

20 MICRONS LIMITED

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

(Effective from 01st October, 2014)

Preamble

The Policy is prepared in accordance with the provisions of Clause 49(VII)(C) of the Listing Agreement. The Policy dealt with the materiality of Related Party Transaction and also on the dealing with Related Party Transactions.

The Board of Directors ("the Board") of 20 Microns Limited has therefore adopted the following Policy and Procedures with regard to materiality of related party transaction and manner of dealing with related party transactions, as defined in the Policy. The Policy was adopted and approved by the Board on 27th September, 2014.

This policy may be amended at any time by the Board of Directors of the Company ("the Board") and is subject to –

- i. A further guidance from the SEBI or amendments to or re-enactment of Listing Agreement
- ii. Consequential Action taken by the Board of Directors or Audit Committee of the Company.

1. Objective

20 Microns Limited ("the Company") understands that related party transactions entered into by the Company can present potential or actual conflict of interest and may raise questions about whether such transactions are consistent with Company's and Shareholders' best interests. Therefore this policy on Related Party Transactions ("RPT Policy"), as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges is laid down to express the policy of the Company on dealing with related party transactions.

2. Effective Date

The Policy is effective from 01st October, 2014.

3. Amendment

The RPT Policy was adopted by the Board on 27th September, 2014. Any changes in RPT Policy must be approved by the Board of Directors of the Company.

Questions about the RPT Policy and its application to any related party shall be directed to the Compliance Officer of the Company.

4. Definitions

All the terms and words used in this policy and not defined hereunder shall have the meaning as mentioned under the Companies Act, 2013 and the Rules made thereunder ("the Act") or under Clause 49 of the Listing Agreement, amended from time to time.

Related Party means any person as defined under Section 2(76) of the Companies Act, 2013 or the term related party mentioned in Clause 49 (VII)(B) of the Listing Agreement.

Related Party Transaction means the transactions as listed in Section 188 of the Companies Act, 2013. It is clarified that the transactions arising out of compromises, arrangements and amalgamation dealt with under the specific provisions of the Companies Act, 2013 will not be covered under this definition.

Pursuant to Clause 49 of Listing Agreement, Related Party Transaction is a transfer of resources, services or obligations between the Company and Related Party, regardless of whether the price is charged. A transaction with the related party shall be construed to include single or group of transactions in a contract. Provided however that the transactions entered into between the Company and its wholly owned subsidiary company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval shall be excluded from this definition.

Material Related Party Transaction means related party transaction which individually or taken together with previous related party transactions with such related party exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

5. Procedures

5.1 Identification of Related Party

Every Director or Key Managerial Personnel (KMP) shall at the time of his/her appointment disclose to the Company the following –

- i. Details of his relative
- ii. Details of Firms in which either he or any of his relative is partner
- iii. Details of Private Company in which either he or any of his relative is member or Director
- iv. Details of Public Company in which he is director or holds along with his relatives, more than two per cent. of its paid-up share capital of such Company
- v. Details of Body Corporate whose Board of Directors or Managing Director or Manager is accustomed to act in accordance with his advice, direction

- or instruction (other than advice, direction or instruction given in Professional Capacity)
- vi. Details of any person on whose directions, instructions or advice he is accustomed to act (other than advice, directions or instructions given in Professional Capacity)
 - vii. Details of entities/body corporate of which he is owner or promoter or KMP or has control over such entity.
 - viii. Details of Body Corporates in which he holds either himself or together with other directors of such body corporate holds more than two percent of the paid up share capital of such company.

Every director or KMP shall, at first meeting of the Board in every Financial Year or whenever there is any change in the disclosures already made, then at the first Board Meeting held after such change, make revised disclosures. However, when such change which has an effect of making transaction of the Company which was otherwise a non related party transaction as per Listing Agreement or Companies Act, 2013, such change shall be intimated to the Compliance Officer immediately or where possible, in advance.

5.2 Transactions with Related Party

All related party transactions as per clause 49 shall required prior approval of Audit Committee.

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

- i.* Transactions are repetitive in nature
- ii.* The Audit Committee shall satisfy itself that such approval is in the interest of the company
- iii.* Such omnibus approval shall specify (i) the name/s of the related party, 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 Audit Committee may deem fit;

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

- iv.* Related Party Transactions entered into under omnibus approval shall be reviewed by the Audit Committee on quarterly basis
- v.* Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year

All material related party transactions shall require approval from the shareholders by way of Special Resolution and all entities falling under definition of related party shall abstain from voting on such resolutions.

All related party transactions which are not on arm length basis or are not in the ordinary course of business shall require prior approval of Board of Directors ("the Board") of the Company. Further at the time when the business for approval of any related party transactions is being discussed in the Board Meeting, the director interested shall not remain present during such discussion. Provided however that the quantum of such related party transactions is above the threshold prescribed under Section 188 of the Companies Act, 2013 for the respective related party transactions, prior approval by way of Special Resolution of the Shareholder shall be required and all members of the Company which are related party and which are related in context of the contract of arrangement shall not vote in such General Meeting.

5.3 Dealing with Related Party Transactions

In dealing with related party transactions, Audit Committee or Board shall endeavour that the prescribed transaction/contract/arrangement is not prejudicial to nor in conflict with the interest of the Company and its Shareholders.

The Audit Committee/ Board shall (except in case of permitted omnibus approvals) review the following information when assessing a Related Party Transaction:

- a. The name of related party and nature of relationship
- b. the nature, duration of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;
- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. whether all factors relevant to the contract have been considered,
- g. any other information relevant or important for the Board to take a decision on the proposed transaction.

Exception

Notwithstanding the forgoing, the following related party transactions (only if they are not material related party transactions) shall not require approval of Board or the Shareholders:

- Any transaction that involves appointment or reappointment of a Director/KMP or providing of remuneration to a Director/KMP which he is entitled as Director/KMP, by way of salary, fee, commission, perquisites, any rent free accommodation or otherwise as per the policies of the Company

- Any Transaction in which related party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits as the related party.

5.4 Prior Period Transactions/Contracts/Arrangements

All existing material related party contracts/arrangements as on 17th April, 2014 (the date of SEBI Circular No. CIR/CFD/POLICY CELL/2/2014) which are likely to continue beyond 31st March, 2015 shall be placed for the approval of the shareholders in the first General Meeting subsequent to 01st October, 2014.

Contracts for related party transaction entered into by the Company, after making necessary compliance as per Section 297 of the Companies Act, 1956, which already came into effect before 01st April, 2014 will not require fresh approval under the said Section 188 and under this policy till the expiry of original terms of such contract. Thus if any modification in such contract is made on or after 01st April, 2014, the requirements under Section 188 and this policy will have to be complied with.

5.5 Related Party Transactions not approved under this policy

In the event the Company becomes aware of related party transaction that has not been approved in accordance with this policy prior to the occurrence of such transaction, the matter shall be reviewed by the Audit Committee.

Audit Committee shall consider all relevant facts and circumstances relating to related party transaction and shall evaluate all the options available to the Company, including ratification, revision or termination of related party transaction.

The Audit Committee shall also examine the facts and circumstances pertaining to failure of reporting of such related party transaction to the Audit Committee under this policy and shall take any such action it deems appropriate.

In case, where the Audit Committee determines not to ratify the related party transaction that has been commenced without prior approval, the Committee, as appropriate, may direct additional action including but not limited to immediate discontinuation or cancellation of the transaction/contract/arrangement. In connection with any review of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.

6. Disclosure of this Policy

The Company shall disclose this policy on website of the Company (www.20microns.com) and a web link thereto shall be provided in the Annual Report.

7. Non-Compliance

- a. Non-Compliance may lead to invocation of punitive provisions under the Companies Act, 2013
- b. Such a contract shall be voidable at the discretion of the Board
- c. The Company may proceed against the concerned Director/employee and recover the loss sustained as a result of such transaction.