

ASIAN LAKTO INDUSTRIES LIMITED

Regd Office: VPO Jandiali, Near Kohara,

Chandigarh Road, Ludhiana

CIN: L15209PB1994PLC014386

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RELATED PARTY TRANSACTIONS POLICY

A. BACKGROUND AND PURPOSE:

- 1.1 **Asian Lakto Industries Limited** (the Company) is engaged in the manufacture and marketing and processors of and dealers in milk, cream, butter, ghee, cheese, condensed milk, malted milk, milk powder, skimmed milk powder, fruit drinks, fruit juices, fruits beverages, and milk products and milk preparations of all kinds.
- 1.2 Asian Lakto Industries Limited strategy focuses on a three dimensional approach to growth: geographic expansion, moving up the value chain and widening the production footprint.
- 1.3 Asian Lakto Industries Limited has been traditionally following internationally accepted transfer pricing methods in its transactions with its group entities. Companies Act, 2013 and Listing Agreement requires the Company to articulate a policy in public domain with respect to dealing with Related Party Transactions.
- 1.4 This Policy is a tool to assist Asian Lakto Industries Limited in evaluating the pricing of inter-company transactions between Asian Lakto Industries Limited as a legal entity in India on the one hand and all its Related Parties.
- 1.5 This Policy has been approved by the Board of Directors of the Company at its Board on the recommendation of the Audit & Risk Management Committee of the Board.

B. DEFINITIONS

- 2.1 **"Act"** means the Companies Act, 2013.
- 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.
- 2.2 **"Listing Agreement"** means the Equity Listing Agreement entered by the Company with the respective Stock Exchanges in India.
- 2.3 **"Material transactions"** would mean related party transactions as defined under the proviso to sub-clause (C) of clause 49(VII) of Listing Agreement (if Applicable) requiring shareholder's approval.

As per the current provisions, any transaction which either individually or taken together, vis-à-vis the related party, exceeds 10% of the consolidated annual turnover of the Company as per the last consolidated audited financial statements, will be considered 'material transaction'. This may be deemed to be changed as and when there is any corresponding amendment in the proviso to sub-clause (C) of clause 49(VII) of listing agreement (If Applicable).

2.4 **"Related Party"** is a party as defined in sub-section (76) of section 2 of the Act, Rule 2 of Companies (Meeting of Board and its Powers) Rules 2014 as well as the related parties as defined in accounting standards prevailing from time to time.

2.5 **"Related Party Transaction" or "RPT"** means such transactions between Asian Lakto Industries Limited and related parties, as defined under clause (a) to (g) sub-section (1) of section 188, sub-clause (A) of clause 49(VII) of the Listing Agreement (if applicable) and transactions covered under Accounting Standards prevailing from time to time.

C. POLICY:

3.1 All RPT which are identified to be in **ordinary course of business** and for which the pricing criteria meets the norms mentioned at para 3.4 below shall be considered to be an **Arm's length transaction**, approved by the Audit Committee and the Board.

3.2 Following is the illustrative list of transactions which may be considered as transactions executed in ordinary course of business:

- a) Supply of manufactured products, of heavy and light forgings, casting of ferrous and non ferrous metals, agricultural implements, automotive components, tool, metals, boiler, electrical products, water supply products, iron plates and framers;
- b) Provision of technical services including designing, commissioning, erection, repairs and Purchase of raw material, parts / sub assemblies and other related components;
- c) Purchase/Availing lease of or leasing out of plant, machinery, land and other business infrastructure;
- d) Purchase of services & amenities required for the process of manufacture, office administration, commissioning, erection, repairs, servicing, monitoring and maintenance of products & turnkey solutions proposed to be sold or already sold to customers;
- e) IT application development and licensing for business processes and product development;
- f) Consultancy fees;
- g) Marketing services;
- h) Reimbursement of expenses;
- i) Loan transactions and interest payments thereon;
- g) Dividend payment;
- h) Acquisition, sale or disposal of investments; and
- i) Provision of security, guarantee

The aforesaid list is only illustrative and the guidance of Kumar taxation team may be sought to establish ordinary course nature for new types of transactions, not listed above, with due regard to industry benchmarks, business realities, case law and legal interpretations.

3.3 Material transactions even if executed in ordinary course of business and at Arms' length price, shall be further subject to approval of the shareholders.

3.4 Determination of Arms length price

a) Sales transaction

From time to time, Asian Lakto Industries Limited Management shall present to the Audit Committee and Board, operating margins (benchmarks) of other Companies in similar business as Asian Lakto Industries Limited. These benchmarks shall act as a floor price for determining Arm's length price in a related party transaction. These minimum benchmarks shall be adhered to whilst accepting orders with related parties.

b) Trading transaction

From time to time, Asian Lakto Industries Limited Management shall present to the Audit Committee and Board, trading margins (benchmarks) of other entities engaged in similar trading activity as Asian Lakto Industries Limited. These benchmarks shall act as a floor price/ mark-up for determining Arm's length price/ mark-up in relation to trading activity with related parties. These minimum benchmarks shall be adhered to whilst accepting orders in connection with trading activity with related parties.

c) Purchase and other transactions

All other transactions must be entered with related parties at pricing and other terms and conditions which are similar to that with unrelated parties. These transactions may be benchmarked by the Company by following methods like Comparable Uncontrolled price (CUP), Cost plus Method (CPM), Re-sale price method (RPM), and such other methods which are globally accepted methods for transfer pricing.

3.5 Any special conditions and limits, if any, imposed by Audit Committee for specific Related Party must be tracked and adhered to in addition to this Clause.

3.6 From time to time, the Asian Lakto Industries Limited taxation team may issue guidance notes on application of various transfer pricing methods to enable the Company to effectively comply with this Policy.

3.7 Transactions which are not in ordinary course of business or not a Arm's length transaction would require prior approval of the Audit Committee as well as Board of Directors of the Company. In addition, if required by the Act, shareholders approval would be mandatory if the said transactions exceed the transaction specific exemption limits as defined in the Rules pursuant to proviso (1) of Section 188 of the Act. Such transactions cannot be executed in regular course and need to be adequately planned and approved.

D. PROCEDURE:

~~4.1 All RPT being transactions in ordinary course of business (excluding material transactions)~~

and meeting the Arm's length criteria at clause 3.4 and clause 3.5 can be executed regularly by the Company.

- 4.2 Adherence to this Policy must be monitored by the Financial Controller of the respective Region / Business Unit continuously at the time when RPT contracts are entered into by the Company. On a quarterly basis, Financial Controller of Region / Business Unit must submit a declaration that all RPT transactions executed during the previous quarter have adhered to the principles laid down in this Policy.
- 4.3 The Finance Controller of a Region / Business Unit or the Asian Lakto Industries Limited taxation team may, suo motu, recommend significant transactions with wholly owned subsidiaries, which do not meet the standard norms under clause 3.4, for scrutiny and approval of the Audit Committee and Board for a special approval under the proviso to clause 3.4 or clause 3.7.
- 4.4 The Company Secretary shall place such RPT transactions referred in clause 4.3 before Audit Committee and Board for scrutiny and approval.
- 4.5 Wherever any contract / arrangement requires Shareholder approval on account of it falling under Clause 3.3 or 3.7, the same will not be entered into till such time as the necessary approvals are obtained. In the event, some transactions are recommended by Board for shareholder approval, the Company Secretary's team will make arrangement for obtaining shareholder approval.

E. DISCLOSURE:

- 5.1 Appropriate disclosures as required under the Act and the Listing Agreement will be made in the Annual Return, Board's Report and will further be made to the Stock Exchanges.