



Divi's Laboratories Limited

POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

Related-party transactions (RPTs) refer to transactions between a company and its related entities such as subsidiaries, associates, joint ventures, directors, key managerial persons and their relatives, or entities owned or controlled by its directors, key managerial persons and their relatives. While the great majority of related-party transactions are perfectly normal, the special relationship inherent between the involved parties creates potential conflicts of interest which can result in actions which benefit the people involved as opposed to the shareholders.

The Board of Directors (the "Board") of Divi's Laboratories Limited (the "Company" or "Divi's"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. EFFECTIVE DATE

This policy will be applicable to the Company with effect from 1st October, 2014.

3. PURPOSE

This policy is framed in line with the requirements of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and provisions of Section 188 of the Companies Act, 2013 and any Accounting Standards in this regard; and intended to ensure the proper disclosure, reporting and approval of transactions between the Company and its Related Parties.

4. DEFINITIONS

"**Arm's length transaction**" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"**Audit Committee**" means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the listing agreement and the Companies Act, 2013.

Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, India

CIN: L24110TG1990PLC011854; Tel: 91-40-2378 6300, Fax: 91-40-2378 6460

E-mail: mail@divislab.com, Website: www.divislab.com



Divi's Laboratories Limited

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

“**Company**” means Divi's Laboratories Limited.

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

- i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- ii) Company Secretary; and
- iii) Chief Financial Officer

“**Material Related Party Transaction**” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

“**Policy**” means this Policy, as amended from time to time.

“**Related Party**” in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and clause 49 of the listing agreement as amended from time to time.

“**Related Party Transaction**” in relation to the Company means a transaction with a Related Party under the relevant provisions of the Companies Act, 2013 or the listing agreement or any other related law, regulation, standard etc.

5. POLICY

- All Related Party Transactions must be reported to the Audit Committee
- Any related party transaction proposed to be entered into by the company shall be at such consideration and on terms, on 'arms' length basis
- Such transactions should be in the best interest of the Company and its shareholders.

Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, India

CIN: L24110TG1990PLC011854; Tel: 91-40-2378 6300, Fax: 91-40-2378 6460

E-mail: mail@divislabs.com, Website: www.divislabs.com



Divi's Laboratories Limited

- Any related party transaction regarding supply of materials to the company's subsidiaries shall be on 'arms' length basis, based on the prices/terms of the material marketed in the country/region on a level playing field basis. The transaction should also provide for the marketing/distribution expenses and margin for the subsidiary to be able to market/distribute the product in the region/country.
- the Audit Committee shall review the materiality of the related party Transactions
- The Audit Committee shall forward its recommendation to the Board
- Based on recommendation of the Audit Committee, the Board may consider approval of the related party transaction.
- The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

5.1 IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel who is a related party with respect to a particular related party transaction shall disclose all material information to the Committee / Board concerning such Related Party Transaction and his or her interest in such transaction.

The Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction. Committee / Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

5.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Audit Committee:

All Related Party Transactions entered into with effect from 1st October 2014 shall be subject to prior approval of the Audit Committee (unless it is exempted pursuant to the provisions of the listing agreement as amended). The approval of the Audit Committee can be granted by way of a circular resolution.



Divi's Laboratories Limited

If Related Party Transactions proposed to be entered into by company are repetitive in nature, are in ordinary course of business and on at Arm's length basis, then Committee may grant omnibus approval for such transactions, subject to compliance of conditions in clause 49 of the Listing Agreement. Thereafter, the Committee shall periodically review and assess the details of RPTs entered into by company pursuant to each of the omnibus approval given.

Board:

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or listing agreement and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Shareholders:

All Material Related Party Transactions shall require approval of shareholders of the Company through a resolution as stipulated in the Companies Act, 2013 or the listing agreement (unless it is exempted pursuant to the provisions of listing agreement as amended) and the concerned Related Party shall abstain from voting on such resolution.

All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company and the concerned Related Party shall abstain from voting on such resolution(s).

The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of listing agreement and/or Companies Act, 2013 and as amended from time to time.



Divi's Laboratories Limited

6. DISCLOSURES

Details of all Material Related Party Transactions shall be disclosed to Stock Exchanges quarterly along with Compliance Report on Corporate Governance, in accordance with the Listing Agreement.

The 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.

The Board shall disclose Related Party Transactions in its Report to shareholders of the Company.

7. INTERPRETATION

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.

Any question or interpretation with regard to any provision of the policy and also in respect of matters not covered herein will be handled by the Board or Audit Committee or any person authorised by the Board of the Company in this behalf.

8. AMENDMENTS

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.
