

AUTOMOTIVE AXLES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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AUTOMOTIVE AXLES LIMITED

Registered Office: Hootagalli Industrial Area, Off Hunsur Road, Mysore – 570 018

CIN : L51909KA1981PLC004198

www.autoaxle.com

sec@autoaxle.com

Policy on Related Party Transactions

1. Preamble

The Board of Directors (the “Board”) of Automotive Axles Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions (hereinafter referred as “RPT”) that the Company may enter into from time to time, in compliance with the requirements of Section 188 of the Companies Act, 2013 and rules made thereunder (the “Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendments thereto notified by SEBI (“Listing Regulations”).

The Board of Directors will review and amend this policy from time-to-time as and when necessary or required. The Audit Committee/Board/General Meeting, as applicable shall, subject to requirements of the Act, Listing Regulations and this Policy review, approve and ratify (if permissible) the RPTs in terms of the requirements of this Policy.

2. Objective

This Policy is intended to ensure proper approval and reporting of RPTs as applicable, between the Company and related party (ies) in the best interest of the Company and its Shareholders.

3. Definitions

3.1. “Audit Committee” or “Committee” means the Committee of Board constituted under provisions of the Companies Act, 2013 and Listing Regulations.

3.2. “Board” means board of directors of the Company.

3.3. “Key Managerial Personnel” or “KMPs” means a key managerial personnel as appointed by the Board in accordance with Act.

3.4. “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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the

Company and include transactions as specified by the Listing Regulations and Companies Act, 2013 from time to time.

3.5. “Policy” means this Related Party Transaction Policy.

3.6. “Related” “Related Party” has the meaning assigned to such term:

- a. under Section 2(76) of the Act; or
- b. under the accounting standards as may be in force from time-to-time in relation to Related Party; or
- c. under the Listing Regulations

3.7. “Related Party Transaction” has the meaning assigned to such term under the Act and the Listing Regulations.

3.8. “Relative” has the meaning assigned to such term under the Act.-

Capitalized term used in this Policy but not defined shall have meaning assigned to such term in the Act or the Listing Agreement (as applicable).

4. Policy

Except as otherwise provided in this Policy, all Related Party Transactions shall be reported to and placed for approval of Audit Committee in accordance with this Policy and the policy shall be reviewed by the Board at least once every three years or in such shorter intervals as may be notified by the Act or Listing Regulations.

4.1. Identification of Potential Related Party Transactions

- a. The Secretarial Department shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies in accordance with this Policy, along with their personal/company details including any revisions therein.
- b. The Related Party List shall be updated whenever necessary by the Secretarial Department and shall be reviewed quarterly.
- c. Functional departmental heads shall submit to the Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents.
- d. Based on this aforesaid details, the Company Secretary shall appropriately take up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator.
- e. Each director/Key Managerial Personnel shall be responsible for providing written notice to the Company Secretary of any potential RPT involving him or her or his or her relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary shall, in consultation with Chief Financial Officer and with the Audit Committee, as

appropriate, determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

- f. Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he or she shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he or she becomes concerned or interested or at the first meeting of Board held after he or she becomes so concerned or interested.
- g. A contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- h. The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of RPT after its commencement or even after its completion may be appropriate in some circumstances.

4.2. Standards for Review

RPT reviewed under this Policy will be considered approved, if it is authorized by the Audit Committee, or the shareholders in the General Meeting, as may be applicable, in accordance with the Act, Listing Regulations and standards set-forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, may review and consider:

- a. the Related Party's interest in the RPT;
- b. the amount involved in the RPT;
- c. whether the RPT was undertaken in the ordinary course of business of the Company;
- d. whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- e. the purpose of and the potential benefits to the Company from the RPT;
- f. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transaction, if any;
- g. Whether the RPT includes any potential reputational risk issues that may arise as a result of or in connection with the RPT;
- h. Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- i. Required public disclosure, if any; and
- j. Any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board may review all relevant information available to it about the RPT. The Audit Committee or the Board, as applicable, may approve or ratify or recommend to the shareholders, the RPT only if the Audit Committee and/ or the Board,

as applicable, determine that, under all of the circumstances, the transaction is fair and reasonable to the Company.

4.3. Procedures for review and approval of Related Party Transactions

- a. All RPTs or changes therein along with relevant documentary supporting (including justification therefor) must be reported to the Company Secretary and be referred to the Audit Committee for prior approval in accordance with this Policy. The Company Secretary shall place summary of such RPTs, material facts relating to each RPT and recommendations for each such RPT for approval of the Audit Committee. The Audit Committee shall undertake an evaluation of each RPT. If such evaluation indicates that the RPT would require approval of the Board, or if the Board elects to review any such RPT, then the Audit Committee shall report such RPTs, together with a summary of material facts, to the Board for its approval.
- b. If the Board is of the view that the RPT needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to the provisions of the Act or the Listing Regulations, then the same shall be placed for approval of the shareholders of the Company.
- c. If in case prior approval of the Audit Committee or the Board or the shareholders in general meeting, as applicable, for entering into a RPT is not feasible/not obtained, then the RPT shall be ratified as per the provisions of the Act and Listing Regulations.
- d. In the event the Audit Committee or the Board or the General Meeting determines not to ratify a RPT as stated in (c) above which has been already acted upon by the Company, then the Committee or the Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of such RPT or approve modifications to such RPT to make it acceptable for ratification. The Audit Committee or the Board shall have an authority to modify or waive any procedural requirements of this Policy so long as such modification or waiver is not inconsistent with the provisions of the Act and the Listing Regulations.
- e. In determining whether or not to approve or ratify a RPT, the Audit Committee or the Board or the General Meeting shall take into account, among other factors it deems appropriate, whether the RPT is on "arm's length basis, in the ordinary course of Company's business and if such aspects are absent whether such RPT is within the thresholds prescribed in Annexure-1 hereto.
- f. No director or Key Managerial Personnel shall participate in any discussion or approval of a RPT for which he or she is a Related Party, except that the director / Key Managerial Personnel shall provide all material information concerning such Related Party Transaction to the Audit Committee or the Board as appropriate.
- g. If the RPTs are in repetitive in nature, the Audit Committee may grant omnibus approval in line with this policy.
- h. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. Audit Committee shall consider the following factors while specifying the criteria for making the omnibus approval: (i)

maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year; (ii) the maximum value per transaction which can be allowed; (iii) transactions which cannot be subject to the omnibus approval by the Audit Committee.

- i. The omnibus approval shall specify:
 - (i) the name/s of the related party, nature of transaction, duration of transaction, maximum amount of transaction that can be entered into, the indicative base price / current contracted price and the formula for variation in the price, if any,
 - (ii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT 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 or such higher threshold as may be prescribed in future.

- j. Thereafter, the Audit Committee, shall review at least on a quarterly basis, the details of RTPs entered into by the Company pursuant to each of the omnibus approval given.
- k. The omnibus approval shall be valid for a period not exceeding one (1) year and shall require fresh approval after the expiry of one (1) year.
- l. The current threshold limits for approval of RPTs by Audit Committee or the Board or shareholders in General Meeting, as applicable, have been set-out in **Annexure I** hereto. Such limits shall stand automatically modified/ amended as and when such limits are amended under the Act and/or the Listing Regulations and shall accordingly be deemed to be incorporated in this Policy by reference.
- m. all entities falling under the definition of related party shall “not vote to approve the relevant transaction” irrespective of whether the entity is a party to the particular transaction or not.
- n. Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.
- o. In case any difficulty or doubt arises in the interpretation of this Policy, the decision of the Chairman of the Audit Committee shall be final.

4.4. Disclosures & Registers

- a. The Company is required to disclose RPTs in the Company’s Board’s Report to shareholders of the Company at the Annual General in accordance with the Act and Rules made thereunder.

- b. Details of all RPTs requiring shareholders' approval in the general meeting shall be disclosed on a quarterly basis along with Company's Compliance Report on Corporate Governance, in accordance with the Act and the Listing Regulations.
- c. The Company is also required to disclose this Policy on its website and web link thereto shall be provided in the Annual Report of the Company.
- d. The Company shall keep and maintain a register, either physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of Directors.
- e. Every director or Key Managerial Personnel shall, within a period of 30 (thirty) days of his/her appointment, or relinquishment of his office in other companies, as the case may be, disclose the Company the particulars relating to his/her concern or interest in the other association which are required to be included in the register maintained.

4.5. Amendment in Law

Any subsequent amendment/modification in the Act and/or Listing Regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

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

Date: May 13, 2019
Place: Pune

For Automotive Axles Limited

Sd/-
Dr. B N Kalyani
Chairman

ANNEXURE I

All RPTs shall require approval of the Audit Committee.			
RPTs (not in the Ordinary Course of Business or not on Arm's Length Basis) which are within below mentioned thresholds shall require prior Board approval :			
(A) Approval by Audit Committee/ Board at its meeting	A. Transaction or contract or arrangements (not in the Ordinary Course of Business or not on Arm's Length Basis)		Limits for the time being in force
	a. Sale, purchase or supply of goods, materials directly or through appointment of agents	Not amounting to or more than 10% of annual turnover or Rs.100 cr (whichever is lower)*	
	b. Selling or otherwise disposing of, or buying, property of any kind or through appointment of agents	Not amounting to or more than 10% Net Worth or Rs. 100 cr (whichever is lower)*	
	c. Leasing of property of any kind	Not amounting to or more than 10% of Net Worth or 10% of turnover or Rs.100 cr (whichever is lower)*	
	d. Rendering any services directly or through appointment of agents	Not exceeding 10% of turnover or Rs.50 cr (whichever is lower)*	
	e. Appointment of any office or place of profit in Company/its subsidiary or associate company	At monthly remuneration not exceeding Rs.2.5 lacs	
	f. Underwriting the subscription of any securities or derivatives thereof	Remuneration for Underwriting not exceeding 1% of the Net Worth	
	g. Payments made to a related party with respect to brand usage or royalty	exceeding two percent of the annual turnover*	
	B. Any transaction whether directly or indirectly involving any Related Party which concerns or relating to transfer of resources, services or obligation between the Company and a Related Party regardless of whether a price is charged but not covered in (a) to (g) above.		Not exceeding threshold as stated in B (1) below*
(B) Approval at General Meeting by Necessary Resolution	1. If RPT, individually or taken together with previous RPTs during a financial year, exceeds 10% of the annual consolidated turnover as per the last audited financial statements of the Company:		
	2. RPTs fall under the categories which are not in ordinary course of business and on an arm's length basis and exceed the	Transaction	Threshold
		a. Sale, purchase or supply of goods, materials directly or through appointment of agents	Amounting to or more than 10% of annual turnover or Rs.100 Cr (whichever is lower)*
		b. Selling or otherwise disposing of, or buying, property of any kind or through appointment of agents	Amounting to or more than 10% of Net Worth or Rs. 100 cr (whichever is lower)*
c. Leasing of property of any kind		Amounting to or more than 10% of Net Worth or 10% of turnover or Rs.100 cr (whichever is lower)*	

	prescribed limits:	d. Availing any services directly or through appointment of agents	Amounting to or more than 10% of turnover or Rs.50 cr (whichever is lower)*
		e. Appointment of any office or place of profit in Company/its subsidiary or associate company	At monthly remuneration exceeding Rs.2.5 lacs
		Transaction	Threshold
		f. Underwriting the subscription of any securities or derivatives thereof	Remuneration exceeding 1% of the Net Worth
		g. Payments made to a related party with respect to brand usage or royalty	exceeding two percent of the annual turnover*
		h. Any transaction whether directly or indirectly involving any Related Party which concerns or relating to transfer of resources, services or obligation between the Company and a Related Party regardless of whether a price is charged but not covered in (a) to (g) above	If exceeding the threshold limit as stated in B (1) above*
	<p>*For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year.</p> <p>Annual Turnover and Net Worth referred above is computed as per audited Financial Statement for the preceding financial year.</p>		