

UB ENGINEERING LIMITED
RELATED PARTY TRANSACTIONS POLICY
(Approved by the Board in its meeting held on 19th November, 2014)

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(Effective from 1st October, 2014)

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I. PREAMBLE

The Companies Act, 2013 (2013 Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced relevant provisions relating to related party transactions and defined the term “related parties”, “material related party transactions”, “relatives” and “key management personnel”. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement vis-a-vis the 2013 Act and with the objectives to align with the provisions of the 2013 Act, adopt best practices on corporate governance and to make the corporate governance framework more effective, revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (Board) of UB Engineering Limited (“**Company**” or “**UBEL**”) has adopted a policy to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the 2013 Act, the Rules and the Listing Agreement.

This Policy was considered and approved by the Board at its meeting held on 19th November 2014 to be effective from 1st October, 2014.

II. OBJECTIVE

To ensure due and proper compliance with the applicable provisions are followed for approval / ratification and reporting of transactions as applicable, between the Company and any of its Related Parties, this policy has been adopted by the Company's Board. The provisions of this policy are designed to govern the approval process and disclosure requirements to ensure fairness in the conduct of related party transactions in terms of the applicable laws.

The policy and procedures have been designed to govern related party transactions by ensuring the following:

- i. Related Parties are identified;
- ii. Related Party Transactions are evaluated;
- iii. Necessary approvals are obtained;
- iv. Related Party Transactions are recorded; and
- v. Proper disclosures of the Policy and the Related Party Transactions are made including disclosure of all transactions in the Annual Financial Statements.

III. SCOPE

This Policy is applicable to all related party transactions with UBEL.

IV. DEFINITIONS

i. Associate Company- Section 2(6) of 2013 Act

In relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

For the purposes of this clause, “significant influence” means control of at least **20%** of the total share capital or of business decisions under an agreement.

ii. Audit Committee

Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and 2013 Act.

iii. Board

Board of Directors of the Company.

iv. Control

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

v. Holding Company – Section 2 (46) of the 2013 Act

In relation to one or more other companies, means a company of which such companies are subsidiary companies.

vi. Key Managerial Personnel - Section 2 (51) of the 2013 Act

In relation to a Company means:

- the Chief Executive Office (CEO) or the Managing Director (MD) or the Manager;
- the Company Secretary (CS);
- the Whole-time director (WTD);
- the Chief Financial Officer (CFO); and
- such other officer as prescribed under the Companies Act from time to time.

vii. Ordinary Course of Business

Ordinary course of business shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to “income from other sources”.

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viii. Policy

Policy means this Related Party Transactions Policy.

ix. Related Party

- a. In accordance with Clause 49(VII) B of the Listing Agreement, 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; or
 - (ii) such entity is a related party under the applicable accounting standards.
- b. In light of the clarification by the circular dated 17th July, 2014 issued by the Ministry of Corporate Affairs, the term “related party” has to be construed with reference only to the contract or arrangement for which the said special resolution is being passed. Thus, the term “related party” in a contract refers only to such related party as may be a related party in the context of the contract or arrangement for which the said special resolution is being passed.

x. Relatives Section 2(77) of the Companies Act, 2013

With reference to any person Related Party means any one person, who is related to another, if:

- Members of Hindu Undivided Family
- Spouse
- Father includes step-father
- Mother includes the step-mother
- Son includes the step-son
- Son’s wife
- Daughter
- Daughter’s husband
- Brother includes the step brother
- Sister includes the step-sister

xi. Subsidiary Company or Subsidiary – Section 2 (87) of the Companies Act, 2013

In relation to any other company, that is the Holding company, means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the Total Share Capital
 - either at its own; or
 - together with one or more of its subsidiary companies:

Explanation:

- a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;

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- b. the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c. the expression "company" includes anybody corporate;
- d. "layer" in relation to a holding company means its subsidiary or subsidiaries;

xii. Related Party Transaction

a. Under Clause 49 (VII) A of the Listing Agreement

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

b. Under Section 188 of the 2013 Act

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
- under writing the subscription of any securities or derivatives thereof of the Company

For the purpose of this Clause:

i. Arms' length transaction - Section 188 (1)

The expression "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.

ii. Office or place of profit - Section 188 (1)

Office or place of profit means any office or place of profit:

- (i) is held by **a director**, if the director holding it receives from the company anything by way of remuneration, over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

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- (ii) is held by **an individual** other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

xiii. Material Related Party transactions

a. Under Clause 49

A Related Party Transaction shall be considered Material if the transaction / transactions 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 Financial Statements of the Company.

b. Under the 2013 Act

	Transaction or contract or arrangements for	Limits for the time being in force * [as per Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014 amended vide notification dated 14 th August 2014]
1	Sale, purchases or supply of any goods or materials, services or property, directly or through appointment of agent	Lower of amount (i) exceeding 10% of the Annual Turnover of the company ; or (ii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year.
2	Selling or otherwise disposing of, or buying services or property of any kind, directly or through appointment of agent	Lower of amount (i) exceeding 10% of the Net Worth of the company; or (ii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year.
3	Leasing of property of any kind	Lower of amount (i) exceeding 10% of the Net Worth of the company ; or (ii) 10% of the Annual Turnover of the company; or (ii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year.

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4	Availing or rendering of any services, directly or through appointment of agent	Lower of amount (i) exceeding 10% of Annual Turnover of the Company; or (ii) Rs.50 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year.
5	For appointment to any office or place of profit in the Company, its Subsidiary or Associate Company	Where monthly remuneration exceeds Rs.2,50,000
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of Net Worth of the Company
<p>* shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government</p> <p>Annual Turnover and Net Worth referred above is computed as per audited Financial Statement for the preceding financial year</p>		

V. POLICY & PROCESS FOR APPROVAL

A. Audit Committee approval

All Related Party Transactions and any subsequent modifications thereto, shall require the prior approval of the Audit Committee.

B. Board of Directors approval

All Related Party Transactions that are:

- not in the ordinary course of business, or
- in the ordinary course of business but not at arms' length or
- neither in the ordinary course of business nor at arms' length

shall require the prior approval of the Board of Directors at a Meeting of the Board.

C. Shareholders' approval

All Material Related Party Transactions shall require prior Shareholders' approval, through a Special Resolution passed at a General Meeting. All persons/entities falling within the ambit of the definition of Related Party shall abstain from voting on such Resolution.

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D. Process for approval

1. The Audit Committee will determine, in line with this Policy, whether the transaction submitted to it does, in fact, constitute a Related Party Transaction, requiring compliance under this Policy.
2. Review and Approval of Related Party Transactions
 - i. Any Director, who is interested in any Related Party Transaction, shall recuse him-self or her-self from any discussion and voting on the approval of the Related Party Transaction.
 - ii. To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms and conditions of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party and any such other information reasonably required to be able to decide whether such transaction is Related Party Transaction or not, including any additional information about the transaction that the Audit Committee may reasonably request.
 - iii. In determining whether to approve a Related Party Transaction, the Audit Committee may consider giving omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
 - a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c) Such omnibus approval shall specify (i) the name/s of the related party, nature of the transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) indicative price if any and (iii) such other conditions as the Audit Committee may deem fit;
 - d) Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
 - e) The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to each omnibus approval given.
 - f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 - iv. In determining whether to approve a Related Party Transaction the Audit Committee will consider, inter alia, the following factors to approve a Related Party Transaction:
 - a) Whether the terms and conditions of the Related Party Transaction are fair and on an Arms' Length basis with the Company and are in the ordinary course of business of the Company;

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- b) Whether there are compelling business reasons for the Company to enter into the Related Party Transaction as against the normal transactions;
- c) Whether the Related Party Transaction would affect the independence of an independent director;
- d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of, or in connection with, the proposed transaction;
- e) Whether the Related Party Transaction would amount to a conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, nature of direct or indirect interest of directors, Key Managerial Personnel or other Related Party in the transaction and the ongoing nature of any proposed relationship and such other aspects as may be deemed relevant to the Committee;

If the Committee determines that a Related Party Transaction should be brought before the Board or if the Board itself elects to review any such matter or it is mandatory under any law for the Board to approve such Related Party Transaction, then the criteria set out above shall also apply to the Board's review and approval of the matter with such modifications as may be necessary or appropriate under the circumstances.

- v. If the Board determines that a Related Party Transaction should be brought before the Shareholders or it is mandatory under any law for the Shareholders to approve such Related Party Transaction, then the Chairman of the Board will ensure obtaining requisite approval of the Shareholders. Shareholder(s) who fall within the ambit of the definition of Related Party will abstain from voting on such resolution.

VI. REVIEW BY THE AUDIT COMMITTEE

- a. The statement of significant Related Party Transactions, submitted by the Executive Management, shall be reviewed by the Audit Committee. For the purpose of this Clause, Material Related Party Transactions would mean Related Party Transaction(s) (individually or taken together with previous transactions during a financial year), that exceed(s) 10% of the annual consolidated turnover as per the last audited Financial Statements of the Company.
- b. This Policy shall be periodically reviewed by the Audit Committee to ensure that it is effective, efficient and delivers its objective.
- c. This Policy shall be reviewed by the Audit Committee on an annual or periodic basis and if required, changes shall be made in the light of the latest requirement and applicable legislation. The said recommendations of the Audit Committee shall be presented to the Board for approval.

VII. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If the Company becomes aware of a Related Party Transaction that requires approval, but has not been approved under this Policy, the Related Party Transaction shall be reported to the Audit Committee for its approval. A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

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When reviewing a Related Party Transaction that has not been approved under this Policy, the Audit Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.

VIII. RELATED PARTY TRANSACTIONS NOT REQUIRING ANY APPROVAL

The following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- (a) transactions involving payment of compensation/remuneration to a Director for the duties performed by him or her in terms of his/her terms of appointment including reimbursement of reasonable business and travel expenses incurred in the ordinary course of business if the same is already approved by the Board.
- (b) Any transaction 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.

IX. DISCLOSURE OF RELATED PARTY TRANSACTION

1. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
2. The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction should contain the following details:
 - Name of the Related Party;
 - Name of the Director or Key Managerial Personnel, who is related, if any;
 - Nature of relationship;
 - Nature, material terms, monetary value and particulars of contract or arrangement;
 - Other relevant or important information which helps Shareholders take a decision
3. The Policy on dealing with Related Party Transactions shall be uploaded on the Company's website.

X. GENERAL

It is clearly understood that the policy in regard to related party transactions is subject to any modifications, notifications or amendments either in the Companies Act, 2013 or the Rules or the Listing Agreement.