



DIVI'S LABORATORIES LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

Related-party transactions (RPTs) refer to transactions between Divi's Laboratories Limited (the Company) or its unlisted subsidiaries viz., Divis Laboratories USA Inc. or Divi's Laboratories (Europe) AG (the Subsidiary / Unlisted Subsidiary/ Subsidiaries / Unlisted Subsidiaries) on one side and its related entities such as subsidiaries, associates, joint ventures, directors or key managerial persons or specified shareholders of the Company or its subsidiaries and their relatives, or entities owned or controlled by such persons or transactions by other persons for the benefit of such persons on the other side. 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"), to regulate such transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company, has adopted a policy on such transactions titled "Policy on Related Party Transactions" at its meeting held on November 01, 2014 effective from October 1, 2014 and amended the same on November 06, 2021 to be complied with amended applicable law and regulations.

Securities and Exchange Board of India (SEBI) has amended the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) 2015 vide its Notification dated November 09, 2021, enlarging the definition of Related Party, Material Transactions and certain other clauses of the above referred Regulation 23 making the amendments effective partly from April 01, 2022 and partly from April 01, 2023. To be in line the amendments to the respective statute, the Board of Directors has approved the amended and updated policy on related party transactions detailed hereafter at its meeting held on February 11, 2022.

2. EFFECTIVE DATE

This amended policy is effective from the date of approval i.e., date of meeting of the Board Directors mentioned above unless the effective date is specified in the respective Clause of the Policy.

3. PURPOSE

This Policy is framed in line with the requirements of Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations); provisions of Section 188 of the Companies Act, 2013 and the Rules made thereunder (Act); and applicable Accounting Standards (Standards) amended from time to time in this regard; and intended to ensure the proper approval, disclosure and reporting of transactions with Related Parties.



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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 Regulations and the Act

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

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

“**Independent Director**” means an independent director referred to in sub-section (6) of section 149 and Regulation 16(1)(b) of the Listing Regulations.

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

- i) the Chief Executive Officer or the managing director or the manager;
- ii) the Company Secretary; and
- iii) the Whole-time director;
- iv) the Chief Financial Officer;
- v) 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 where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds rupees one thousand crore or ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

“**Material Modification**” includes modification of terms of the approved Related Party Transaction such that

- (a) the revision in monetary value of the transaction
 - (i) in case of periodical agreements or contracts with periodical enhancement of consideration during the period of such contract, exceeding 10% of such consideration prevailing on the date of revision;
 - (ii) in case of any other contracts or agreement, the revision of monetary value of the transaction exceeding 10% of approved consideration;
- (b) the contracts where the revision of further period of contract is more than 24 months from date of maturity of such contract
- (c) change in beneficiaries of the transaction from the beneficiaries originally approved
- (d) change in agreed terms and conditions of the contracts are substantial in nature.

“**Policy**” means this Policy on Related Party Transactions, as amended from time to time.

“**Related Party**” means a related party as defined under the Section 2(76) of Companies Act, 2013, Regulation 2(zb) of the Listing Regulations or under the applicable accounting



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standards as may be amended from time to time.

“**Relative**” means relative as defined under section 2(77) 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. one person is related to the other in the following manner, namely:
 - a. Father (the term “Father” includes step-father)
 - b. Mother (the term “Mother” includes the step-mother)
 - c. Son (the term “Son” includes the step-son)
 - d. Son’s wife
 - e. Daughter
 - f. Daughter’s husband
 - g. Brother (the term “Brother” includes the step-brother)
 - h. Sister (the term “Sister” includes the step-sister.)

“**Related Party Transaction**” means a transaction as defined in regulation 2(zc) of the Listing Regulations as amended from time to time, which includes a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
 - (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;
- 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:

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

“**Subsidiary(ies)**” means a subsidiary as defined under sub-section(87) of section 2 of the Companies Act, 2013.



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Words and expressions used and not defined in the Policy but defined in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, or the Companies Act, 2013 and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislations as may be amended from time to time.

5. POLICY

- All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

- All related party transactions entered with or without approval of the Audit Committee are to 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.
- 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.
- A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- The Audit Committee shall review the materiality of the Related Party Transactions.
- The Audit Committee shall forward its recommendations and approvals accorded on related party transactions 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.



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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 EXCLUSIONS:

The approval from shareholders in a general meeting is not required to obtain in case of the following transactions:

- a. Transactions entered between the Company, as a holding company, and its wholly owned Subsidiaries, whose accounts are consolidated with the accounts of the holding company and such consolidated accounts are placed before the shareholders at the general meeting for approval.
- b. Transactions entered into between two wholly owned subsidiaries of the Company, being listed holding company, whose accounts are consolidated with the accounts of the holding company and such consolidated accounts are placed before the shareholders at the general meeting for approval (effective from April 1, 2022).

5.3 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

Audit Committee:

All Related Party Transactions entered into with effect from October 01, 2014 shall be subject to prior approval of the Audit Committee (unless it is exempted pursuant to the provisions of the Listing Regulations as amended). The approval of the Audit Committee can be granted by way of a circular resolution.

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 the Act and Listing Regulations. 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 Regulations 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.



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Shareholders:

All Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of shareholders of the Company through a resolution as stipulated in the Companies Act, 2013 or the Listing Regulations and the concerned Related Party(ies) 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 Regulations and/or Companies Act, 2013 and as amended from time to time.

6. DISCLOSURES

The Company shall submit disclosure 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 at such interval and within such time frame as prescribed in the Listing Regulations.

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 Regulations.

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 Regulations, 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 on recommendation of the Audit Committee 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.

Rev: 03, Date: 11/02/2022