



PANACEA BIOTEC LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

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INDEX

S. NO.	TOPIC	PAGE NO.
1.	Introduction	1
2.	Applicability and Effective Date	1
3.	Purpose	1
4.	Definitions	2
5.	Policy	6
6.	Related Party Transactions not approved under this Policy	10
7.	General Principles	10
8.	Disclosures	10
9.	General	11

PANACEA BIOTEC LIMITED
POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION

Panacea Biotech Limited (the "Company") recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the legal and accounting requirements to which the Company is subject.

The then applicable equity listing agreement with stock exchanges mandated formulation of a policy on transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of Directors (the "Board") of Panacea Biotech Ltd. has, in its meeting held on 1st August, 2014, adopted this Policy regarding the review and approval of Related Party Transactions in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified, applicable w.e.f. 1st October, 2014.

The said Policy on Related Party Transactions has been updated/modified pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations") as amended from time to time, after incorporating necessary changes in the said policy, as per the requirements of SEBI LODR Regulations.

2. APPLICABILITY AND EFFECTIVE DATE

This Policy is applicable to the Company with effect from 1st October, 2014 to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations. However, the amendments made in this Policy from time to time shall be deemed to be applicable effective from the respective dates of applicability mentioned in this Policy.

3. PURPOSE

This Policy is framed based on requirements of the Listing Agreement entered by the Company with the stock exchanges and modified from time to time to comply with the

requirements of SEBI LODR Regulations, the provisions of Section 188 of the Companies Act, 2013 and rules made thereunder, as amended from time to time and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

4. DEFINITIONS

4.1 "Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

4.2 "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 the provisions related to Transfer Pricing under Income Tax Act, 1961.

4.3 "Associate Company" means any other company, in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes a joint venture company.

Explanation - For the purpose of this clause:

(a) the expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

4.4 "Audit Committee" means "Audit Committee" of the Board of Directors of the Company.

4.5 "Board of Directors" or "Board" means the Board of Directors of the Company.

4.6 "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

4.7 "Company" means Panacea Biotech Limited.

4.8 "Key Managerial Personnel" means Key Managerial Personnel of the Company in terms of the Act and Indian Accounting Standard (Ind AS) - 24.

4.9 "Listing Agreement" means listing agreement entered into by the Company with the

stock exchanges on which the Company's securities are listed, as amended from time to time.

4.10 "Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

4.11 "Policy" means Related Party Transaction Policy of the Company as amended or modified from time to time.

4.12 "Related Party" means a person or an entity:

- (i) which is a related party under section 2(76) of the Act,
- (ii) which is a related party under the applicable accounting standards, or
- (iii) which is a related party under clause 2(1)(zb) of the SEBI LODR Regulations.

The term 'Related Party' as defined under section 2(76) of the Act and rules made thereunder is 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 (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company;

Explanation - For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the

company would result in the company becoming an associate company of the body corporate.

- (ix) a Director other than an independent director or Key Managerial Personnel of the holding company or his relative; or
- (x) Such other persons as may be prescribed by Central Government from time to time.

The term 'Related party' as defined under the Ind AS - 24 includes:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

- A. A person or a close member of that person's family is related to reporting entity, if that person:
 - (a) has control or joint control of the reporting entity
 - (b) has significant influence over the reporting entity
 - (c) is a member of Key Management Personnel of reporting entity or of a parent of reporting entity
- B. An entity is related to a reporting entity if any of the following conditions applies:-
 - (a) The entity and the reporting entity are members of the same group
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (f) The entity is controlled or jointly controlled by a person identified in (A) above.
 - (g) A person identified in [(A)(a)] has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The term 'Related Party' as defined under clause 2(1)(zb) of the SEBI LODR Regulations is as follows:

Related Party means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that any person or entity belonging to the promoter or promoter group of the company and holding 20% or more of shareholding in the company shall be deemed to be a related party.

4.13 "Related Party Transactions" shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI LODR Regulations from time to time, i.e. any transaction involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged. A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

The list of "Related Party Transactions" provided in Section 188 of the Act is as under:

- 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, service or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

4.14 "Material Related Party Transaction" means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

4.15 Relatives" means relative as defined under section 2(77) of the Act and rules prescribed there under, as amended from time to time, i.e. 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 person as:

- (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)

4.16 "Turnover" means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.

All other words and phrases will have the same meaning as defined under this Policy (as amended) from time to time as also under the Act, SEBI LODR Regulations and Ind AS - 24.

The headings, titles, and captions contained in this Policy are merely for reference and do not define, limit, extend, or describe the scope of this Policy or any provision herein.

Unless the context requires otherwise, (a) the gender (or lack of gender) of all words used in this Policy includes the masculine, feminine, and neutral, and (b) the word "including" means "including, without limitation".

5. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

5.1. Policy for Identification of potential Related Party Transactions

The following parties are deemed as related parties:

- (i) Panacea Group Companies
- (ii) Directors, Key Managerial Personnel and connected Related Parties:
 - a. Each Director and Key Managerial Personnel shall disclose to the Company its Related Parties on an annual basis with a corresponding responsibility to provide updates on the same during the intervening period, in case of any modification or inclusion to the information thus provided. The Board shall record the disclosure of Interest at its meeting.
 - b. Each Director and Key Managerial Personnel shall provide notice to the Board of any potential Related Party Transactions (involving him or her, or

his or her Relative, or firms/body corporates in which they or their relatives are interested) that the Company may be entering into, along with any additional information about the transaction/the Related Party that the Board and the Audit Committee may reasonably request. The Board and the Audit Committee shall have the final authority to determine whether an impugned transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company strongly prefers to receive such notice (of any potential Related Party Transaction) well in advance so that the Audit Committee and the Board has adequate time to obtain and review information regarding the same.

- (iii) In addition to the above, the Board and the Audit Committee shall undertake an independent assessment of transactions proposed to be executed by the Company in order to ascertain whether the same are proposed to be executed with Related Parties. Special focus shall be given to such transactions that fall beyond the monetary thresholds prescribed for related party transactions under Section 188 of the Act and/or SEBI LODR Regulations.

5.2. Policy for determining Materiality of Related Party Transactions

As per Regulation 23 of SEBI LODR Regulations, a transaction with a Related Party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

As per Section 188 of the Companies Act, 2013, the following cases of contracts or arrangements exceeding certain value shall be considered material:

- a) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding 10% of the turnover of the Company or Rs.100 crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of the Act;

- b) selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent, exceeding 10% of net worth of the Company or Rs.100 crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of the Act;
- c) leasing of property of any kind exceeding 10% of the net worth of the Company or 10% of turnover of the Company or Rs.100 crore, whichever is lower as mentioned in clause (c) of sub-section (1) of section 188 of the Act;
- d) availing or rendering of any services directly or through appointment of agent, exceeding 10% of the turnover of the Company or Rs.50 crore, whichever is lower as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of the Act;
- e) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000 as mentioned in clause (f) of sub-section (1) of section 188 of the Act; or
- f) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding 1% of the net worth as mentioned in clause (g) of sub-section (1) of section 188 of the Act.

“Turnover” or “Net Worth” shall be determined on the basis of the audited financial statement of the preceding financial year.

5.3. Policy for review and approval of Related Party Transactions

(i) Approval by Audit Committee:

Each Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, the Audit Committee may grant omnibus approval for the period not exceeding one year for any Related Party Transaction(s) proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in Regulation 23 of the SEBI LODR Regulations.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall not be present at the meeting and abstain from voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Audit Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Act, and the SEBI LODR Regulations.

Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders of the holding company at the general meeting for approval shall not require prior approval of the Audit Committee & shareholders of the Company.

(ii) **Approval by Board:**

All the Related Party Transactions which require the approval of the Board under any law shall be approved at the meeting of the Board and the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

(iv) **Approval by Shareholders:**

In terms of Section 188 of Companies Act, 2013, all the Material Related Party Transactions shall require prior approval of the shareholders through ordinary resolution and the Related Party/ies with whom transaction is to be entered shall not vote to approve such resolutions.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require the prior approval of the shareholders through ordinary resolution if so required under any law and the Related Party/ies with whom transaction is to be entered shall not vote to approve such resolutions.

In terms of SEBI LODR Regulations, all Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. Provided that these requirements under SEBI LODR Regulations shall not apply in respect of a resolution plan approved under section 31 of The Insolvency and Bankruptcy Code, 2016, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

6. 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 under this Policy prior to its consummation, 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 may examine the facts and circumstances of the case and take any such action as it deems appropriate.

7. GENERAL PRINCIPLES

- (i) It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- (ii) The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions and assure themselves that the same are in the interest of the Company.
- (iii) The Audit Committee shall have the following powers with respect to Related Party Transactions: -
 - To obtain outside legal or other professional advice;
 - To seek information from any employee;
 - To secure attendance of outsiders with relevant expertise, if it considers necessary; and
 - To investigate any Related Party Transaction.
- (iv) The CFO of the Company or in his absence the authorized person officiating him is authorized to issue necessary instructions for implementation of this Policy.
- (v) The management of the Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

8. DISCLOSURES

- (i) The Company shall make relevant disclosures in its Financial Statements/Board Report or otherwise, relating to the material or otherwise Related Party Transactions of the Company as may be required under the provisions of the Act or SEBI LODR Regulations or relevant Indian Accounting Standards as notified /amended from time to time.

- (ii) Details of all Material Related Party Transactions shall be disclosed to stock exchanges or any other authority under SEBI LODR Regulations or any other law for the time being in force.
- (iii) The Company shall disclose this policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.
- (iv) A summarized statement of all transactions with related party executed during the quarter pursuant to any contract or arrangement approved by the Audit Committee or the Board or the shareholders, as applicable, shall be submitted to the Board as well as the Audit Committee in regular quarterly meetings for information, review and noting.
- (v) The Company shall maintain a Register of Contracts or Arrangements containing the prescribed details as required under Section 189 of the Act.

9. GENERAL

- (i) The Policy has been duly approved by the Board of Directors in its meeting held on August 01, 2014 and may be amended by the Board at any time. The amendments made in this Policy from time to time shall be deemed to be applicable effective from the respective dates of applicability mentioned in this Policy.
- (ii) Any subsequent amendment/modification in the SEBI LODR Regulations and/or the Act and other applicable laws in this regard shall automatically apply to this Policy and this Policy shall stand amended/ modified accordingly.
- (iii) The Chairman, Managing Director & Joint Managing Director of the Company are severally authorized to approve the amended Policy to give effect to any changes/ amendments in the Act and/or SEBI LODR Regulations, as the case may be, as may be notified by the Ministry of Corporate Affairs or SEBI w.r.t. Related Party Transactions from time to time.
- (iv) The Board shall on the recommendation of the Audit Committee periodically review this Policy and shall also have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.
- (v) However, the Policy shall be reviewed by Board of Directors at least once every three years.

(vi) Any questions and clarifications relating to this Policy may be addressed to the Company Secretary at companysec@panaceabiotec.com.

**Approved by
For and on behalf of Board**

**Sd/-
Mr. Soshil Kumar Jain
Chairman**

Place: New Delhi

Date: 14.02.2019