



ESCORTS LIMITED

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

1. Introduction

The Board of Directors (the “Board”) of Escorts Limited (the “Company”) in their meeting held on February 11, 2015 has adopted this policy with regard to identification of related parties and materiality of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), and has formulated guidelines for the proper conduct and documentation of all related party transactions.

The Board may review and amend this policy from time to time.

2. Scope & Inclusion

This policy sets definition of materiality of related party transactions and dealing with related party transactions.

3. Terms and References

3.1 Materiality of related party transactions

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the SEBI Listing Regulations with any particular related party.

4. Policy

4.1 All related party contract/ arrangements shall comply with the provisions of Companies Act, 2013.

- 4.2 All related party contract/ arrangements shall comply with the Listing Agreement entered into by the Company with BSE Limited, National Stock Exchange of India Limited and Delhi Stock Exchange Limited.
- 4.3 All related party contract/ arrangements shall comply with Accounting Standards issued by the Institute of Chartered Accountants of India.
- 4.4 All related party contracts/arrangements shall be entered on arms' length basis.
- 4.5 All existing related party contracts/ arrangements entered into by the Company which already came into effect before April 1, 2014, will not require fresh approval under Section 188 of the Act till the modification/ expiry of original term of such contract.
- 4.6 In exceptional circumstances, where permitted by law, related party contracts/ arrangements may deviate from the principle of arm's length, after approval from Audit Committee.
- 4.7 All international related party contract/ arrangements shall comply with International Transfer Pricing Requirement under Section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.
- 4.8 Approval of Audit Committee shall be taken for related party contracts/ arrangements as required under the Companies Act and SEBI Listing Regulations.
- 4.9 The Audit Committee of the Company may give omnibus approval for the related party contracts to be entered into by the Company. The criteria for making the omnibus approval which shall include the following, namely:
 - i) Maximum value of transactions with any related party, in aggregate, under the omnibus route in a year should not exceed 10% of the annual turnover of the Company as per last audited financial statements of the Company;
 - ii) Maximum value per transaction which can be allowed should not exceed 1% of the annual turnover of the Company as per last audited financial statements of the Company;
 - iii) The Audit Committee shall be provided with the following details while seeking omnibus approval:
 - a. the name/s of the related party,
 - b. nature of transaction,
 - c. period of transaction,
 - d. maximum aggregated value of the particular type of transaction that can be entered into,
 - e. basis of arriving at the indicative base price/ current contracted price and the formula for variation in the price if any and
 - f. such other conditions as the Audit Committee may deem fit.
 - iv) The Audit Committee shall review the Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made on quarterly basis;

- v) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- 4.10 Based on the aforementioned criteria, the Audit Committee may, in the interest of the conduct of affairs of the Company, grant omnibus approval for Related Party Transactions that are repetitive in nature.
- 4.11 The Audit Committee may also, in the interest of the conduct of affairs of the Company, grant omnibus approval for transactions with any related party that cannot be foreseen for such transactions subject to their value not exceeding rupees 1 Crore per transaction.
- 4.12 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.

ESCORTS LIMITED

Corporate Secretariat

Phone : +91-129-2250222, Fax : +91-129-2250060, 2250058

E-mail : corpsl@escorts.co.in, Website : www.escortsgroup.com

Registered Office: 15/5, Mathura Road, Faridabad - 121 003, Haryana, India

CIN - L74899HR1944PLC039088