



Ladderup

Engineering Growth

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LADDERUP FINANCE LIMITED
(CIN: L67120MH1993PLC074278)

RELATED PARTY TRANSACTIONS - POLICY& PROCEDURES, 2014

Preamble

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors (the "Board") of Ladderup Finance Limited (the "Company" or "LFL"), adopts the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act

2013 and Rules made thereunder and any subsequent amendments thereto (the "Act") and Listing Agreement with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

Objective

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

Transactions Covered by this Policy

Transactions covered by this policy include any contract or arrangement with a related party with respect to transactions defined hereunder as "Related Party Transaction".

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm's length basis shall not require any approval of the Audit Committee/ Board of Directors of the Company except in the case of Specific Transactions, which shall be subject to prior approval of the Audit Committee.

Provided further that, any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm's length basis, except Specific Transactions for which proper procedure shall be followed as provided under this Policy, shall be periodically disclosed to the Board.

Definitions

- 1) "Board" means the Board of Directors of the Company.
- 2) "Related Party" - A Related Party is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:
 - (i) A director or his relative;
 - (ii) A key managerial personnel or his relative;
 - (iii) A director or key managerial personnel of the holding Company or his relative;
 - (iv) A firm, in which a director, manager or his relative is a partner;
 - (v) A private Company in which a director or manager is a member or director;
 - (vi) 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;
 - (vii) 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;
 - (viii) 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;

(ix) any Company which is—

- (1) a holding, subsidiary or an associate Company of the Company; or
- (2) a subsidiary of a holding Company to which it is also a subsidiary;

(x) A person or a close member of that person's family if that person

- a) is a related party under Section 2(76) of the Companies Act, 2013; or
- b) has control or joint control or significant influence over the Company or of a parent of the Company; or
- c) is a Key Managerial Personnel of the Company or of parent of the company.

(xi) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(xii) 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); or

(xiii) Both entity and the Company are joint ventures of the same third party; or

(xiv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

(xv) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; or

(xvi) The entity is controlled or jointly controlled by a person identified in point (i) to (x) above.

3) "Relatives" - with reference to any person, means any one 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 the following manner, namely:-

- 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) "Related Party transactions" - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:

As per Section 188 of the Act:

- (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, services or property;
- (f) Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

As per Clause 49:

- (h) Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

As per Accounting Standards 18:

- (i) transfer of research and development
- (ii) license agreements
- (iii) finance (including loans and equity contributions in cash or kind).
- (iv) Guarantees and collaterals
- (v) Management contracts including for deputation of employees.

- 5) “Control” includes 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:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

- 6) “Material specific transactions” means those transactions entered into with the Company by a related party, individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover or twenty percent of the net worth of the Company as per the last audited financial statements of the Company, whichever is higher.

- 7) “Office or place of profit” means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm, private Company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

- 8) “Transactions on 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.

- 9) “Key Managerial Personnel” includes

- (i) the Chief Executive Officer or the Managing Director or the Manager;
- (ii) the Company Secretary;
- (iii) the Whole-time Director;
- (iv) the Chief Financial Officer

- 10) “Associate Company”, in relation to another company, means a company in which that other 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.—“significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

Details required for ascertaining Related party

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/KMPs' and their relatives.
8. Details of anybody 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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of any Company which is
 - (a) a holding, subsidiary or an associate company of such company; or
 - (b) a subsidiary of a holding company to which it is also a subsidiary.

Identification of Potential Related Party Transactions

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause 2&3 above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

RESPONSIBLE PERSON shall collate the information, coordinate and send the Related Party List to the concerned employees which may include CMD, CEO, Business Heads, Branch Heads, the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

Functional departmental heads shall submit to the CFO and Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The suggested list of records and supporting documents is detailed separately in this policy.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

Review and Approval of Related Party Transactions

As per approved terms of reference of Audit Committee by the Board, all Related Party Transactions, except which are entered in Ordinary Course of business and on arm's length and all Specific Transactions must be reported/referred to the Audit Committee of Directors for its approval/ ratification. Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all Specific Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders

in carrying out the Transactions and on the benefits. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

Omnibus approval for RPTs

Audit Committee may grant approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- c. Such omnibus approval shall specify (i) the name/s of the related part, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the AC may deem fit;

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, AC may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

All Related party transactions and material specific transactions, other than the exempted transactions in a listed Company shall require prior Shareholders approval by way of Special Resolution in General Meeting.

As per Clause 49 of the listing Agreement entered into with the Stock Exchanges, Material Specific Transactions, in relation to LFL, for the Financial Year 2014-15 shall include the transaction/transactions to be entered into individually or taken together with the previous transactions exceeds Rs. 13.36 lakh (5% of annual turnover as per the audited financial statements as at 31st March, 2014)

No Shareholder of the Company if such a shareholder is a related party with reference only to the contract or arrangement for which the said special resolution is being passed shall vote on any such special resolutions.

In the case of a wholly owned subsidiary, the Special Resolution passed by the Holding Company shall be sufficient for the purpose of entering into the transactions between wholly owned Subsidiary and Holding Company within the limits approved by the Shareholders.

Rules applying to Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions

Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The RESPONSIBLE PERSON shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the RESPONSIBLE PERSON to ensure that requisite evidence and documentation are made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

Related Party Transactions not Previously Approved

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

Disclosure

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholders approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

Exemptions

Nothing contained in in this policy shall apply to any contract or arrangement—

- (i) in the ordinary course of its business; or
- (ii) at arms' length price.
- (iii) between the Company and any other partner of the firm in which Director/Manager/Relative is a partner.
- (iv) service availed in a professional capacity from body corporate/person.
- (v) Contract with a private or public company in which relative of a director/manager is a director/member.
- (vi) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
 - (i) transaction(s) done in ordinary course of business at arm's length;
 - (ii) receipt of remuneration by way of sitting fees;
 - (iii) re-imburement of expenses for attending board and other meetings;
 - (iv) any profit related commission as approved by members.

Registers& Disclosures

The Company shall keep and maintain a register, maintained 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.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company shall maintain such register in the Head Office of the Company and provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

Records relating to Related Party/ Supporting documents

(a) Rent Agreement

- (i) Copy of draft agreement.
- (ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.
- (iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

(b) Purchase/ sale of property

- (i) Valuation reports from at least 2 independent valuer to ascertain Fair Market Value.
- (ii) Quotations from 2 independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

(c) Purchase/sale of material, goods etc.

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider.

(d) Availing/ Rendering Services

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arms length basis.

(e) Loans/ Advances given or Taken

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements
- (iii) Statutory approvals wherever required.
- (iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).

(f) Subscription to shares/debentures/securities

Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

(g) Guarantee/ Securities

(i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there

under. (ii) Agreements.

(iii) Other documents justifying the same.

(h) Other transactions

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

Disclosures -

1. Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.

2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.

3. The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report.