



## Policy on Related Party Transaction

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## Newgen Software Technologies Ltd.

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<b>Revision History</b>			
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## 1. Objective:

The Board of Directors (the "Board") of Newgen Software Technologies Limited ("**Newgen Software**" or "**the Company**") recognizes the importance of stakeholder's confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (also referred to as "the Committee"), has adopted this Related Party Transaction Policy.

The Related Transaction Policy is not only in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 ("Act") read with the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**").

The policy lays down the mechanism to deal with Related Party Transactions, and seeks to ensure that related party transactions entered into by the Company are carried out in a transparent manner i.e. in ordinary course of business and at arm's length basis as per the provisions of applicable laws. This policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions

## 2. Definition

- **Act** shall mean the Companies Act, 2013 and includes any statutory amendment or re-enactment thereof.
- **Arm's Length Transaction** means a transaction carried out between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- **Audit Committee** means the committee of Board of Directors constituted in pursuance of Section 177 of the Act.
- **Board** means the Board of Directors of the Company.
- **Company** means Newgen Software Technologies Limited or Newgen Software.
- **Group Companies** means Newgen Software Technologies Limited and its Subsidiaries.
- **Director** means a member of the Board.
- **Key Managerial Personnel** means the person(s) appointed as such in pursuance of Section 203 read with Section 2(51) of the Act.
- **Material Related Party Transactions** is defined in accordance Regulation 23 of the Listing Regulations. Accordingly, 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.
- **Ordinary Course of Business** means a transaction which is:
  - carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
  - usual as per industry practice within India or overseas, or
  - happening frequently over a period of time and is for the business purpose of the Company, or
  - necessary, normal, regular and incidental to the business of the Company, or

- the income, if any, earned from such activity/ transaction is assessed as business income in the Company's books of accounts and hence is a business activity; or
  - common commercial practice, or
  - meets any other parameters/ criteria as decided by the Board/ Audit Committee.
- **Policy** means this Related Party Transaction Policy adopted by the Board.
  - **Relative** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
  - **Related Party** means an entity/ person which is a related party under Section 2(76) of the Act read with applicable SEBI Regulations or such entity/person which is a related party under the applicable accounting standards.
  - **Related Party Transaction** also referred as "RPT" means a transaction between the Company and a Related Party under Regulation 23 of SEBI Listing Regulations read with Section 188 of the Act.
  - **Transaction** shall be construed to include single transaction or a group of transactions in a contract.
  - Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

### 3. Policy Description/Guidelines:

#### 3.1. Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

### 4. Approvals for related Party Transaction:

#### 4.1. Approval of Audit Committee

- a. Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, the Committee may grant omnibus approval for RPT proposed to be entered into by the Company subject to the following conditions:
  - In case of transactions that are repetitive in nature.
  - The Committee shall lay down valid grounds while making a decision for the need for such omnibus approval and see to it that such approval is in the best interest of the Company;
  - 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 RPT 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 (One Crore) per transaction.

- Audit Committee shall review the details of RPTs entered into by the Company pursuant to approval given to each of the omnibus transaction, atleast on a quarterly basis;
  - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"
- b. Any member of the Audit Committee who is covered under the ambit of the Related Party, such member shall abstain from voting, irrespective of the fact that whether such member is a party to the particular transaction or not."
- c. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- d. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

#### **4.2. Approval of 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.

#### **4.3. Approval of Shareholders**

- a) All material related party transactions, other than the exempted transactions in the Company, shall require prior Shareholders approval by way of Special Resolution in General Meeting. All the transactions, other than the Material Related Party Transactions, which are not in the ordinary course of business or at Arm's Length basis, shall also require the approval of the shareholders through special resolution of so required under any law and the related parties shall abstain from voting on such resolution.
- b) The approval of the Shareholders is not required in case of transactions entered into between the Company and its wholly -owned Subsidiary whose accounts are consolidated with the Company's accounts and such consolidated accounts are placed before the Shareholders at the General Meeting for approval;
- c) If any Director or employee of the Company has entered into a Contract or arrangement without the prior consent of the Shareholders (when required) then such Contract or arrangement shall be ratified 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 authorize any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

#### **5. Determination of ARMS' Length Nature of the Related Party Transaction:**

At the time of determination of the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- a) Permissible methods of arms' length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- b) For the said purposes, the Audit Committee shall be entitled to rely on professional opinion in this regard.
- c) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

#### **6. Identification of Potential Related Party Transactions:**

- a) Each director/Key Managerial Personnel is responsible for providing written notice to the Audit Committee or Board through Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer in consultation with Chief Financial Officer will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- b) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- c) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- d) A contract or arrangement entered into by the company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.

#### **7. Related Party Transactions not Approved Under This Policy:**

- a) 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.
- b) 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 to ratify the same. 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.

Notwithstanding the foregoing, the following transactions shall not be treated as Related Party Transactions and shall not require prior approval of Audit Committee or Shareholders:

- a) 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.
- b) 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.

#### **8. Disclosure:**

- a) The particulars of contracts or arrangement with related parties referred in section 188(1) to be disclosed in the Directors Report in Form AOC-2 as prescribed under the Act.
- b) The Company shall disclose this Policy on its website and also a web link thereto shall be provided in its annual report.
- c) The Audit committee shall review, at least on a quarter basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approval given.
- d) The company shall make all other disclosures as may be required time to time pursuant to any other applicable laws.

#### **9. General:**

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent 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, circular(s) etc.

Notwithstanding anything contained in this policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws/regulations either existing or arising out of any amendment to such laws/regulations or otherwise and applicable to the Company, from time to time.

#### **10. Amendment:**

This policy can be amended, modified or revised anytime with the approval of Audit Committee, subject to the provisions of SEBI Listing Regulations and the Companies Act, 2013 and Rules framed thereunder.