

D-LINK (INDIA) LIMITED
Related Party Transaction Policy
(Effective from October 1, 2014)

A) Preamble and Purpose

The Board of Directors (the “Board”) of D-LINK INDIA LIMITED (the “Company” or “D-LINK”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to all transactions entered into by the company with its related parties as per the applicable laws and regulations including the Companies Act, 2013 and the Equity Listing Agreement. This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of its related parties to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

B) Definitions

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

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

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“**Key Managerial Personnel**” means a 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 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

“**Policy**” means Related Party Transaction Policy.

“**Related Party**” means related party as defined under the Companies Act 2013 and in Clause 49 of the Listing Agreement which is as follows:

Section 2(76) of the Companies Act, 2013

“Related party”, with reference to a company, means

- (i) a director or his relative ;
- (ii) a key managerial personnel or his relative ;
- (iii) a firm, in which a director, manager or his relative is a partner ;
- (iv) a private company in which a director or manager or his relative is a member or director ;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- (vi) any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager ;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act;
- (viii) Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity ;
- (ix) any company which is –
 - a. a holding, subsidiary or an associate company of such company ; or
 - b. a subsidiary of a holding company to which it is also a subsidiary ;
- (x) Director, other than an independent director, or key managerial personnel of the holding company or his relative with reference to a company;

Clause 49 of Listing Agreement

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

“**Related Party Transaction**” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, 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 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; and
- g. underwriting the subscription of any securities or derivatives thereof, of the company

Note: A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract

“**Relative**” means relative as defined under 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. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

C) Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

1. Periodic identification of Related Party

- a. Related parties shall be identified under Companies Act 2013, Clause 49 of the Equity Listing Agreement as amended from time to time and regularly verified.
- b. The Secretarial Department of the Company shall request from all the Directors and Key Managerial Personnel information that may be required for inclusion in the list of related parties of the Company.
- c. Each Director and Key Managerial Personnel of the Company shall inform the Secretarial Department of the Company of any change in the information previously provided on the list of related parties of the Company.
- d. Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.
- e. The list of identified related parties will be tagged and updated in the accounting system regularly and also periodically sent out to those of the staff of the Company that might be in the position to conduct or know of the possible conduct of Related Party Transactions.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

2. Approvals related to Related Party Transactions

Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy and if so, ascertain in which of the following categories such transaction should be classified in order to determine the approval requirements.

- All Related Party Transactions shall require prior approval of Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
 - c. 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;

Where the need for Related Party Transaction 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 per transaction.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.
 - e. Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year.
- All Transactions which are not in ordinary course of business or not as per arm's length pricing or both will be put up for prior approval of the Board. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act, 2013, it will be also be put up for prior approval of the shareholders through special resolutions.
 - All Material Related Party Transactions shall require approval of the shareholders through special resolution and all Related Parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

3. Review of transactions with Related Party

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party

Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a) Whether the terms of the Related Party Transaction are in the ordinary course of business (The term ordinary course of business has been elaborated in Appendix A to this policy) and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) 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;
- c) Whether the Related Party Transaction would affect the independence of an independent director;
- d) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- f) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

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 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.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter
- Members who are related parties in the context of the related party contract or arrangement for which special resolution is to be passed to abstain from voting on special resolution and only disinterested shareholder and disinterested related party shall be eligible to vote.

- Members who are related parties to abstain from voting on special resolution in respect of approval of material Related Party Transaction irrespective of whether the entity is a party to the particular transaction or not and only disinterested shareholder (not related party) shall be eligible to vote
- Besides the above, any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

4. Related Party Transactions not approved under this Policy

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. 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.

5. Disclosure and reporting

1. Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and Board meeting. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given, if any.
2. The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.
3. Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013 and clause 49 of the Listing Agreement.

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.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

Amendments:

The Audit committee will review the Policy from time to time based on the related party transactions and make suitable modifications, as may be necessary.

Appendix A

Determination of Ordinary Course of Business

Background:

Section 188(1) of the Companies Act, 2013 (the Act) states that a company shall not enter into any contract or arrangement, as specified therein, with a related party which is not in the Ordinary course of business and which is not at arm's length, without the consent of the Board of Directors given by a resolution at the meeting of the Board. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act, 2013, it will be also be put up for prior approval of the shareholders through special resolutions.:

So, for transactions meeting both the criteria in the third proviso to section 188(1) of the Act viz. transactions that are entered in the Ordinary course of business and are at arms' length price, the provisions of Section 188(1) of the Act would not apply.

This note, based on the Referencer issued by Group Legal on Related Party Transactions, attempts to give the criteria that a transaction would be subjected to determine if it is in the Ordinary course of business of the Company.

What is Ordinary course of Business?

The phrase 'ordinary course of business' is not defined under the Act or the Rules prescribed thereunder. The assessment of whether transaction is in 'ordinary course of business' may be very subjective, judgmental and can vary on case-to-case basis. The purpose of making such assessment is to determine whether the transaction is usual or customary to the company and / or its line of business.

The Company would therefore be required to exercise its judgment to conclude whether a transaction which the Company enters can be considered to be in the ordinary course of its business.

For example, a car manufacturing company selling car to its group company would easily be deemed as a transaction that has been entered into by the company in its ordinary course of business.

Transactions that may be considered outside a company's normal course of business:

International Standard on Auditing ("ISA") 550- 'Related Parties' has listed certain illustrative (not exhaustive) examples of the same

- a. Complex equity transaction, such as corporate restructurings or acquisitions.
- b. Transactions with offshore entities in jurisdictions with weak corporate laws
- c. The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged;

- d. Transactions with circular arrangements, for example, sales with a commitment to repurchase;
- e. Transactions under contracts whose terms are changed before expiry.

Tests for determining whether a contract/ activity falls within the ordinary course of business:

The courts have *inter alia* laid down the following principles in this regard:

- a. the objects of the company permit such activity;
- b. it is a historical practice and there is a pattern of frequency (and not an isolated transaction);
- c. it has a connection with the normal business carried on by the company;
- d. 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'; and
- e. It is a common commercial practice.

Key factors which the management of the Company may consider in making its assessment for ordinary course of business of the Company:

i. Whether the transaction is covered in its Memorandum of Association

If the transaction is covered in the objects clause of the Memorandum of Association (MOA) then it is likely to be in ordinary course of business of the company.

ii. Whether a transaction is usual or unusual:

Although a Company would be outsourcing its IT processes for the first time, if that is a norm in the industry in which it operates the transaction is not unusual. Hence, whilst deciding the usualness or otherwise of a transaction, one should not restrict oneself only to the company and its past history; rather, a wider perspective covering line of business

iii. Frequency:

If a transaction occurs frequently over a period of time, the more likely it is to be an ordinary part of the business. However, the inverse of this does not necessarily hold true.

iv. Business purpose of the transaction and whether transaction is done on similar basis with other third parties.

The company would consider transactions to be in the ordinary course of business which include those that form part of the Revenue from Operations, the costs of goods sold and the normal expenses incurred for operating the business uninterruptedly or part of capital asset like replacement /maintenance of Fixed Assets (considering the business rationale and without any complicated terms and conditions as compared to transactions with independent third parties).

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary may generally be assessed on a case to case basis as to whether they could be considered to be in the ordinary course of business.

v. Size and volume of transaction.

The materiality of the transaction in terms of its value may be considered.

Related party transactions of the Company

The management of the Company may deem to consider any transaction with related parties in the ordinary course of business of the Company from time to time based on the parameters specified in this policy.
