

SEC/SEBI/71

May 14, 2019

1. The Secretary
BSE Ltd
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001
Scrip code : 520113

2. The Manager, Listing Department
National Stock Exchange of India Ltd
Exchange Plaza, 5th floor, Plot No C/1,
G Block, Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
Scrip Code : VESUVIUS

Dear Sirs,

**Revised Policy on Related Party Transactions under
Regulation 23 of SEBI-LODR, 2015**

In compliance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we enclose a copy of the revised Policy on Materiality of and Dealing with Related Party Transactions which is effective from April 1, 2019, which has been approved by the Board of Directors and uploaded on the Company's website www.vesuviusindia.com.

Yours faithfully
Vesuvius India Limited



Vikram Singh
Company Secretary

Encl : copy of Policy



**POLICY
ON
MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

VESUVIUS INDIA LIMITED

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(Approved on April 25, 2019)

1. INTRODUCTION

Vesuvius India Limited ("Vesuvius") is a subsidiary of its ultimate holding company Vesuvius plc, UK. Vesuvius plc is a world leader in refractory products and to maintain its leadership emphasis is given on quality, technological supremacy and uniformity for all its products manufactured from any of its manufacturing units spread over 38 countries. In order to maintain its quality and uniformity for its products, materials, partly finished goods, spares etc need to be sourced from amongst the various subsidiaries of Vesuvius plc. While sourcing or supplying within these subsidiary companies, Vesuvius follows the Transfer Pricing Policy of Vesuvius plc, which is applicable to all its subsidiaries including Vesuvius. This ensures that all transactions within the subsidiaries, being related parties, are at arm's length.

Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 including any amendment thereof (**all collectively referred as "the Act"**) contains specific provisions on Related Party Transactions (**RPTs**).

The Securities and Exchange Board of India (**SEBI**), with a view to make the Corporate Governance framework more effective, revised Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 including any amendment thereof ("**SEBI LODR**"). Pursuant to the revised Regulation 23, it has become essential for all the listed companies to formulate a policy on materiality of RPTs and on dealing with RPTs including clear threshold limits.

Accordingly, the Board of Directors ("**the Board**") of Vesuvius India Limited ("**VIL or the Company**") on November 7, 2015 had adopted a Policy on Materiality of and Dealing with Related Party Transactions ("the Policy") and a standard operating procedure to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act and SEBI LODR.

2. DEFINITIONS

The definition of terms mentioned in the Companies Act, 2013, the Listing Agreements with Stock Exchanges, SEBI LODR and Indian Accounting Standard (Ind AS) 24 on Related Party Disclosures as may be amended from time to time, are applicable to this Policy on Materiality of and Dealing with Related Party Transactions. In case of a conflict of definition, the definition mentioned or interpreted in the SEBI laws and regulations will prevail.

"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. The provisions dealing with Transfer Pricing under the Income Tax Act, 1961 should be taken as a basis for determining arm's length transactions

"Audit Committee or Committee" means Committee of Board of Directors of the Company.

"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 as amended from time to time.

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“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, exceeds 10% of the annual consolidated turnover of the Company as per the last audited annual financial statements of the Company.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 2% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Policy” means Related Party Transaction Policy.

“Related Party Transactions (RPTs)”

An RPT is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

“Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.”

“Related Party” means related party as defined in Section 2(76) of the Companies Act 2013 read with Regulation 2 (zb) of the SEBI LODR which is as follows:

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:

1. A person or a close member of that person's family is related to a Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time, which in reference to a Company, means –
 - (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 2% 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 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; **or**
 - b. has control or joint control or significant influence over the company; **or**
 - c. is a key management personnel of the company or of a parent of the company; **or**
2. 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, as laid down in Clause 1 above; **or**
 - (ii) such entity is a related party under the applicable accounting standards.

3. POLICY

All RPTs must be reported to the Audit Committee and referred for approval, in accordance with this Policy.

The Company shall not enter into any transaction or any contract or arrangement with a Related Party without obtaining the prior approval of the Audit Committee.

In the event that any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Act and SEBI LODR, by obtaining prior approval of the Board and/or its shareholders, as applicable, for such contract or arrangement.

All material RPTs, shall require approval of the shareholders of the Company through **resolution** and no related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not. Those who are eligible to vote will be determined by the provisions of the Act and SEBI LODR requirements, as amended from time to time.

The Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for RPTs that are repetitive in nature, subject to the conditions that the following minimum information is provided to the Audit Committee:

- 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.

In the event that any RPT cannot be foreseen and for which the aforesaid details are not available, the omnibus approval of the Committee is granted for entering into the transaction(s) upto a value of Rs. 1 crore per transaction. The said RPT(s) shall be brought up for approval in the immediately next Audit Committee Meeting. On the recommendation of the Audit Committee, the Board of Directors may also ratify these transactions in accordance with this Policy. On the

recommendation of the Audit Committee, the Board of Directors may grant Omnibus Approval to repetitive related party transactions for such periods not exceeding one year at a time.

In case of new contracts or arrangements to be entered into, full disclosure as required under the Act and SEBI (LODR) must be submitted to the Audit Committee. The requirements of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable Rules and amendments thereto in the format prescribed by the Audit Committee, if any, along with all documents and justification for these transactions to be submitted. Full disclosures of any conflict of interest of Directors, Key Managerial Personnel and Senior Managerial personnel should be disclosed. The transactions will be approved by the Board of Directors after consent to the same has been given by the Audit Committee.

Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

In line with rule 6A(6) of the Companies (Meetings of Board and its Powers) Rules, 2014, omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

All transactions entered into by the Company with the related parties shall be tabled at the Quarterly Audit Committee Meetings.

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board/Audit Committee or approval by a resolution in the general meeting and if it is not ratified by the Board/Audit Committee 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 authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to anything contained in the preceding paragraph, it shall be open to the Company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.

4. IDENTIFICATION OF RPTs

All subsidiaries of Vesuvius plc. are inherently defined as a related party of Vesuvius irrespective of whether any transaction has been entered into with them during the year. All Directors, Key Managerial Personnel and Senior Management and their relatives are to be treated as related parties. Any person defined as a "related party" under the provisions of the Act, SEBI LODR and Accounting Standards, will be identified as a related party under this Policy. Any transactions between Vesuvius and a related party will be termed as related party transaction.

Each Director, Key Managerial Personnel and Senior Management of the Company will be responsible for providing notice to the Board or Audit Committee of any potential RPT 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 RPT requiring compliance with this policy.

The Company shall receive such notice of any potential RPT well in advance, preferably before the Audit Committee / Board Meeting wherein the decision will be taken, so that it has adequate time to obtain and review information about the proposed transaction(s).

5. DISCLOSURE / DISSEMINATION

This policy on RPT should be uploaded on the website of the Company.

The Annual Report should contain reference to this policy and a web-link shall be provided therein.

This Policy, including any amendment(s) or modification(s), should be communicated by the Managing Director, to all operational employees and other concerned persons of the Company, to whom it is or may be applicable.

6. Policy Review

The Audit Committee may review this Policy from time to time and recommend any amendments to the Policy to the Board for approval. The Board upon receiving such recommendation may review and amend the Policy.

Any change in definition or any terms and conditions of this Policy or any additional disclosure requirement or any change in threshold or "Material " limits under the Act, SEBI LODR will immediately affect this Policy and the requirements of this Policy will stand altered change accordingly without any further action or approvals. However, If there is a conflict between this Policy and the new requirements, the Policy will require to be reviewed and revised by the Audit Committee and then by the Board of Directors.

VESUVIUS INDIA LIMITED


Vikram Singh
Company Secretary