



Rushil Décor Limited



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

[Pursuant to regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

As revised and approved by the Board of Directors on 18th May, 2019

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1. **INTRODUCTION:**

Rushil Décor Limited (the "Company") recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. The Company has been in compliance with various laws and regulations in this regards so far and ensured that such transactions are in the best interest of the Company and stakeholders.

The Companies Act, 2013 and the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations" or "SEBI LODR") have laid down extensive requirements to be fulfilled in case of Related Party Transactions.

Additionally, the Listing Regulations specifies that the Company is required to formulate a Policy on materiality of related party transactions and also on dealing with Related Party Transactions and accordingly ensure proper approval and reporting of the transactions between the Company and its Related Parties.

Consequent of replacement of Listing Agreement by the Listing Regulations and Companies Act, 1956 by Companies Act, 2013, revised Policy formulated and was approved & adopted by the Board on November 07, 2015.

Further owing to the amendment brought in by Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and implementation of Indian Accounting Standard, the policy is again amended in the Board Meeting held on May 18, 2019.



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2. DEFINITIONS

- 1) **“Applicable Law”** means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any further amendments therein which includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
- 2) **“Arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of arm’s length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 3) **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013.
- 4) **“Material Related Party Transactions”** means material transaction with a Related Party as defined under Regulation 23 of the Listing Regulations.
- 5) **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 6) **“Policy”** means this Policy on Materiality of related party transactions and on dealing with related party transactions.
- 7) **“Relative”** shall mean “relative” as defined in Section 2(77) of the Companies Act, 2013.



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- 8) **“Related Party”** means any person or entity who is covered under the definition of Related Party as defined in Section 2(76) of the Companies Act, 2013, Regulation 2(1)(zb) of the SEBI LODR and applicable accounting standards.
- 9) **“Related Party Transaction”** means any transaction with a Related Party involving a transfer of resources, services or obligations that is subject to the provisions of Applicable Law regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract and shall include but not limited to the following:
- (i) purchases or sales or supply of goods (finished or unfinished);
 - (ii) purchases or sales or supply of property and other fixed assets;
 - (iii) rendering or receiving of services;
 - (iv) leasing of property of any kind or hire purchase arrangements;
 - (v) transfers of research and development;
 - (vi) transfers under license agreements;
 - (vii) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
 - (viii) provision of guarantees or collateral;
 - (ix) agency arrangements, management contacts including for deputation of employees;



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- (x) settlement of liabilities on behalf of the entity or by the entity on behalf of another party;
- (xi) appointment of any agent for purchase or sale of goods, materials, services or property;
- (xii) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (xiii) underwriting the subscription of any securities or derivatives thereof, of the company

Words and expressions used and not defined in the Policy shall have the same meaning respectively assigned to them in the applicable law under reference that is to say Companies Act, 2013 and Rules framed thereunder, or SEBI LODR as amended, from time to time.

3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION

- (a) The Secretarial Department shall identify and keep record of the related party (ies) along with their personal/company details from time to time and circulate the same to concerned departments of the company.
- (b) The Director/KMP shall bring to the notice of Secretarial Department of any transactions to be entered by the related party with the company.
- (c) The Compliance Officer shall also set down the mechanism for reporting of such transactions proposed to be entered or entered with related parties by such Designated Employees/persons.
- (d) The record of Related Parties shall be updated whenever necessary and shall be reviewed at least once a year.



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- (e) The concerned departments shall approach to the Secretarial Department before entering into any transactions with Related Party(ies) along with the details of the transactions to be entered.
- (f) After receipt of the notice, the Secretarial Department shall make sure that the transaction to be entered is as per the policy on RPTs approved by the Board and also verify the approval sought for such transaction by the Audit Committee /Board/ Shareholders, as applicable.
- (g) If the transaction to be entered is already approved by the Audit Committee/ Board/Shareholder, as applicable and if it is within the limit of approval then the Secretarial Department shall inform the respective department of the same and allow the transaction to proceed.
- (h) If the transaction proposed to be entered with related party is not already approved by the Audit Committee /Board/Shareholders then the Secretarial Department shall take necessary steps for approval of the transactions.

4. MECHANISM FOR APPROVAL FOR RELATED PARTY TRANSACTIONS

1. TRANSACTIONS WHICH ARE ON ARM'S LENGTH BASIS AND ARE IN ORDINARY COURSE OF BUSINESS

- (a) Prior approval of Audit committee for all transaction except those transactions for which omnibus approval is already given by audit committee.
- (b) Approval of shareholders by way of resolution if such RPTs are “Material Related Party Transactions” as defined in the Listing Regulations.

Further, no related party shall vote to approve such resolution whether the entity is a related party to the particular transaction or not.



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2. TRANSACTIONS WHICH ARE EITHER NOT ON ARM'S LENGTH BASIS AND / OR NOT IN ORDINARY COURSE OF BUSINESS

- (a) Prior approval of Audit Committee.
- (b) Prior approval of Board of Directors.
- (c) Prior approval of shareholders by way of resolution: If the Transaction(s) crossing the limits as set out in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, as may be amended from time to time, shall require prior approval of the shareholders of the Company in accordance with the procedure set out in Section 188 of the Act.

Further, no member of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

3. MATERIAL TRANSACTIONS WITH RELATED PARTY(IES):

Material Transaction(s) with Related Party(s) shall require prior approval of the Audit Committee. In compliance with Regulation 23 of the SEBI LODR, approval of the shareholders through resolution shall be taken for all such Material Transactions with Related Party(s). Further, the Related Party(s), irrespective of whether it is a party to a particular transaction or not, shall not vote to approve such resolutions.

4. OMNIBUS APPROVAL BY AUDIT COMMITTEE

- (i) For the ease of carrying out transactions/ contracts/ arrangements, the Audit Committee may grant omnibus approvals to the eligible transactions at the first meeting of every financial year and such approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. Omnibus approvals shall be granted based on the following:
- (ii) The Audit Committee shall, after obtaining approval of the Board, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following namely:



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- a) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - b) The maximum value per transaction which can be allowed;
 - c) Extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval;
 - d) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - e) Transactions which cannot be subject to the omnibus approval by the Audit Committee
- (iii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
- (a) Repetitiveness of the transactions (in past or in future);
 - (b) Justification for the need of omnibus approval
- Provided that where the need for Related Party Transactions cannot be foreseen and details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees 1 crore per transaction.
- (iv) The omnibus approval shall provide details of (a) the name of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (b) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price, if any and (c) such other conditions as the Audit Committee may deem fit.



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- (v) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given.

5. STANDARDS FOR REVIEW

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee / Board, as applicable, in accordance with the 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, shall review and consider

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) whether the Related Party Transaction 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 at arms' length basis;
- (e) Contractual terms for the Related Party transactions and whether the same are comparative with the market standards and whether beneficial to the company;
- (f) the approximate amount of the Related Party's interest in the transaction without regard to the amount of any profit or loss;
- (g) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (h) 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;



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- (i) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction;
- (j) Whether the Related Party Transaction would impair the independence of an otherwise independent Director;
- (k) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre- approval was not sought for and whether subsequent ratification would be detrimental to the Company;
- (l) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / the Board deems relevant and appropriate;
- (m) required statutory and public disclosure, if any;
- (n) any other information regarding the Related Party Transaction 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.

6. DISCLOSURES/NOTICE OF INTEREST BY DIRECTOR AND KMP WHILE ENTERING INTO TRANSACTIONS WITH THE COMPANY

- (a) Each Director / Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her



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relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

- (b) Every Director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (c) Where any Director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if becomes concerned or interested after the contract or arrangement is entered into, shall disclose his/her concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- (d) 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.
- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate authority for approval.



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7. DISCLOSURES:

- (a) The Company is required to disclose Related Party Transactions covered under Section 188 of the Companies Act, 2013 in the Company's Board's Report addressed to shareholders of the Company at the Annual General Meeting as follows:
 - i. All Material Related Party Transactions; and
 - ii. All Related Party Transactions not entered into at arm's length basis
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the SEBI LODR.
- (c) The Company is also required to disclose this Policy on its website i.e. **www.rushil.com** and also provide web link to the same in the Annual Report of the Company.
- (d) The Company shall submit within 30 days from the date of publication of its 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.
- (e) The Company shall keep the necessary registers as specified under Applicable Law giving the particulars of all contracts or arrangements with any related party.



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8. **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

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 completion, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 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 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 board members and/or shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the Company or any other concerned person as the case may be.

9. **SCOPE AND LIMITATIONS:**

In the event of any conflict between the provisions of this Policy and of the Act or Rules or Regulations or any other statutory enactments, the provisions of such Act or Rules or Regulations or statutory enactments shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy and the Policy may not require further approval.



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10. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically but at least once in every three years and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

This Policy shall also be reviewed by the Board of Directors as per the recommendation of Audit Committee once in every three years and updated accordingly.

11. COMMUNICATION

This Policy will be communicated to all Directors, KMPs and Members of the Management Committee and other concerned persons of the Company.

12. CLARIFICATIONS, AMENDMENTS AND UPDATES

This Policy shall be implemented as per the provisions of the Applicable Law. Any amendments in the Applicable Law, including any clarification/circulars of relevant regulator, shall be read into this Policy such that the Policy shall automatically synchronize the application of Applicable Law at the time of its implementation.

Date: 18.05.2019

Place: Ahmedabad