

## DEN NETWORKS LIMITED

### RELATED PARTY TRANSACTIONS POLICY

#### 1. Background

Related party transaction can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirement of approval of the related party transaction as prescribed under the Companies Act, 2013 (“Act”) read with the rules framed there under and clause 49 of the listing agreement (as amended by SEBI circulars dated April 17, 2014 and September 15, 2014), the DEN Networks Limited (“DEN” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49 (VII) (C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, DEN has framed this policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

#### 2. Definitions

**“Arm’s length transaction”** means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

**“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under the Regulations.

**“Board of Directors” or “Board”** means the Board of Directors of DEN, as constituted as per the Regulations.

**“Key Managerial Personnel” or “Key Management Personnel”** means Key Managerial Personnel (‘KMP’) as defined in section 2(51) of the Cos Act 2013 and the Rules made thereunder which include (i) the Chief Executive Officer or the Managing Director or the Manager (ii) the Company Secretary (‘CS’); (iii) the Whole-time Director; and (iv) the Chief Financial Officer and (v) such other officer as may be prescribed.

**“Material related party transactions”** is as defined in *Annexure 1* to this policy.

**“Ordinary Course of Business”** means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association, Articles of Association or any other applicable factors like market conditions, industry practices etc.

**“Policy”** means Related Party Transaction Policy.

**“Related Party” under RC 49 of the Listing Agreement** means an entity which

- i) is a related party under Section 2(76) of the Companies Act, 2013; or
- ii) is a related party under the Accounting Standard 18 (AS 18) “ Related Party Disclosures”

**“Related Party” under Section 2(76) of Cos Act is defined as follows:**

- 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 or his relative is a member or director;
- v) a public company in which a director or manager is a director and 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 on 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. holding, subsidiary or an associate company (includes joint venture) of such company; or
- b. subsidiary of a holding company to which it is also a subsidiary;

ix) Director, other than an independent director, or Key Managerial Personnel of the holding company or his relative shall be deemed to be related party.

**“Related Party” under Accounting Standard 18 is defined as follows:**

- i) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- ii) associates and joint ventures of the reporting enterprise and the investing party or venture in respect of which the reporting enterprise is an associate or a joint venture;
- iii) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- iv) key management personnel and relatives of such personnel; and
- v) enterprises over which any person described in (iii) or (iv) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

**“Relatives”** under section 2(77) of the Cos Act and the Rules thereunder is defined as follows:

Relative, with reference to any person, means anyone who is related to another, if—

- i) they are members of a Hindu Undivided Family;
- ii) they are husband and wife; or
- iii) one person is related to the other in such manner as may be prescribed, which is as follows:
  - a. Father (including step-father)
  - b. Mother (including step-mother)
  - c. Son (including step-son)
  - d. Son’s wife
  - e. Daughter
  - f. Daughter’s husband
  - g. Brother (including step-brother)
  - h. Sister (including step-sister)

**“Related Party Transaction”** (‘RPT’) means all the transactions between the Company on one hand and one or more related party/ parties on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Cos Act and/ or RC49 of the Listing Agreement.

### **3. Policy for Identification of Related parties**

- On an annual basis, the CS shall request a disclosure from each Director and each KMP and other related party/ parties within the meaning of section 2(76), 184 and 189 of the Cos Act 2013 and RC 49 of the Listing Agreement in the prescribed format as specified in the regulations.
- Directors and KMP’s would be responsible for promptly notifying the CS in case of any changes/ updates occurring in the related party/ parties and in respect of details pertaining to such related parties declared by them.
- Any individual appointed/ elected as a Director or KMP shall be responsible to promptly complete and submit to the CS, the disclosure declaration referred above.
- The CS shall be informed in advance regarding RPT who shall put up or present the same to the Audit Committee/Board for its review and approval.

### **4. Policy for approval of related party transactions**

- In terms of this RPT Policy, either the Company or the persons authorized by the Board in accordance with this RPT Policy may enter into any RPT.

- The RPT Policy will be reviewed, approved and amended from time to time by the Audit Committee and the Board of Directors of the Company.
- All transactions by the Company with related parties shall require prior approval of the Audit Committee as specified in the Regulations.
- The Audit Committee will lay down the criteria for granting omnibus approvals to repetitive transactions, as envisaged in the Regulations.
- The Audit Committee shall on quarterly basis review the RPT, including the omnibus approvals granted.
- Transactions which are proposed at a variation from the omnibus approval will be placed before the audit committee for appropriate action including amending the criteria basis which the omnibus approval was granted or granting a specific approval.
- All RPTs which are not in Ordinary Course of Business or not at Arm's Length or both will additionally require prior approval of Board of Directors.
- All Material RPT as per the Cos Act 2013 or as per the RC 49 (as amended from time to time) will additionally require approval of shareholders through special resolution

#### **5. Other points:**

- Disclosures with respect to RPT shall be made as per applicable provisions of the Regulations
- Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time. Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT Policy and RPT Framework shall be guilty of non-compliance.
- In case of breach of this Policy, Audit Committee and/or Board may initiate appropriate action against the person(s) responsible.
- A person shall not be eligible for appointment as a Director of a Company if he has been convicted of an offence under Section 188 of the Act in respect of RPT at any time during the preceding five years.
- The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate actions / steps for prevention or remedy of any breach and / or defaults in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulations.

## Annexure 1 – Material related party transaction

Sl. No.	Prescribed Transaction Category	Companies Act 2013	Clause 49 of Equity Listing Agreement
		(Lower of the two thresholds)	
1	Sale, purchase or supply of any goods or materials directly or through agents	Transactions exceeding 10% of company's annual turnover* or 100 crore, whichever is lower**	Exceeding 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company
2	Selling or otherwise disposing off, or buying, property of any kind directly or through agents	Transactions exceeding 10% of company's net worth* or 100 crore, whichever is lower**	
3	Leasing of property of any kind	Transactions exceeding 10% of company's net worth* or 100 crore, whichever is lower**	
4	Availing of or rendering any services directly or by appointing agents	Transactions exceeding 10% of company's net worth* or 50 crore, whichever is lower**	
5	Related party's appointment to any office or place of profit in the Company or its subsidiary company or associate company	Monthly remuneration exceeding INR 0.25 million (per month)	
6	Underwriting the subscription of any securities or derivatives thereof of the company	Transactions exceeding 1% of Company's net worth*	
7	Any other related party transaction	N.A.	

\* The Turnover or Net worth referred above shall be computed on the basis of the Audited Financial Statements of the preceding financial year

\*\* Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year