee or ratified within 3 months of entering into such transaction, as the case may be.

II. Omnibus Approval

- (i) The Audit Committee shall take into account following considerations while granting omnibus approval for RPTs, of repetitive nature:
- Criteria specified by the Audit Committee under Rule 6A of the Companies (Meetings of Board & Its Powers) Rules, 2014 after approval of the Board;
 - Nature of relationship with the related party;
 - Nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
 - Method and manner of determining the pricing and other commercial terms;
 - Justification for need of omnibus approval;
 - Whether the transaction is at arm's length and in ordinary course of business; and
 - Any other information relevant or important to take a decision on the proposed transaction.
- (ii) Pursuant to Regulation 23 of Listing Regulations amended on May 9, 2018, the threshold limits for RPTs for granting omnibus approval for each financial year, as per the criteria approved by the Board in its Meeting held on May 4, 2017 is as under:

Sr. No.	Criteria	Amount
1	Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year	INR 9000 Million
2	Maximum value per transaction which can be allowed	INR 1800 Million

- (iii) The Audit Committee shall grant such omnibus approval every financial year for RPTs. Additionally, the Committee may also grant omnibus approval for RPT of unforeseen nature not exceeding Rupees One Crore.
- (iv) The Audit Committee shall review on a quarterly basis the details of RPTs entered into by the Company pursuant to omnibus approval.

III. Board Approval

The Board shall approve RPTs with respect to following transactions, which are not in ordinary course of business and/or not at arm's length:

- 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

Where the Audit Committee does not approve the RPTs, other than mentioned above (a to g), it shall make its recommendations to the Board for approval. An illustrative list of such transactions include: Loan transactions and interest payment thereon, dividend payments, acquisition, sale or disposal of investments, consultancy fees, marketing support fees, expense reimbursement, provision for security or guarantee etc.

If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

IV. Material RPTs

All material RPTs defined under Regulation 23 of Listing Regulations, whether in ordinary course of business and/or arm's length basis or not, shall require approval of the Board and shareholders, and the related parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

Transaction involving payment made to related party with respect to brand usage or royalty, exceeding 2% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

RPTs exceeding the limits prescribed under the Act and not in ordinary course of business and/or arm's length basis, shall require prior approval of the Board and shareholders, respectively.

Material RPTs entered into between the Company and its wholly owned subsidiary shall be approved by the Board at a meeting and not by circular resolution.

V. Arm's Length

Any transaction viz. sale/ purchase of products, goods, or availing/ rendering of services in the normal course of business would be levied upon at cost plus appropriate margin.

Contracts/ arrangements with Company's subsidiaries and L&T Group Companies would result in RPTs. Generally, such contracts/ arrangements would be in the ordinary course of business.

Once such contracts/ arrangements are approved by the Audit Committee, transactions arising out of same would not be subject to evaluation when they are executed. The process will be monitored by CFO continuously.

PROCEDURE:

1. Chief Financial Officer of the Company will refer RPTs to the Audit Committee for such approval and material RPTs to the Board for its approval. Material RPTs after approval of the Board shall be taken up for approval of shareholders at a general meeting.
2. Chief Financial Officer of the Company will bring the deviations, to the Audit Committee/ Board for ratification.
3. Detailed procedure provided in the 'Policy Guidelines for Related Party Transactions' should be followed.

DISCLOSURE:

Appropriate disclosures as required under the Act and the Listing Regulations shall be made in the Annual Return, Directors Report and to the Stock Exchanges.

APPLICABILITY & AMENDMENT:

Any Changes to the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee or the Board or Chief Financial Officer of the Company subject to approval of Audit Committee. The Audit Committee/ Board will give suitable directions/ guidelines to implement the same.

In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the Listing Regulations, the Companies Act, 2013 or Accounting Standards, etc. or any amendments thereto, (Regulatory Acts), the provisions contained in the Regulatory Acts will prevail.
