

**CAPLIN POINT LABORATORIES POLICY ON TRANSACTION WITH
RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS**

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1) PREAMBLE

Related party transactions may lead to potential or actual conflict of interest which may be against the best interests of the company and its shareholders. The Board of Directors ("the Board") of Caplin Point Laboratories Limited (the "Company" or "Caplin") have adopted this policy and associated procedures with regard to Related Party Transactions (RPT) to ensure that such transactions are carried out with probity and transparency. This policy adhered to the requirements of Section 188 of the Companies Act, 2013 ("the Act") and Regulation 23 of the SEBI (LODR) Regulations 2015 ("SEBI Listing Regulations")

2) APPLICABILITY

2.1. This policy applies to transactions involving any transfer of resources, services or obligations between:

- a) The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- b) The Company or any of its subsidiaries on one hand, and any unrelated person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

2.2. The transfer of resources, services or obligations as mentioned in Clause 1.2 above may be gratuitous or for a consideration.

2.3. Without prejudice to the generality of Clause 1.2, the following transactions shall be deemed to be related party transactions if it is between/ among the parties specified in Clause 1.2:

- 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) appointment to any office or place of profit in the company
- g) underwriting the subscription of any securities or derivatives thereof, of the Company.

2.4. This policy shall not apply to:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- b) payment of dividend by the Company
- c) subdivision or consolidation of securities by the Company
- d) issuance of securities by way of a rights issue or a bonus issue and
- e) buy-back of securities.

- f) Transaction between the Company and its wholly owned subsidiary whose financial statements are consolidated with the Company's financial statements.
- g) Transaction between two wholly owned subsidiaries of the Company when both the Subsidiaries' financial statements are consolidated with the Company.

3) DEFINITIONS

- 3.1. **"Act"** shall mean the Companies Act, 2013 and includes any amendment thereof.
- 3.2. **"Arm's length transaction"** means a transaction that is conducted as if they were unrelated, so that there is no conflict of interest. For the purpose of determining whether any transaction is at arms' length, guidance from the Arms' Length Pricing (ALP) of Transfer Pricing guidelines issued under the provisions of Income-Tax Act 1961 shall be referred to.
- 3.3. **"Material Related Party Transaction"** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year with that related party exceeds 10% of the consolidated turnover of the Company as per the last audited financial statement. Provided that, if the transaction pertains to Brand Usage or Royalty, then the limit would be 5% of annual consolidated turnover of the Company as per the last audited financial statements.
- 3.4. **"Material modification"** means any subsequent change in the pricing, quantity or overall transaction value that has an effect or cumulative effect of variation in the value of previously approved related party transaction, where the variance exceeds 20% of the approved limit or Rs.5 crores whichever is lower. Additionally, the Audit Committee/ Board may specify changes to any contractual covenants that shall be deemed material modification for each transaction with a related party.
- 3.5. **"Ordinary course of business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- 3.6. **"Related Party Transaction"** means transactions as defined in Clause 2.1, 2.2 and/or 2.3 of this Policy.
- 3.7. Words and expressions used in this policy shall have the meanings assigned to them in the Companies Act, 2013 read with relevant Rules thereof, SEBI Listing Regulations, Accounting Standard and/ or other applicable Laws, Regulations and Standards.

4) DETERMINATION OF RELATED PARTY RELATIONSHIP

4.1 Related Party relationship shall be ascertained from the following documents:

4.1.1 Disclosures under Section 184 & 189 of the Act made by the directors of the Company

4.1.2 Declarations from Key Managerial Personnel regarding their interests and relationships

4.1.3 Data pertaining to compliance with Indian Accounting Standards – 24 (IND AS-24).

4.2 All Directors and KMPs are responsible for giving accurate data pertaining to their interests as required under the Act. In addition, they are responsible for communicating to the Company Secretary any situations that may actually or potentially conflict with the interest of the company with respect to any current or proposed transaction.

4.3 Any employee of the company who becomes aware of a transaction that is or could be interpreted as a related party transaction covered under this policy must inform his Head of the Department, who is then required to report the said related party transaction to the Audit Committee via the Company Secretary.

4.4 Information regarding related party relationships under Indian Accounting Standards – 24 (IND AS-24) shall be as ascertained for the purposes of Financial Statements preparations and any subsequent modification thereto.

4.5 On the basis of the above referred information and basis the Act and SEBI Listing Regulations, the Chief Financial Officer and the Company Secretary shall finalise the list of Related Parties.

4.6 The list of Related Parties so prepared shall be circulated to all relevant individuals who may have responsibilities to negotiate and finalise transactions with customers, suppliers etc so that they intimate the Audit Committee via the Company Secretary about any proposed transaction with the related parties.

5) APPROVAL OF RELATED PARTY TRANSACTIONS

5.1 APPROVAL OF AUDIT COMMITTEE

All Related Party Transactions and subsequent Material Modification(s) thereto shall require prior approval of the Audit Committee.

5.1.1 All the members of the Audit Committee can discuss on the transaction but only the Independent Directors (IDs) therein can approve the transaction and

subsequent Material Modification thereto. However, in case if a Director is interested he/she shall neither participate nor vote to approve the transaction.

5.1.2 The Audit Committee shall be provided with all the information as specified in SEBI Listing Regulations and circular dated 22nd November 2021 as amended from time to time and also the information specified by the Act so as to make an informed decision.

5.1.3 In case of transactions covered or proposed to be covered under contracts/ agreements, the draft contract/ agreement proposed to be executed shall be placed before the Committee for consideration and approval. Thereafter, it shall be sufficient if the Audit Committee reviews the transactions undertaken pursuant to the contract/ agreement on quarterly basis and approve any Material Modifications to the terms and conditions of the contract/ agreement. In case of expiry of the term of the contract/ agreement, the same need not be placed again before the Audit Committee if there is no change in the terms and conditions of the contract/ agreement.

5.1.4 The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, which are routine and repetitive in nature.

5.2 The Audit Committee has, based on the approval of the Board, prescribed the following criteria for granting omnibus approval:

5.2.1 Maximum value of transactions under omnibus approval shall not exceed 50% of the consolidated turnover of the last audited financial statements. This includes transactions where only a Subsidiary is involved as a party and the Company is not a party.

5.2.2 For transaction with a specific Related Party, the maximum value of transaction under Omni-bus approval should not exceed 10% of the turnover of the last audited financial statements. This 10% threshold shall be on the Subsidiary's last audited financial statements if the transaction does not involve the Company.

5.2.3 Management shall place before the Audit Committee a gist including name of the party, nature of transaction, estimated value, opinion of the management on Arm's length compliance (Arm's length requirement is not applicable for a transaction in which the Company is not a party) is, advances (if any) paid, interested directors, etc.

5.2.4 Audit Committee to quarterly review the particulars of all related party transactions entered into by the Company and/ or its Subsidiaries.

5.2.5 Audit Committee not to provide omnibus approval for transactions in the nature of Sale of business undertaking (or) purchase or sale of investments (or) availing or providing loans (or) provision of bank guarantee (or) appointment of sole selling agents (or) appointment of merchant bankers for issue of securities (or) transactions not in the ordinary course of business or not on arm's length basis (or) transactions that are material in nature as per this policy. This requirement is not applicable in case of transactions to which Company is not a party.

5.2.6 All the conditions shall apply to a transaction where the contract/ arrangement or transaction is for the benefit of a related party though the said contract/ arrangement or transaction is with an unrelated party.

5.2.7 All Omnibus approvals shall be valid for a financial year. For transactions that were approved during the course of the financial year, the validity of the Omnibus approval shall be till 31st March of that financial year.

5.3 Additional criteria may be specified by the Audit Committee with approval of the Board including the requirements under Rule-6A of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time.

5.4 Where the need for Related Party Transaction cannot be foreseen, the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rupees One crore per transaction.

5.5 The Audit Committee may, if it feels necessary, recommend modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Committee who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

6) APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY

6.1 In case of Related Party Transactions that are referred by the Audit Committee to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price, or
- (iii) a material related party transaction or any transaction involving a related party that needs shareholders' approval in terms of the SEBI Listing Regulations or the Act,

the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and recommend the same to shareholders for approval.

6.2 The Board may, if it feels necessary, recommend modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any

interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

7) APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

7.1 If a Related Party Transaction is

- (i) material and subsequent material modifications is made, or
- (ii) not in the ordinary course of business, or not at arm's length price, it shall require shareholders' approval.

7.2 In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction, whether or not the person/entity is a related party to the particular transaction

7.3 The Notice to shareholders for the above purpose shall disclose the details required under the Act, SEBI Listing Regulations and SEBI Circular dated 22nd November 2021 and as amended from time to time and other information considered desirable or necessary by the Board of Directors.

8) TRANSACTIONS THAT ARE NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be placed before Audit Committee for considering all the relevant facts and circumstances regarding the related party transaction, and for evaluating the options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee may examine the facts and circumstances pertaining to failure of reporting of related party transaction to the Audit Committee under this Policy and failure of the internal control systems and recommend such remedial actions it deems appropriate.

In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy

9) DISCLOSURES

9.1 The particulars of contracts or arrangement with Related Parties will be disclosed in the Register of Contracts or Arrangements in which directors are interested and in the Directors' report in Form AOC-2, in the manner prescribed under the Act and the Rules thereunder.

9.2 Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance and the company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

9.3 The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the Listing Regulations and the same shall be published on the Company's website

10) REVIEW OF THE POLICY

The Board on recommendation of the Audit Committee of the Company ("Audit Committee") shall review the Policy once in three years and may amend the same from time to time.

11) COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

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