



ANDHRA PAPER LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION

- 1.1 The Board of Directors (the “Board”) of Andhra Paper Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (“The Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The LODR Regulations) (including any statutory modification(s) or re-enactment thereof for the time being in force). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.
- 1.2 This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVE

- 2.1 This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.
- 2.2 The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of Regulation 23 of the LODR Regulations and Section 177 of the Companies Act, 2013.

“Arm’s length basis” means transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest. The process for entering into related parties described in Clause No.6 shall be followed. If necessary, guidance may be taken from transfer pricing provisions under Income Tax, 1961.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such threshold as may be prescribed either in the Companies Act, 2013 or the LODR Regulations, whichever is stricter, from time to time.

A 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 the financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements.

“Related Party” a means related party as defined under the Companies Act, 2013 read with LODR Regulations as may be amended from time to time.

“Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind); and
- i. Providing or obtaining guarantees and collaterals;

(The above is an indicative list and not an exhaustive one).

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of Hindu Undivided Family;
- b. Spouse;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

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

Transactions in the Ordinary course of business” cover the usual transactions, customs and practices of the Company. However, the following transactions are considered outside the Company’s ordinary course of business:

- a) Complex equity transactions, such as corporate restructurings or acquisitions;
- b) The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged;
- c) Sales transactions with unusually large discounts or returns;
- d) Transactions with circular arrangements, for example, sales with a commitment to repurchase; and
- e) Transactions under contracts whose terms are changed before expiry

4. POLICY

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

4.2 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 frequent/regular/ 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 Clause 8.2.

4.3 In exceptional cases, where prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances for Related Party Transactions not exceeding Rs.200 lakhs each, the Committee may ratify the transactions in accordance with this Policy.

5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

5.1. A person or his /her relative as defined under clause 3 is related to the Company if that person:

- a. is a related party under Section 2(76) of the Companies Act, 2013; or
- b. has control or joint control or significant influence over the Company; or
- c. is a key managerial personnel of the Company or of the Holding Company; or

5.2. An entity is related to the Company if any of the following conditions applies:

- a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. The entity is an associate or joint venture of the Company; or
- c. The entity is controlled or jointly controlled by a person identified in 5.1; or
- d. A person identified in 5.1.b has significant influence over the entity (or of the Holding Company of that entity);

5.3. 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:

1. Names of his/her Relatives;
2. Partnership firms in which he/she or his/her Relative is a partner;
3. Private Companies in which he/she is a member or Director;
4. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. 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
6. 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).

5.4. 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.

5.5. The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties.

- 5.6 The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional/business heads/Chief Financial Officer /Company Secretary/ shall have access to the updated database.
- 5.7. 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.
- 5.8. 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.
- 5.9. 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.

6. PROCESS FOR ENTERING INTO RELATED PARTY TRANSACTIONS

The following process shall be followed for related party transactions along with necessary approval as and when required under Companies Act, 2013 and Listing Agreement:

A) Purchase of products and services from the related parties (other than subsidiaries/Joint Ventures)

In the case of transactions which are undertaken on the basis of contractual arrangements or are urgently required for purposes of the operations, the Audit Committee will accord approval to enter into such transactions on the basis stated below:

- (1) The Company will take multiple quotes from the vendors including the related parties.
- (2) In the usual course, the transaction may be entered into with the related parties if the quote of the related party is the least and all other terms and conditions for obtaining the goods or the service are at least as favorable as those offered by any other prospective supplier.
- (3) If the quality or delivery schedule or any other terms that is a pre-requisite for the Company and only the related party is able to offer these, the contract may be awarded to the related party even though the price quoted may not be the lowest.

- (4) In case there is no quote received other than that of the related parties, the management will indicate this to the Audit Committee and will seek approval on this basis.

The Company will provide a periodic update to the Audit Committee for all such transactions.

(B) Sale of products and services (other than subsidiaries/Joint Ventures)

Audit committee may give omnibus approval subject to such conditions as mentioned under the prevailing laws and the same will be valid for one year and shall require fresh approval from Audit Committee after the expiry of one year.

(C) Taking facilities on lease and/or renting out facilities on lease and taking / lending administrative support services for these facilities

Specific approval of the Audit Committee shall be taken for entering into leasing transactions with related parties.

(D) Transactions with subsidiaries/Joint Ventures

The Company will provide the basis for entering into transaction with the subsidiaries/ Joint Ventures on arm's length basis. The Audit Committee will consider the principle/ basis for the arm's length price and will provide its approval for entering into the transactions with the subsidiaries/JVs on that principle for all the transactions in the ordinary course of business.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

- 7.1 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 voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

8. GUIDING PRINCIPLES FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/ AUDIT COMMITTEE THEREOF

- 8.1 To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required.

8.2 The Committee may grant omnibus approval for related party transactions which are frequent/regular/repetitive in nature and are in the ordinary course of business and satisfy the arm's length basis while considering the following factors:

- Whether the terms of the Related Party Transaction are fair 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 impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction 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 interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director, KMP or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

8.3 The 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.

8.4 Such transactions once approved 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.

8.5 Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

8.6 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

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

8.8 The Audit Committee will have the discretion to recommend/refer any matter relating to the Related Party Transaction to the Board for the approval.

8.9 In the case of Material Related Party Transaction, the approval of the shareholders by way of special resolution is also required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

8.10 In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

9. APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

9.1 In the event the Company 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 confirmed by the Committee at its next scheduled meeting.

10. APPROVAL BY THE BOARD

10.1 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.

11. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

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

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

12.1 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 prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

13. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

13.1 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.

13.2 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.

14. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

14.1 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.

15. SCOPE LIMITATION

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

16. DISSEMINATION OF POLICY

16.1 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.

ANNEXURE 1

NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL

The Company Secretary/Compliance Officer
Andhra Paper Limited
Rajahmundry-533 105
East Godavari District
Andhra Pradesh, 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:

LIST OF PUBLIC COMPANIES IN WHICH I AM A DIRECTOR AND I HOLD 2% OF PAID-UP SHARE CAPITAL ALONG WITH MY RELATIVE (S):

Sl. No.	Name of Companies	Nature of Interest or concern/ change in interest or concern	No. of Shares	% to paid up capital	Date on which interest or concern arose / changed

LIST OF PRIVATE LIMITED COMPANIES IN WHICH I AM A MEMBER OR DIRECTOR

Sl. No.	Name of Companies	Nature of Interest or concern/change in interest or concern	No. of Shares	% to paid up capital	Date on which interest or concern arose / changed

LIST OF PARTNERSHIP FIRMS IN WHICH I AM A PARTNER:

Sl. No.	Name of the Firm	Nature of Interest or concern / change in interest or concern	Date on which interest or concern arose / changed

LIST OF PARTNERSHIP FIRMS IN WHICH MY RELATIVES ARE PARTNERS:

Sl. No.	Name of the Firm	Name of the Partner	Relationship

B. The following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with my 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

Relation	Name
1. Members of Hindu Undivided Family	
2. Spouse	
3. Father (including step-father)	
4. Mother (including step-mother)	
5. Son (including step-son)	
6. Son's wife	
7. Daughter	
8. Daughter's husband	
9. Brother (including step-brother)	
10. Sister (including step-sister)	

Place:

Signature :

Date:

Name :

Designation:

ANNEXURE 2

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.