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## **RELATED PARTY TRANSACTION POLICY**

### **ZEN TECHNOLOGIES LIMITED**

**(ISO : 9001 : 2008 & ISO 27001 : 2005 Certified)**

**Regd. Office :** B-42, Industrial Estate, Sanathnagar  
Hyderabad - 500 018, Telangana, INDIA

Phone : +91 40 23813281, 23811205, 23811206

Phone : +91 40 23812894, Fax : +91 40 23813694/4894

E-mail : [info@zentechnologies.com](mailto:info@zentechnologies.com)

Website : [www.zentechnologies.com](http://www.zentechnologies.com)

Corporate Identity Number : L72200TG1993PLC015939

### 1. Preamble

Pursuant to Clause 49 of the Listing Agreement between the Company and the Stock Exchange, the Company is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This policy is framed as per requirement of Clause 49 of the Listing Agreement and intended to ensure a process for approval and reporting of transactions between the Company and its Related Parties.

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

This Policy on Related Party Transactions may be amended at any time and is subject to any further change in the Listing Agreement or the Companies Act, 2013 ( the Act) or rules/regulations made thereunder.

### 2. Definitions

**"Act"** means The Companies Act, 2013 and the Rules made thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

**"Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**"Audit Committee or Committee"** means Committee of the Board of Directors of the Company constituted under provisions of the Listing Agreement and the Companies Act, 2013.

**"Board"** means Board of Directors of the Company.

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 which presently consist of:

- (i) Chief Executive Officer or the Managing Director or the Manager,
- (ii) Company Secretary,
- (iii) Whole-time Director,
- (iv) Chief Financial Officer and
- (v) Such other officer as may be prescribed.

**"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 ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**"Policy"** means Related Party Transaction Policy.

**"Related Party"** means related party as defined under Clause 49 of the Listing Agreement which is as follows:

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- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

Related party as defined under Section 2(76) of the Companies Act, 2013 and the 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 under 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) 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 ;
  - (ix) such other person as may be prescribed;

**"Related Party Transaction"** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and more specifically shall mean the transactions listed under Section 188 of the Companies Act, 2013 and as defined in Clause 49 (VII)(A) of Listing Agreement from time to time.

Transactions listed under Section 188 of the Companies Act, 2013 - any contract or arrangement with a related party with respect to:

- 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

**"Relative"** means relative as defined under the Companies Act, 2013 as reproduced below:

- (i) They are Members of a Hindu undivided family;
- (ii) They are husband and wife; or

- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son's wife
- (vii) Daughter
- (viii) Daughter's husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

Any term not defined under this Policy shall have the same meaning as provided under the Companies Act, 2013 and Clause 49 of the Listing Agreement.

### **3. Policy**

All Related Party Transactions must be reported to the Audit Committee and also to Directors and Shareholders, wherever necessary, for their approval. The said transactions shall be disclosed in accordance with the requirements of the Companies Act, 2013 and the Listing Agreement.

#### **3.1 Identification of Potential Related Party Transactions**

Each Director and Key Managerial Personnel is responsible for providing notice/disclosure to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request. The Board / Audit Committee will determine whether the 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/Board has adequate time to obtain and review information about the proposed transaction. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the Director/ KMP or any other related party without necessary approvals.

#### **3.2 Related Party Transactions Requiring Approval Approval of Audit Committee**

All Related Party Transactions shall require prior approval of Audit Committee.

Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the 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 Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchanges.

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 at the general meeting for approval shall not require prior approval of the Audit Committee.

### **Approval of Board of Directors**

All Related Party Transactions under Section 188 of the Companies Act, 2013 shall be considered and approved by the Board of Directors of the Company 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. However this provision will not apply to the transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis.

All the Material Related Party Transactions as per Listing Agreement shall be approved by the Board of Directors of the Company.

### **Approval of Shareholders**

(i) All material related party transactions under Listing Agreement shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

(ii) Further, any transactions not covered above at (i) but covered under the related party transactions defined under Section 188 of the Companies Act, 2013 and rules made thereof as amended from time to time, (transaction or transactions to be entered exceeding the limits provided in the said rules) shall require prior approval of the shareholders and the related parties shall abstain from voting on such resolutions.

## **4. Review and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the

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following factors, among others, to the extent relevant to the Related Party Transaction:

- a. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would affect the independence of an independent director;
- d. Whether the transaction qualifies to be a transaction in ordinary course of business and at arm's length.
- e. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- f. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- g. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the overall financial position of the Director or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then 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.

As per the provisions of Section 188 of the Companies Act, 2013 and Rule 15 of the Companies (Meeting of Board and its Powers) Rules 2014, the Company shall enter into any contract or arrangement with a related party subject to the following conditions, :-

- (1) The agenda of the Committee / Board meeting at which the resolution is proposed to be moved shall disclose-
  - (a) The name of the 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;

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- (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, if not, the details of factors not considered with the rationale for not considering those factors; and
- (g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

(2) 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.

### **Following transactions not to be considered as Related Party Transactions:**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee/Board or Shareholders:

- (i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

### **5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

The process under this Clause 5 shall be without prejudice to any action or penalty that may arise on account of non-compliance as provided under the applicable law.

### **6. Amendments to the Policy**

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

### **7. Communication and Disclosures:**

This Policy and any amendments or replacements thereof will be posted on the Company's web site and all the related party transactions shall be disclosed in the Annual Report of the Company.

This Policy will also be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.

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

Date: 8 November 2014

Place: Hyderabad