

FREDUN PHARMACEUTICALS LIMITED

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RELATED PARTY TRANSACTION POLICY

OUR VISION

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, **Fredun Pharmaceuticals Limited** (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

CONFLICT OF INTEREST:

We must avoid any relationship or activity that might impair our ability to make objective and fair decisions when performing our jobs. At times, we may be faced with situations when the business actions we take on behalf of the Company conflict with our own personal or family interests. Our duty towards the Company is to advance its legitimate interests. Some instances where conflict of interest could arise are:

(a) Related Parties:

If we conduct Company’s business with a relative or with a Company in which a relative is associated in any significant role, we must disclose the same to our Compliance Officer. Relatives, for the purposes of this Code shall mean those persons who are defined as 'Relatives' under the Companies Act, 2013 including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. If a relative is being considered for any position or assignment within the Company, we must disclose the same to appropriate authority within the Company.

(b) 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’s Father (including step father), Mother (including step mother), Son (including step son), Son’s Wife, Daughter, Daughter’s Husband, Brother (including step brother) and Sister (including step sister).

(c) Related Party:

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013;

Section 2(76) of the Act includes:

- (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 and 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 body corporate which is—

- 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 an investing company or the venturer of the company;";
- c. director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company.

- ii) such entity is a related party under the applicable accounting Standards
Such entity shall include:

- iii) a) any person or entity forming a part of the promoter or promoter group; or

b) any person or any entity, holding equity shares: 20% (w.e.f. 1 Apr 22 and 10% w.e.f. 1 Apr 23) - either directly or on a beneficial interest basis, **at any time**, during the immediate preceding financial year;

(d) Related Party Transaction:

A related party transaction is a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries;

Following transactions are identified for the purpose of compliance with regard to related party:

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii. underwriting the subscription of any securities or derivatives thereof of the Company

Provided the following transactions are exempted under RPT:

- a) the issue of specified securities on a preferential basis, as per ICDR
- b. Corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- b) acceptance of fixed deposits by banks/NBFC at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months

(e) **Material related Party Transaction:** includes the following

i) A transaction with a related party if entered into individually or taken together with all previous transaction during a financial year exceeds:

a) 5% of the annual consolidated turnover of the Company as per its last audited financial statements, in case of transactions involving payments made with respect to brand usage or royalty, or

b) exceeds Rs. 1000 Cr or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.”

Notwithstanding i) above, a transaction involving payments made to a related party with respect to brand usage or royalty, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity; or

The following transaction(s):

Sr. No.	Details of Transactions	Threshold limit
1	Sale, Purchase or supply of any goods or materials directly or through appointment of agents	Amounting to ten per cent. or more of the turnover of the company or rupees one hundred crore whichever is lower
2	Selling or otherwise disposing of, or buying property of any kind directly or through appointment of agents	Amounting to ten per cent. or more of net worth of the company or rupees one hundred crore whichever is lower
3	Leasing of property of any kind	Amounting to ten per cent. or more of the turnover of the company or rupees one hundred crore whichever is lower
4	Availing or rendering of any services directly or through appointment of agents	Amounting to ten per cent. or more of the turnover of the company or rupees fifty crore whichever is lower
Explanation: It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.		
5	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/-
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company	Exceeding one per cent of the net worth

1. REPORTING REQUIREMENTS BY MEMBERS OF THE BOARD

- a. The Board and the top management shall conduct themselves in such a manner so as to meet the expectations of operational transparency to stakeholders while at the same time maintain confidentiality of information in order to foster a culture for good decision making.
- b. The board of directors shall collectively monitor and manage potential risk of conflicts of interest of management, board members and shareholders including misuse of corporate assets and abuse in related party transactions.
- c. Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.
- d. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- e. The Company would ensure that all Related Party Transactions are pre-approved by the Audit Committee. Further, only those members who are Independent Directors in the Audit Committee shall provide a prior approval to all the Related Party Transactions.

However, the Audit Committee may grant omnibus 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 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.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year

f. The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

g. Further the Audit Committee shall be required to approve transaction between subsidiary and related party if:

i) Listed entity is not party

ii) Transaction above threshold:

a) 10% of annual consolidated turnover

b) 10% of annual standalone turnover of subsidiary

However, the prior approval shall not be required where listed subsidiary is a party but the listed entity is not a party, if Regulation 23 and 15(2) are applicable to such listed subsidiary.

Further in case of Unlisted subsidiaries of a listed subsidiary - prior approval of the AC of the listed subsidiary shall suffice.

f. The approval of the shareholders by way of an Ordinary resolution shall be taken for the material related party transaction as per the applicable provision of the companies Act, 2013 (Save & except the transaction entered into in the ordinary course of business which are entered into at arms' length price) or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

g. The Company while seeking such approval of shareholders shall ensure that all the entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a related party with respect to the particular transaction or not.

Provided that the provisions of (f) above shall not be applicable for transactions entered into between the company and any of its wholly owned subsidiaries whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

GENERAL EXEMPTIONS:

No prior approval shall be required where:

a) The transaction is entered between two Government Companies

b) Transactions between holding Company and Wholly owned subsidiaries

c) Transactions between two Wholly owned subsidiaries whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

DISCLOSURES:

➤ The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.

➤ The Company is committed to disclose the details of all related party transactions and/or material related party transaction in its annual report including its financial statement, on the website of the Company and also on Stock Exchanges where the equity shares of the Company are listed and to such other authority as may be prescribed from time-to-time transactions with related parties on quarterly basis along with the compliance report on corporate governance.

➤ The company shall disclose this policy on dealing with Related Party Transactions on its website and the web link thereto shall be provided in the Annual Report.

MISCELLANEOUS:

➤ This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly

➤ Dealing with Related Party Transactions shall be in accordance with the Companies Act, 2013 & Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, applicable Indian Accounting Standards and other applicable provisions for the time being in force.

➤ In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall mutatis mutandis apply to /prevail upon this Policy

PROTECTED DISCLOSURE

All Protected Communication/Disclosures should be addressed to Compliance Officer of the Company. The contact details are as under:

General Manager- Company Secretary

Fredun Pharmaceuticals Limited

26 Manoj Industrial Premises G D Ambekar Wadala Mumbai- 400031