

**BABA ARTS LIMITED**

**CIN : L72200MH1999PLC119177**

**POLICY ON RELATED PARTY TRANSACTIONS**

**(Adopted at the board meeting held on 31<sup>st</sup> March, 2015)**

**Registered Office:**

3A, Valecha Chambers,  
Off. New Link Road,  
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Mumbai-400053

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**BABA ARTS LIMITED**  
**(CIN: L72200MH1999PLC119177)**  
**RELATED PARTY TRANSACTIONS - POLICY & PROCEDURES,**  
**2014**

**Introduction:**

Baba Arts Limited is engaged in the business of Film Production & Distribution, TV Serial Production and Providing Post Production Services to entertainment industry.

The Company follows highest standards of ethical and legal conduct and realises that related party transactions can present a risk of actual or potential conflicts of interest of the Directors, Senior Management etc. which may not be in the interest of the Company and its other stake holders.

Pursuant to the requirements under the Companies Act, 2013 and Clause 49(VII)(C) of the Listing Agreement the Board of Directors (the "Board") of Baba Arts Limited (the "Company" or "BAL"), has formulated and adopted the following policy and procedures with regard to Related Party Transactions (RPT) as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent amendments thereto (the "Act") and Listing Agreement with the Stock Exchanges, in order to ensure the transparency and procedural fairness of such transactions.

**Objective**

The objective of this policy is to:

- a. Decide the materiality threshold limit for related party transactions and
- b. Lay down the policy and procedures for dealing with transactions between the Company and its Related Parties within the framework of the Companies Act, 2013, Clause 49 of the Listing Agreement and any other Statute and Regulations as may be applicable to the Company.

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

## Definitions

- 1) "Board" means the Board of Directors of the Company.
- 2) "Related Party" - with reference to the Company shall have the same meaning as defined under Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.
- 3) "Relatives" - with reference to any person, shall have the same meaning as defined under Section 2(77) of the Companies Act, 2013.
- 4) "Related Party transactions" - transactions/ contracts/ arrangement between the Company and its related parties which fall under one or more of the following headings:
  - i) Transactions as defined under Section 188(1)(a) to (g) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board & its Powers) Rules, 2015.
  - ii) Transactions as defined under Clause 49 of the Listing Agreement which involve transfer of resources, services or obligations between and a related party regardless of whether a price is charged.
  - iii) Transactions covered under Accounting Standard 18 i.e.
    - (i) transfer of research and development
    - (ii) license agreements
    - (iii) finance (including loans and equity contributions in cash or kind).
    - (iv) Guarantees and collaterals
    - (v) Management contracts including for deputation of employees.

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

## Materiality Threshold Limit

Pursuant to Clause 49(VII)(C) of the Listing Agreement the Company has fixed threshold limit of 10% of annual turnover of the Company as per last audited financial statement of the Company beyond which approval of shareholders will be required by special resolution for entering in to any transaction with a related party.

### **Ascertaining Related Party**

The Company updates the list of related parties at least once in a year by obtaining declarations from its Directors and Key Managerial Persons about their or their relatives' interest in Firms, Private Limited Companies, Public Limited Companies and LLPs as required under Section 184 of the Companies Act, 2013 and Clause 49 of the listing agreement.

In case of any change in nature of interest the Directors and KMPs are required to intimate such change to the company within 7 Days of such change.

### **Identification of Potential Related Party Transactions**

The Compliance Officer and Chief Financial Officer at all times maintain a list of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause 2&3 above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1<sup>st</sup> April every year.

The List of related parties will be shared with all such persons who might be in a position to conduct or know of the possible conduct of Related Party Transactions.

Functional departmental heads shall submit to the CFO and Company Secretary the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length basis in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will appropriately take it up for necessary prior approvals from the Audit Committee at its next meeting and convey back the decision to the originator. The suggested list of records and supporting documents is detailed separately in this policy.

### **Procedure for approval of Related Party Transactions:**

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

## **1 Procedure for approval of related party transactions**

All related party transactions require prior approval of the Audit Committee.

### **Omnibus approval**

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

The Audit Committee shall satisfy itself the necessity for such omnibus approval and ensure that such approval is in the interest of the company;

The omnibus approval shall include -

- 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 (for ex: +/- 5%) and
- III. such other conditions as the Audit Committee may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

The 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;

Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed - including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;

Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;

management assessment of pricing terms and business justification for the proposed transaction;

comparative analysis, if any, of other such transaction entered into by the company.

#### Approval of the Board of Directors of the Company

All kinds of transactions specified under Section 188 and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- o Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- o Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- o Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- o Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

### Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, laid down in this Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Clause 49(VII) (E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

### **Transactions with Related parties which are in Ordinary Course of Business/ on arm's length except Specific Transactions**

Transactions with Related parties which are in Ordinary Course of Business of the Company and on arm's length shall be periodically disclosed to the Audit Committee/Board.

The Compliance Officer / CFO shall ensure that details of such transactions are brought to the notice of Chairman & Managing Director and /or any other person so authorized and discussed with the Board at the next following meeting, as may be required.

Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing duly supported by requisite evidence and documentation to demonstrate that the transactions are conducted on arm's length basis.

### **Related Party Transactions not Previously Approved**

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required 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 and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

### **Disclosure**

Particulars of Contracts and arrangements with Related Party covered under this policy requiring shareholders approval shall be appropriately referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.

The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report.



**ANNEXURE**

To,

The Company Secretary/ The Chief Financial Officer

**Baba Art Limited,  
3A, Valecha Chambers,  
New Link Road,  
Andheri (West)  
Mumbai 400053.**

Dear Sir,

I, -----, being a member of the Board of Directors/Senior Management of Baba Arts Limited/Employee of Baba Arts Limited hereby acknowledge, confirm and certify that:

- i. I am aware of the Policy for Related Party Transactions of the Company for the Directors/Senior Management/Employees of the Company;
- ii. During the financial year ----- I have entered into the following contracts/arrangements/transactions with the Company and such contracts/arrangements/transactions qualify as "Related Party Transactions" as per the Policy.
- iii. I am not aware of any non-compliance with the said policy.

**Signed :**

**Name:**

**Date:**

**Place:**