

Policy on Related Party Transactions

1. PHILOSOPHY

The Board of Directors (the “Board”) of Rainbow Foundations Limited (the “Company”) has adopted this policy and procedures with regard to Related Party Transactions (‘Related Party Transaction (RPT) Policy’), in line with the requirements of Section 188 of the Companies Act, 2013 read with Rules made thereunder (hereinafter referred to as ‘The Act’) and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and subsequent amendments thereto (hereinafter referred to as ‘Listing Regulations’).

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company. No Related Party Transaction may be entered into by the Company or its Key Managerial Personnel except in accordance with the provisions of this Policy

The Board may review and amend this policy from time to time.

2. PURPOSE

The objective of this policy is to ensure proper approval/ratification, disclosure and reporting of transactions as applicable under the law/regulations, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

3. APPLICABILITY

The RPT Policy will be applicable to the Company with respect to all Related Party Transactions covered within the scope of Section 188 of the Act and / or Listing Regulations.

Existing contracts entered into by the Company (after making necessary compliances under section 297 of the Companies Act, 1956) which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said section 188 (from the board or members, as the case may be) till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after 01st April, 2014, the requirements under Section 188 of the Act, will have to be complied with.

4. KEY DEFINITIONS

“**Audit Committee**” means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Section 177 of the Companies Act, 2013.

“**Board of Directors**” or “**Board**” in relation to a Company means the collective body of the directors of the Company.

“Key Managerial Personnel” in relation to a Company means

- i. the Chief Executive Officer, or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. 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 the Board; and
- vi. such other officer as may be prescribed under the Companies Act, 2013.

“Material Related Party Transaction” is a transaction with a Related Party which shall be considered material 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.

(*Notwithstanding the above, 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 a financial year, exceed two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity)

(Effective from July 01, 2019)*

“Related Party” means a related party as defined under sub section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)

*Provided that 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.]

(Effective from April 1, 2019)

“Related Party Transaction” means, specified transaction mentioned in the Companies Act, 2013 and SEBI (Listing of Obligations and Disclosure Requirements) Regulations, 2015 “

“Relatives” with reference to any person shall have the meaning as defined in Section 2(77) of the Companies Act, 2013 and rules framed there under

5. Policy on related party transactions

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its approval in accordance with this Policy.

The Audit Committee periodically may review this Policy and may recommend amendments to this Policy to the Board from time to time as it deems appropriate.

The Audit Committee shall determine whether the transaction is in the ordinary course of business and at arm's length basis

a. Identification of potential related party transactions

Each director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest; and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

Procedure for identification of potential related parties

The Company Secretary or the Compliance Officer (as the case may be) shall at all times maintain a database of Company's Related Parties, identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company /entity details including any revisions therein.

b. Approval of Related Party Transactions

i. Prior approval of Audit Committee

All Related Party Transactions of the Company as prescribed under the Act and Listing Regulations shall require prior approval of Audit Committee, whether at a meeting or by resolution by circulation.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions set forth in Listing Regulations, the Companies Act, 2013, and the criteria laid down by the Audit Committee for granting the omnibus approval.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

ii. Prior approval of Board of Directors under Companies Act 2013

Related Party Transactions with the Related Parties, which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board of Directors.

In the above context, where any director is interested in any contract or arrangement with Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

iii. Shareholders' approval requirements

Shareholders' approval shall be sought in the following cases as per the requirements of Companies Act 2013:

Related Party Transactions which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' or exceeds the threshold prescribed under section 188 of the Companies Act 2013 shall also require prior approval of the shareholders through special resolution.

No member of the Company shall vote in a special resolution where a related party contract or arrangement is being considered if such a member is a Related Party in the context of the contract or arrangement which is being considered.

Shareholder's approval shall be sought in the following cases as per the requirements of Listing Regulations:

All Material Related Party Transactions covered within the scope of Listing Regulations shall require approval of the shareholders through special resolution. No member of the Company shall vote on such resolution if such member is a related party.

However, the above shall not be applicable to transactions between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

iv. Related party transactions not approved under this policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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. 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 failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc.

In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

v. Exception

Nothing contained in this Policy shall apply to providing of remuneration by way of sitting fees to Non-Executive Directors.

vi. Disclosure of Related Party Policy

This policy shall also be uploaded on the website of the Company and a web-link thereto shall be provided in the Annual Report of the Company.

6. Disclosure of Related Party Transactions

- The Company shall submit within 30 days from the date of publication of its standalone 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.
- *Disclosures of transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results
(*Effective from Annual Report for the year ending March 31, 2019)

7. Limitation and Amendment

In the event of any conflict between the provisions of this policy and of the Act or SEBI LODR or any other statutory requirements, rules, regulations, enactments, the provisions of such Act or SEBI LODR or any other statutory requirements, rules, regulations, enactments, the provisions shall prevail over this policy.

Any subsequent amendment/modification in SEBI LODR, Act and/ or applicable laws in this regard shall automatically apply to this policy.

(The above policy was reviewed and approved by the Board of Directors at its meeting held on 30th May, 2019)