

**AVENUE SUPERMARTS LIMITED**

**POLICY ON RELATED PARTY TRANSACTIONS  
(INCLUDING MATERIAL RELATED PARTY  
TRANSACTIONS)**

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(Adopted by the Board of Directors on 23<sup>rd</sup> July, 2016)

## 1. INTRODUCTION

The Board of Directors (the "Board") of Avenue Supermarts Limited (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions (including materiality of related party transactions and dealing with related party transactions) as defined below.

This policy will be applicable to the Company. This policy shall regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

## 2. PURPOSE

This policy is framed as per requirements of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereinafter referred to as 'Regulations' and the provisions of Companies Act, 2013 (the "Act") including Rules made there under, as amended from time to time and intends to ensure proper governance and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

## 3. DEFINITIONS

- **“Arm’s length transaction”** as defined under explanation (b) to section 188(1) of the Companies Act, 2013, means a transaction between 2 (two) related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- **“Associate”** shall mean any entity which is an associate under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

Associate under sub-section (6) of section 2 of the Companies Act, 2013

**“Associate company”** 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.

Explanation - For the purpose of this clause, "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

Explanation - For the purpose of this clause, "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

An Associate as per IND AS 28

An associate is an entity including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

- **“Audit Committee or Committee”** means Audit Committee constituted by the Board of Directors of the Company under the provisions of Listing Regulations and the Companies Act, 2013, from time to time.
- **“Board of Directors” or “Board”** means the Board of Directors of Avenue Supermarkets Limited, as constituted from time to time.
- **“Key Managerial Personnel” (KMP)** means Key Managerial Personnel as defined in sub-section (51) of Section 2 of the Companies Act, 2013.

Key Managerial Personnel as per sub-section (51) of Section 2 of the Companies Act, 2013

“Key Managerial Personnel”, in relation to a company, means –

- a) the Chief Executive Officer or the Managing Director or the Manager;
  - b) the Company Secretary;
  - c) the Whole-time Director;
  - d) the Chief Financial Officer; and
  - e) such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Board; and
  - f) such other officer as may be prescribed.
- **“Material Related Party Transaction”** - 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 Company as per the last audited financial statements of the company.

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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- **“Policy”** means this Policy on related party transactions (including materiality of related party transactions and dealing with related party transactions).

- **“Related Party”** as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable Accounting Standards.

Related Party' as per sub-section (76) of section 2 of the Companies Act, 2013:

“Related Party” with 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 two percent 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 person or entity belonging to the promoter or promoter group of the Company and holding 20% or more shareholding in the Company.
- (ix) any body corporate which is –
  - A. a holding, subsidiary or an associate company of such company
  - B. a subsidiary of a holding company to which it is also a subsidiary; or
  - C. an investing company or the venturer of the company

*Explanation - For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate*

- (x) such other persons as may be prescribed;

**As per Rule 3 of Companies (Specification of Definitions Details) Rules, 2014-** A Director (other than Independent Director) or Key Managerial Personnel of the holding company or his relative with reference to a Company, shall be deemed to be related party.

- **“Related Party Transaction as per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015”** means any transaction involving transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged and would include a single transaction or a group of transactions.

- **“Related Party Transaction as per Section 188 of the Companies Act, 2013”** means any arrangement or contract with related party as defined under Section 2(76) of the Companies Act, 2013 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) such related party's appointment 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:
  
- **“Relative”** as defined under sub-section (77) of Section 2 of the Companies Act, 2013, means anyone who is related to another, if-
  - i) they are members of a Hindu Undivided Family;
  - ii) they are husband and wife; or
  - iii) Father (including step father)
  - iv) Mother (including step mother)
  - v) Son (including step son)
  - vi) Son's wife
  - vii) Daughter
  - viii) Daughter's husband
  - ix) Brother (including step brother)
  - x) Sister (including step sister)

#### 4. **POLICY**

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy.

##### **4.1 Identification of Related Party**

Each Director and Key Managerial Personnel (KMP) and every other related party is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Such Notice shall be issued to the Company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

In addition to above, management is to identify other related parties based on control exercised by the Company on them and vice-versa within the meaning of Companies Act, 2013 and IND AS 24.

#### 4.2. Process for approval to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee. However, the Audit Committee may grant 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 on 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 transaction, period of transaction, maximum amount of transaction (per transaction and aggregate) 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;

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 Rs. One crore per transaction.

- d) Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.
- e) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year. If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Further, all the transactions falling within the purview of Section 188(1) of the Companies Act, 2013 shall require the consent of the Board of Directors given by way of a resolution at a duly convened Board Meeting. The agenda of the Board Meeting at which such resolution so proposed to be moved, shall disclose: - Name of the Related Party and

nature of relationship; - the nature, duration of the contract and particulars of the contract or arrangement; - the material terms of the contract or arrangement including the value, if any; - any advance paid or received for the contract or arrangement, if any;

The Board of Directors shall approve the transaction with the Related Parties along with clear threshold limits.

#### **4.3. Criteria for recommendation of Related Party Transactions**

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and recommend the same for approval of the Board and shareholders, if required, in accordance with this policy. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain himself/herself from discussion and voting on the approval of the Related Party Transaction.

All material related party transactions shall require approval of the shareholders through resolution 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 approval of Audit Committee, Board or Shareholders, as may be required under this Policy is to be taken prior to entering into the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction. In determining whether to approve a Related Party Transaction, the Committee will consider inter- alia the following factors, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether the Company was notified about the Related Party Transaction before its commencement and any other factors as the Committee deems relevant.

#### **Exclusions**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders, subject to the applicable provisions of the Companies Act, 2013 and the Rules made thereunder:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

- ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii) Any transaction entered into between the Company and its wholly-owned subsidiary whose accounts are consolidated with the Company and placed before the Shareholders at the General Meeting for approval.

#### **5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board 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 or, as the case maybe of the shareholders 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.

Provided also that in case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it:

Provided also that the provisions of above clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

#### **6. APPROVAL OF RELATED PARTY TRANSACTIONS BY SHAREHOLDERS**

All individuals/ entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the transaction or not.

#### **7. DISCLOSURES**

The Policy on dealing with Related Party Transactions is to be disclosed on the company's website at [www.dmartindia.com](http://www.dmartindia.com) and a web link thereto would be disclosed in the Annual Report of the Company.



## 8. AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

However, the Board shall review Policy at least once every three years and updated accordingly.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.