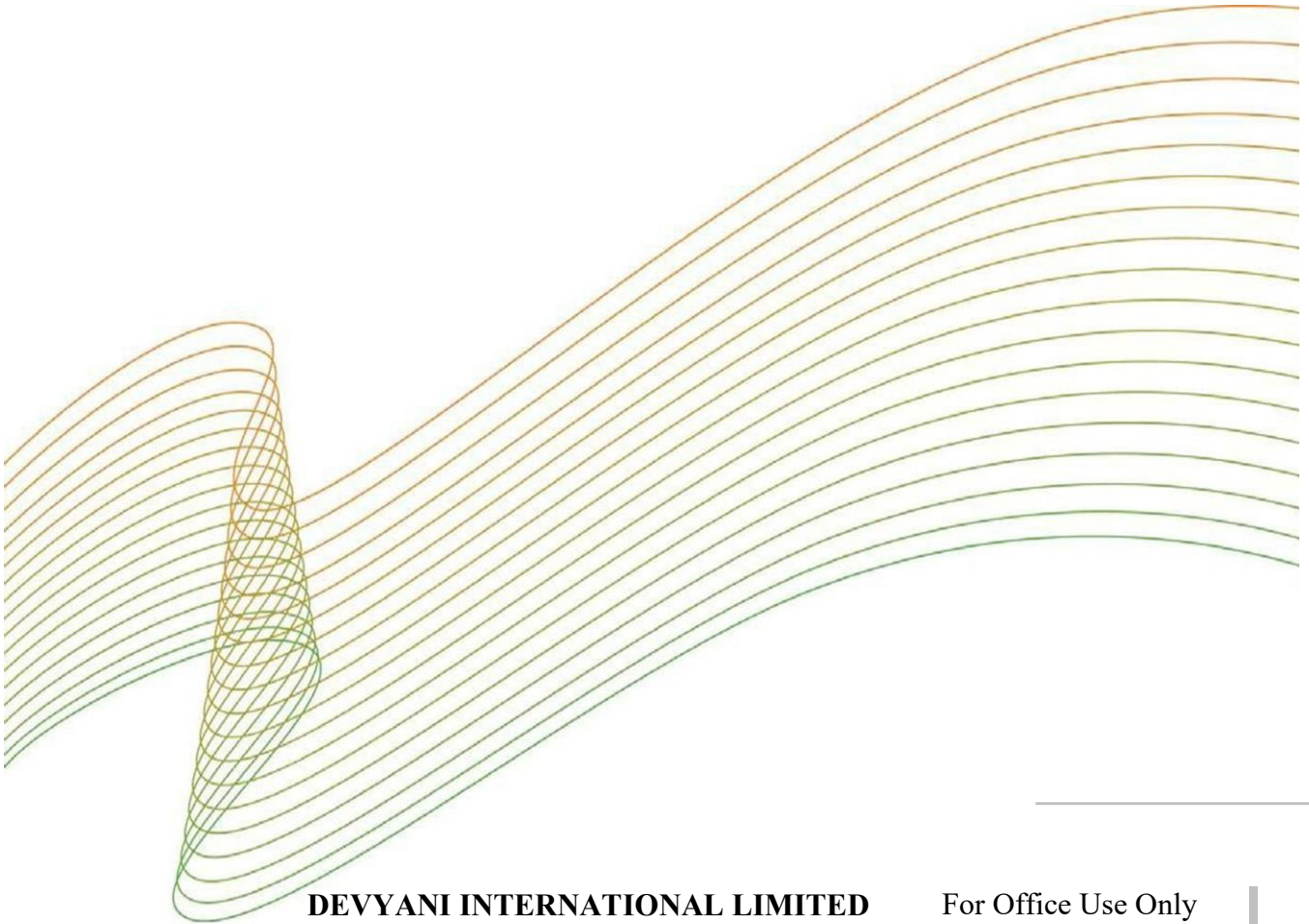


POLICY ON RELATED PARTY TRANSACTIONS



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Sl. No.	Contents	Page No.
A.	<i>Preamble</i>	3
B.	<i>Applicability</i>	4
C	<i>Who is a Related Party</i>	4
D	<i>What is Related Party Transaction</i>	5
E	<i>Threshold Limit prescribed for different level of Approvals</i>	5-6
F	<i>Overall approach to comply with the requirement as above</i>	6-9
G	<i>Guidelines/Procedures to be followed by all the Companies in the Group for Related Party Transactions.</i>	9-10
H	<i>Arm's Length Transactions (ALT)</i>	10
I.	<i>Annexure-I- Format for taking budgetary approval Annexure-II- Methodology</i>	11-12

A. Preamble

1. Provisions of Related Party Transactions (RPT's) under the new Companies Act, 2013 have become applicable from 1st April 2014. These provisions will not only be applicable to companies and/or directors but also to the Key Managerial Personnel (KMP's) which includes CFO, Company Secretary, CEO, Manager and other officers identified by the company as KMPs.
2. If any transaction is not at arm's length and in the Ordinary Course of Business, then it requires approvals of the Audit Committee and the Board of Directors and if such transaction (s) exceeds the threshold limits provided under the Companies Act, 2013, then such transaction requires approval of the shareholders in General Meeting.

The Audit Committee may grant omnibus approval subject to such conditions as may be prescribed from time to time.

3. We have some companies, which can be related parties. This includes subsidiaries, JVs, Associate Companies etc. This list will be updated quarterly by the Corporate Secretarial Department. Respective Finance departmental heads are advised to provide the periodic details of the Related Party Transactions of the Companies under their fold to the Corporate Secretarial Department who in turn will validate and send the consolidated RPTs in Board presentable format to the Audit Committee/Board and place the same before the respective meeting(s) for its review.
4. Upon Listing of shares of the Company with the Stock Exchange(s), all material related party transaction(s) requires approval from the shareholders of the Company and in case of sale/purchase of an undertaking which is a RPT, intimations to the Stock Exchange(s) as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is also required.

Explanation- A transaction with a related party shall be considered **material**, if the transaction(s) 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 listed entity** as per the last audited financial statements of the listed entity.

5. Related party transactions provisions are also applicable to the transactions with Foreign/Overseas Companies as well.
6. As per the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR), the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions. Since the Company is in the process of listing its shares, all the RPTs shall therefore be transacted as per the policy of the Company.
7. Approval of Audit Committee is required for all related party transactions. The Audit Committee may provide Omnibus Approval for related party transactions proposed to be entered into by the Company subject to the conditions as mentioned in para F (I) (3).

B. Applicability

All the Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to Devyani International Limited (DIL) and its subsidiaries, associates, joint ventures and group companies.

However, the provisions given under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / SEBI circulars, as mentioned in this policy shall be applicable only to DIL.

C. Who is a Related Party

The term Related Party is defined under Section 2 (76) in Companies Act, 2013, which includes:

Related Party with reference to a Company, means;

- (i) 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 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 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
- » a subsidiary of a holding company to which it is also a subsidiary; or
- » an investing company or the venture of the company

(ix) Such other persons as may be prescribed

Associate Company: A company in which other company has a significant influence to control at least 20% of total voting power or control of or participation in business decisions under an agreement. It includes a JV company.

Further in terms of Regulation 2(1) (zb) of the LODR, the term Related Party shall also include the related parties covered under applicable accounting standards.

Corporate Secretarial Department shall provide the list of the Related Parties from time to time.

D. What is Related Party Transaction

Section 188 (1) of the Companies Act, 2013 prescribes types of related party transactions. According to this Section, subject to the approval of the Audit Committee or the Board or the Shareholders, as the case may be, a **Company shall enter into 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) Appointment of any related party 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.

Office or Place of profit : *Anything by way of remuneration a) in case of a director - over and above the remuneration to which he is entitled as director b) in case of other Related Party(ies) - anything, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.*

For Listed Companies

In addition to the above, in case of Listed entities following would also fall under the definition of Related Party Transactions:

“Related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

E. Threshold Limit prescribed for different level of Approvals, if the RPTs are not at Arm's Length Price or not in Ordinary Course of Business:

		<i>Level of Approvals</i>					
		<i>Audit Comm.</i>		<i>Board</i>		<i>Share-holders</i>	
		<i>L</i>	<i>UL</i>	<i>L</i>	<i>UL</i>	<i>L</i>	<i>UL</i>
Sale, Purchase or supply of any goods or materials, directly or through appointment of agent(s)	=>10% of turnover	√	√	√	√	√	√
Selling or otherwise disposing of or buying of property of any kind, directly or through appointment of agents	=>10% of net worth	√	√	√	√	√	√
Leasing of any property of any kind	=> 10% of turnover	√	√	√	√	√	√

Availing or rendering of any services, directly or through appointment of agents	=>10% of turnover	√	√	√	√	√	√
Appointment of office or place of profit in the Company or its subsidiary/associate company	Monthly remuneration exceeding Rs.2.50 Lacs	√	√	√	√	√	√
Remuneration for underwriting	> 1% of the net Worth	√	√	√	√	√	√

L: Listed Entity

UL: Unlisted Entity

- ❖ **In case of the RPTs between holding company and wholly owned subsidiary company, approval obtained by the holding company is sufficient for the purpose of compliances.**
- ❖ **Even if RPTs are at arm's length and in the ordinary course of business, prior approval of Audit Committee is required in all cases.**
- ❖ **In case the transactions are not at arm's length and not in the ordinary course of business, approval of Board is must, even if the RPTs are done below the above threshold limit.**

F. Overall approach to comply with the requirement as above

- (I) In order to facilitate operations and ensure that the transactions are done without hindering any day to day operations for want of prior approvals, following arrangement will be put in place:
1. Related parties shall be categorized into two segments viz.:
 - a) Holding Company and 100% subsidiary Company,
 - b) Other related parties
 2. Regular / recurring transactions with parties under (a) above shall be carried out based on the annual budgetary approvals. At least one quotation should be obtained for such recurring transactions once in a year in order to establish the terms of such transactions are at arm's length and in the ordinary course of business.
 3. For related party transactions with parties covered in category 1(b), the Company shall adhere to the following:
 - i. where comparative prices of the product are available in the reputed data base or indices then such prices shall be taken as the price for executing the related party transaction(s).
 - ii. where comparative prices of the products are not available in the reputed data base or indices then bids should be invited indicating estimated quantity required for the whole year.

- iii. CFO shall approve such Related Party Transactions at the time of actual execution.
 - iv. Internal Auditor shall, on quarterly basis, place before the Audit Committee, the details of above transactions executed during the quarter and ensure the above compliances.
4. Audit Committee may, subject to following conditions, grant omnibus approval for transactions with the parties other than those mentioned in Clause 1 (a):

For Unlisted Companies:

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: –
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: –
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

For Listed Companies:

In case of a listed company of the Group, in addition to the above conditions, the Omnibus Approval for related party transactions proposed to be provided by the Audit Committee will be 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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the omnibus approval shall specify:
- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- (c) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

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

These provisions shall not be applicable in the case 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.

The Company shall disclose the policy on dealing with the Related Party Transactions on its website and a web link thereto in the Annual Report.

All the Related Party Transactions are to be certified by the Internal Auditor and to be validated by a Chartered Accountant or an agency competent to perform such activities, if required.

- (II) Budgetary approval (**for details given in Annexure-I**) will be obtained for proposed related party transactions from the Audit Committee/Board/Shareholders, as the case may be, showing the name of related parties, nature of transactions, terms/quantity, indicative base price / current contracted price and the formula for variation in the price, if any and amount for full year as per Annual Business plan for the year, and

- (III) Where the transaction exceeds the budgetary approval, supplementary approval shall be taken from the respective authority(s) before entering into the transaction.
- (IV) If any transaction is not covered in the budgetary approval, then details mentioned above should be sent to Corporate Secretarial Department well in advance for inclusion in the budgetary approval to be taken from the Audit Committee.
- (V) Quarterly statement showing details of transactions as above and vetted by Internal Auditor will be submitted to Audit Committee. This is must.
- (VI) If one of the transaction (more than Rs. 1 Crore per transaction) is not covered by above points, then prior approval of Audit Committee must be taken through Company Secretary before entering into the contract.

All the documents evidencing above compliances shall be maintained by the respective departments.

G. Guidelines/Procedures to be followed by all the Companies in the Group for Related Party Transactions.

- a. **All related party transactions will be done only at Arm's length** in terms of prices /terms and conditions and in the normal course of business. (In case where a transaction is done without monetary consideration, then the arm's length price shall be the price, if the transaction should have been transacted at a price, had it not been done without consideration.
- b. Arm's length price comparable to be established for every transaction by any one of the following methods :
 - i. Comparison with similar transactions with third parties
 - ii. Having three quotations
 - iii. Establishing comparable prices/terms using reputed data bases or indices.
 - iv. In exceptional cases, third party valuation report to be obtained to establish the Arm's Length Price.
- c. For every related party transaction or modification(s) thereof, information as per enclosed **Annexure I** to be filled up along with supporting documents.
- d. Internal Audit in every location will verify the information mentioned in the format enclosed **Annexure I** on monthly basis and give a report by 20 of following month to Head Office ensuring such transactions are supported with appropriate relevant documents as in (b) and (c) above. This report to be submitted to Audit Committee on '**Quarterly basis**'
- e. Location finance head of every unit/company is responsible to provide the list of all related party transactions/supporting documents to Internal Audit by 10th of every following month for the previous month.
- f. Any transaction not in compliance of the above and related party transaction will need prior approval and hence a Note For Approval (NFA) will be submitted to Corporate Secretariat Department with internal approvals and documents verified

by Internal Audit to arrange approval of Audit Committee/Board/Shareholders, as the case may be.

- g In case of any doubt, please consult Corporate Secretarial Department for clarification/guidance.

H. Arm's Length Transactions (ALT)

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

Computation Methodology of Arm's Length has not been prescribed under the Companies Act, 2013. Hence please refer to the guidelines as mentioned in Annexure – II to ensure the Arm's length price.

Annexure I
Details of Related Party Transactions

(Rs. In Mil)

Sl. No.	Nature of the Parties	Nature of the Transaction(s)	For full Financial Year	Actuals upto last quarter	For the balance period of the Financial Year	Remarks

Annexure-II- Methodologies

Following are the methodologies for ensuring that the related party transactions are done at Arm's length price. One of the following suggested methodologies must be adopted.

A. Comparable price: wherever possible three independent quotations should be obtained and listed as per following table. The transaction price for the proposed related party transaction should be compared with the independent quotation.

Comparison with quotations/bids					
Location	Item	Transaction Price	Comparative Price		
			1	2	3

B. Comparison with recent transactions: Any recent transactions for the sale/purchase of same product can be used as basis for comparison of price for related party transaction in such cases the comparative details should be maintained as per following table:

Comparison with recent transactions		
Quotation of Vendor	Transaction Price	Comparative Price
