



POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors (the “Board”) of BAFNA PHARMACEUTICALS LIMITED (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions.

This Policy on the Related Party Transactions (the “Policy”) of the Company set forth the procedures to be followed for approval/ratification of Related Party Transactions based on the applicable laws and regulations applicable on the Company. The Audit Committee will review and may amend this policy from time to time. This policy is also in conformance with the Company’s Code of Conduct for Business and ethics which provides that all directors and senior management personnel are required to disclose all potential or actual conflict of interest, which may be against the interest of the Company and take actions to eliminate such conflict, if so required.

2. Background & Purpose

This policy is framed in accordance with Section 188 of the Companies Act, 2013 read with Rules made thereunder and the Listing Agreement with regard to provisions relating to related party transactions.

3. Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013

“Board” means the Board of Directors of the Company

“Key Managerial Personnel” of “KMP” shall have the meaning referred to in the Companies Act, 2013

“Material Related Party Transaction” means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds such limit of the annual consolidated turnover of the Company as per the last audited financial statements of the Company in terms of the Listing Agreement/ Regulations in force from time to time.

“Ordinary Course of Business” means transactions that are necessary, normal and incidental to the business, the objects of the Company permit such activity, there is a historical practice and patterns of frequency (not an isolated transaction) has connection with the normal business carried on by the Company.

“Related Party” means an entity which is:

(i) a related party under Section 2(76) of the Companies Act, 2013; or

(ii) a related party under the applicable Accounting Standards prescribed by the Institute of Chartered Accountants of India

“Related party transaction” means any transaction, directly or indirectly involving any Related Party, is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

“Relative” means relative as defined under the Companies Act, 2013

Words and expressions used in this policy shall have the same meanings respectively assigned to them in the following acts / listing agreement / regulations / rules.

- 1. The Companies Act, 2013 or the rules framed thereon**
- 2. Listing Agreement with Stock Exchanges.**
- 3. Securities Contracts (Regulation) Act, 1956**

4. SEBI Act, 1992
5. SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
6. SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011
7. SEBI (Prohibition of Insider Trading) Regulations, 1992

4. General Guidelines

All Related Party Transactions must be reported to the Audit Committee and referred by the Audit Committee to the Board for approval in accordance with this policy.

All Material Related Party Transactions shall require approval of the shareholders vide a special resolution and all the related parties of the Company shall abstain from voting on such resolutions irrespective of whether they are interested in that particular Material related party transaction.

5. Identification of Related Party Transactions

Each Director and “KMP” and other related party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a Related Party Transaction, by providing notice to the Board or Audit Committee of any potential Related Party Transactions involving him or her or his or relative together with additional information about the Related Party Transactions that the Board or Audit Committee reasonably request.

The Company prefers that notice of any Related Party Transaction is given well in advance so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed Related Party Transactions.

The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a Related Party Transactions requiring compliance with this Policy.

6. Approval of Related Party Transactions

a. Whether the terms of the Related Party Transactions are fair and on ‘arms length basis’ to the Company and would apply on the same basis if the transaction did not involve a related party.

b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any;

c. Whether the Related Party Transactions would affect the independence of an independent director;

d. Whether the proposed Related Party Transactions includes any potential reputational risk issues that may arise as a result of or in connection with the proposed Related Party Transactions ;

e. Whether subsequent ratification of the proposed RPT is allowed and would be detrimental to the Company; and

f. Whether the Related Party Transactions would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director, KMP or other Related party, the direct or indirect nature of the director’s KMP or other related party’s interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant;

g. If the Audit Committee determines that a Related Party Transactions should be brought before the Board, or if the Board in any case elects to review any such matter or its is mandatory under any law for Board to approve the Related Party Transactions, 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.

7. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

8. Review of Related Party Transactions

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, 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 there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

Whether the Related Party Transaction would affect the independence of an independent director;

Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

Whether the Related Party Transaction would present an improper 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, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

If the Committee determines that a Related Party Transaction should be brought before the Shareholders, or if the shareholders 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 review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances

9. Omnibus Approval For Routine Related Party Transactions

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature 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 Company.**
- 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 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 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.1 Crore per transaction and for a maximum period of one year.**
- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs 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 year and shall require fresh approvals after the expiry of one year.**

10. Disclosure

Company shall disclose quarterly the details of all material transactions with related parties along with the compliance report on corporate governance.

Company shall be required to make disclosures in compliance with the Accounting Standard on "Related Party Disclosures" in the annual reports.

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