



INSPIRISYS SOLUTIONS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

**Corporate Office:
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POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

1. Preamble

The Board of Directors (the “Board”) of Inspirisys Solutions Limited (the “Company” or “ISL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

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

2. Purpose

Related party transactions can pose potential or actual conflict of interest and it is appropriate that the Company enters into such transaction only if they are in the best interest of the Company and its shareholders.

The Company intends to ensure identification of related parties, proper conduct, documentation and reporting of all related party transactions. and has hence framed and adopted as per requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations 2015).

3. Definitions

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of SEBI Listing Regulations, 2015 and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

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

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes

1. Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
2. Company Secretary; and
3. Chief Financial Officer
4. 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;

“**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 ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

“**Policy**” means Policy on Materiality of Related Party Transactions

“Related Party” with reference to a company under the Companies Act, 2013 includes

- (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 per cent 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 body corporate which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary;
 - (C) an investing company or the venturer of the company;
 - (ix) such other person as may be prescribed;
- (For the purposes of this sub-clause (ix) of clause (76) of section 2 of the Act, a director **“other than an independent director”** or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party)

Further, any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

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

“Related Party transactions” - means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

As per Section 188 of the Companies Act, 2013:

- (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;

As per SEBI Listing Regulations, 2015:

Transfer of resources, services or obligations between a Listed Entity and a related party, regardless of whether a price is charged.

As per Accounting Standards 18:

- (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.

“**Transaction**” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

“**Transactions on arm’s length basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Holding Company**” in relation to one or more other companies means a company of which such companies are subsidiary companies. The expression "company" includes any body corporate.

“**Subsidiary Company**” or “**subsidiary company**” in relation to any other company (that is to say 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 voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause:

- (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;
- (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 any body corporate;
- (d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

“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 –

- “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement; .
- “joint venture” means a joint arrangement whereby the parties that have joint control of the management have rights to the net assets of the arrangement

“Office or place of profit” means any office or place -

- (i) where such office or place 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;
- (ii) where such office or place 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.

4. Policy

4.1 ROLE OF THE AUDIT COMMITTEE

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre – approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions if the same is within the law and is in accordance with this Policy.

4.2 IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

- (i) Names of his / her Relatives;
- (ii) Partnership firms in which he / she or his / her Relative is a partner;
- (iii) Private Companies in which he / she is a member or Director;
- (iv) Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- (v) Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- (vi) Persons on whose advice, directions or instructions, he / she is accustomed to act (other

than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of -

- (i) All Directors and Key Managerial Personnel;
- (ii) All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
- (iii) Company's holding company, subsidiary companies and associate companies;
- (iv) Subsidiaries of holding company;
- (v) Director or Key Managerial Personnel of the holding company or their Relatives;
- (vi) All Inspirisys Group entities; and
- (vii) Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with SEBI Listing Regulations 2015 or the relevant Accounting Standards.

The database shall be updated whenever necessary and shall be reviewed at least once in a year jointly by the Company Secretary and Chief Financial Officer. The functional / business heads, Chief Financial Officer and Company Secretary shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 to this Policy.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

4.3 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and shall neither vote on such Related Party Transaction nor be counted in determining the presence of a quorum when such Transaction is considered.

4.3.1 CONSIDERATION BY THE AUDIT COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Audit Committee shall take into account all relevant facts and circumstances 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.

Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present 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, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

4.3.2 APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

In the event the Company's Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

4.3.3 APPROVAL BY THE BOARD

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 Board shall consider and approve the Related Party Transaction at a meeting and 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. Interested Directors should abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

4.3.4 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a) Name of the related party
- b) Nature of the transaction
- c) Period of the transaction
- d) Maximum amount of the transactions that can be entered into
- e) Indicative base price / current contracted price and formula for variation in price, if any
- f) Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

4.3.5 APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

All Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

4.3.6 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the approval of the shareholders through resolution and no related party shall vote to approve on such resolution.

4.3.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

4.4 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

5. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI Listing Regulations, 2015 / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such SEBI Listing Regulations, 2015 / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

6. DISSEMINATION OF POLICY

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the Annual Report of the Company.

7. POLICY REVIEW

This policy shall be subject to review as may be deemed necessary and to comply with any regulatory amendments or statutory modifications and subject to the necessary approvals of the Board of Directors.

Exemptions

Nothing contained in in this policy shall apply to any contract or arrangement -

- (i) Transactions related to contracts already in existence prior to 1st October 2014.
- (ii) in the ordinary course of its business; or
- (iii) at arms' length price.
- (iv) service availed in a professional capacity from body corporate/person.
- (v) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:

- (i) transaction(s) done in ordinary course of business at arm's length;
- (ii) receipt of remuneration by way of sitting fees;
- (iii) re-imburement of expenses for attending board and other meetings;
- (iv) any profit related commission as approved by members.
- (v) for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five lakh rupees in the aggregate in any year; or

It is also recommended that the following records shall be maintained for any future transactions after 1st October 2014

Records relating to Related Party/ Supporting documents

(a) Rent Agreement

- (i) Copy of draft agreement.
- (ii) Quotation from a property dealer/ advisor in the area in which the property is located or a nearby area.
- (iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

(b) Purchase/ sale of property

- (i) Valuation reports from at least 2 independent valuers 'to ascertain Fair Market Value.
- (ii) Quotations from 2 independent property dealers/brokers.
- (iii) Draft copy of agreement to sell/Draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

(c) Purchase/ sale of material, goods etc.

- (i) Copy of agreements/Purchase Orders/correspondence exchanged/ letters of exchange / bills/ invoices etc.
- (ii) Invoices/ bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un-related service provider.

(d) Availing/ Rendering Services

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arm's length basis.

(e) Loans/ Advances given or taken

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements
- (iii) Statutory approvals wherever required.
- (iv) Rate of Interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the Loans/Advances (wherever applicable).

(f) Subscription to shares/debentures/securities

Valuation Report or documents justifying that subscription is done/received at a rate on which placement has been made/shall be made to an un-related party.

(g) Guarantee/ Securities

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules thereunder.
- (ii) Agreements.
- (iii) Other documents justifying the same.

(h) Other transactions

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL

To,

The Company Secretary/Compliance Officer

Inspirisys Solutions Limited
 First Floor, Dowlath Towers,
 New Door Nos. 57, 59, 61 & 63,
 Taylors Road, Kilpauk, Chennai – 600 010,
 Tamil Nadu, India.

Dear Sir,

A. I,, son/daughter/spouse of, resident of, holding Shares (equity or preference) of Rs. 10/- each (..... percent of the paid-up Capital) in the Company in my name, being a in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

Sr. No.	Name of the Companies / Bodies Corporate / Firms / Association of Individuals	Nature of Interest Or concern / Change in Interest or Concern	Shareholding	Date on which Interest or Concern arose / changed

B. The Following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions;

Sr. No.	Name of the Body Corporate

C. I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).

Sr. No.	Name of the person	Relation

Signature:
 Name:
 Designation:

Place:
 Date:

SCHEDULE
LIST OF RELATIVES

No.	Relationship	Full Name	Address	Shareholding in Inspirisys Solutions Limited
1.	Spouse			
2.	Father (including Step-Father)			
3.	Son (including Stepson)			
4.	Daughter			
5.	Daughter's Husband			
6.	Brother (Including Step-Brother)			
7.	Sister (Including Step-Sister)			
8.	Mother (including Step-Mother)			
9.	Son's Wife			
10.	Members of HUF			

INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):

1. Name of the Related Party and nature of relationship;
2. Nature and duration of the contract/transaction and particulars thereof;
3. Material terms of the contract or arrangement or transaction including the value, if any;
4. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or material terms of the contract or arrangement including a justification to the proposed variations;
5. Any advance paid / received or to be paid / received for the contract or arrangement, if any;
6. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
7. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
8. Applicable statutory provisions, if any;
9. Valuation reports in case of sale or purchase or leasing / renting of capital assets or securities;
10. Justification as to the arm's length nature of the proposed transaction;
11. Declaration whether the transaction is in the ordinary course of business;
12. Persons / authority approving the transaction; and
13. Any other information relevant or important for the Committee / Board to take a decision on the proposed transaction.

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