

## POLICY ON RELATED PARTY TRANSACTIONS

### **1. SCOPE AND PURPOSE OF THE POLICY:**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, to be effective from 1<sup>st</sup> December, 2015 (hereinafter referred to as SEBI Regulations, 2015).

BLS International Services Limited has formulated revised guidelines for identification of related parties and for proper conduct and documentation of all related party transactions.

Moreover, Regulation 23(1) of SEBI Regulations, 2015 requires a listed company to formulate a policy on materiality of related party transactions and on dealing with related party transactions.

In the light of the above, BLS International Services Limited has revised its Policy on Related Party Transactions ("Policy"). This Policy has been approved by the Members in Annual General Meeting held on 23<sup>rd</sup> September, 2016 of the Company based on recommendations of the Audit Committee and approval of Board of Directors of the Company. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. This policy is intended to ensure procedural fairness, proper approval and reporting of transactions between the Company and any of its related parties.

### **2. ABOUT THE COMPANY:**

**BLS International Services Ltd** ('Company') is engaged in activities of providing Passport and VISA facilitation services. The Company is a specialist provider for Outsourcing of Visa, Passport and Attestation Services to the Client Governments across the world. BLS serves the Diplomatic Missions by managing all administrative and non-judgmental tasks related to the entire life cycle of a visa application process, enabling missions to focus entirely on the key aspects of assessment of the visa application and conduct interviews, where required; here too, BLS assists in scheduling interviews.

Over the years, BLS has built up a substantial reputation and is actively engaged in activities of providing Passport and VISA facilitation services.

### **3. OBJECTIVE OF THE POLICY:**

The objective of this Policy is to set out:

- (a) the materiality thresh-holds for related party transactions and;

- (b) the manner of dealing with the transactions between the Company and its related parties based on the Companies Act 2013, Regulation 23 of SEBI Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

#### 4. DEFINITIONS:

- (a) "**Act**" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.
- (b) "**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.
- (c) "**Associate Company**" means any other company, in which the Company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation — for the purpose of this clause, "significant influence" means Control of at least twenty per cent of total share capital, or of business decisions under an Agreement.

- (d) "**Audit Committee**" means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of SEBI Regulations, 2015.
- (e) "**Company**" means BLS International Services Limited.
- (f) "**Key Managerial Personnel**" means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- (g) "**Material Related Party Transaction**" means a material transaction as defined in Regulation 23(1) of SEBI Regulations, 2015 or any other law or regulation including any amendment or modification thereof, as may be applicable.
- (h) "**Related Party**" means a person or an entity
- (i) which is a related party under Section 2(76) of the Companies Act, 2013;
  - or
  - (ii) which is a related party under applicable accounting standards.

Related party under Section 2(76) of the Companies Act, 2013 and Rules made thereunder are as follows:

- (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 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) anybody 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 on whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in (vi) and (vii) above shall apply to the advice, directions or instructions given in a professional capacity.

(viii) 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;

(ix) such other person as may be prescribed by Central Government.

**"Related Party Transaction"** as per SEBI Regulations, 2015 means a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A 'transaction' with related party shall be construed to include a single transaction or a group of transactions in the contract.

As per Section 188 of the Companies Act, 2013, the following are related party transactions:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property,
- (vi) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company;

(j) **"Relative"** with reference to any person means any one who is related to another, if-

- (i) they are members of Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
  - (a) Father (including step-father)
  - (b) Mother (including step-mother)
  - (c) Son (including step-son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband
  - (g) Brother (including step-brother)
  - (h) Sister (including step-sister)

(k) **"Subsidiary"** means a company in which the holding company —

- controls the composition of the Board of Directors; or
- exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI Regulations, 2015, Securities Contracts Regulation Act or any other applicable law or regulation.

## **5. MATERIALITY THRESHOLDS:**

Regulation 23(1) of SEBI Regulations, 2015 requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of an Ordinary Resolution. BLS has fixed its materiality threshold at 10% of the annual consolidated turnover as per last audited financial statements of the Company, which is in line with the limits presently prescribed in SEBI Regulations, 2015. Accordingly, all transactions with related party shall be considered material if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceed 10% of the annual consolidated turnover of the Company, based on the last audited financial statements.

## **6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:**

### **A. Ascertaining Related party**

- I.** Every director/KMP shall at the first meeting of the Board in which he participates as a director/KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding in Form MBP-1.
- II.** Company Secretary, based on declaration in MBP-1 and other available information shall identify all related parties.

Company Secretary shall at all times maintain a database of Company's Related Parties in Management Information System (MIS) & it shall be updated whenever necessary and shall be reviewed in each quarter.

### **B. Identification and validation of related parties transaction**

- I.** Every Director, KMP, Divisional CEO/CFO & the Departmental Heads will be responsible for providing prior Notice to the Company Secretary/CFO of any potential transaction with Related Party.
- II.** The Divisional CEO/CFO & the Departmental Heads shall submit to the Chief Internal Auditor the details of all existing/proposed transaction along with supporting information as per *Table-A* below:

Table-A	
Details required for Omnibus Approval of Audit Committee	
Sn.	Particulars
1	The name/s of the related party
2	Nature of transaction
3	Period of transaction
4	Maximum amount of transaction that can be entered into
5	The indicative base price / current contracted price and the formula for variation in the price,
6	Such other conditions as they deems fit

III. Chief Internal Auditor shall submit his report to the Audit Committee giving his comments as to whether existing/proposed transaction(s) are on arms' length basis and in ordinary course of business having consideration to guidelines given as per **Annexure I**, where ever applicable.

IV. Audit Committee will give due consideration to Chief Internal Auditor's report while deciding whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

### C. Review and approval of Related Party Transaction

- a. The Audit committee shall consider the following factors while deliberating the related party transactions for its approval: -
- i. Name of party and details explaining nature of relationship;
  - ii. Name of the director or KMP, who is related, if any;
  - iii. Nature of transaction and material terms thereof including the value, if any;
  - iv. Business rationale for entering into such transaction;
  - v. Chief Internal Auditor's report and supporting documents as Table-A
  - vi. Nature, material terms, monetary value and particulars of contract or arrangement;
  - vii. Fair and on arm's length basis
  - viii. Whether the Related Party Transaction would affect the independence of an independent Director and;
  - ix. Any other information relevant or important for the Committee to take a decision on the proposed resolution.
- b. All related party transactions should be pre-approved by the Audit Committee before entering into such transaction. However Audit Committee may grant **Omnibus Approval** for Related Party Transactions proposed to be entered into by the company after satisfying itself the need of such omnibus approval and best interest of the company.
- c. The Omnibus Approval, as specified above, shall be subject to following conditions:
- The aggregate amount of transactions/ any particular transaction approved/to be approved under Omnibus Approval shall not exceed the limit specified by the Audit Committee of the Company.
  - The approvals so granted shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

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- Omnibus approval shall not be granted in respect of following transactions:
  - i. Selling or disposing of any of the undertaking(s) of the Company;
  - ii. Any transaction which is non repetitive in nature;
  - iii. Any other transaction which the Audit Committee deems unfit for Omnibus Approval.
- d. In case the need for Related Party Transaction cannot be foreseen and aforesaid details as per table-B are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 2 Crore per transaction and subject to condition as mentioned under Clause C (c)(III) above.
- e. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- f. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval; and
- g. Transactions beyond the materiality threshold limit laid down under Clause 5 of the Policy (10% of annual consolidated turnover), which are intended to be placed before the shareholders for approval.

### **D. Approval of the Shareholders of the Company**

All transactions with related parties beyond the materiality threshold limit, laid down in Clause 5 of the Policy, would be placed before the shareholders for approval, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the threshold limits laid down in Companies (Meetings of Board and its Powers) Rules, 2014, would be placed before the shareholders for their approval.

The Companies (Amendment) Act, 2015 and Regulation 23(5) of the SEBI regulations, 2015 provides exemption for seeking shareholders approval (by Ordinary Resolution) for related party transactions between BLS International Services Limited and its wholly-owned subsidiaries whose accounts are consolidated and placed before the Shareholders at a General Meeting for approval. Presently, accounts of all wholly owned subsidiaries are consolidated

and BLS Consolidated Financial Statements are placed before the Shareholders for adoption/approval at the Annual General Meeting.

#### **7. DISCLOSURES:**

BLS International Services Limited shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, BLS International Services Limited shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis in the Compliance Report on Corporate Governance submitted to the Stock Exchanges.

The Company shall disclose the Policy on dealing with Related Party Transactions on its website, pursuant to Regulation 46(2) of SEBI Regulations, 2015.

#### **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action as 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.

#### **9. EFFECTIVE DATE:**

The Policy as approved by the Board of Directors shall be effective from 24<sup>th</sup> September, 2016.

**ANNEXURE-1****GUIDELINES ON DETERMINATION OF BASIS OF ARM'S LENGTH PRICE**

These are guidelines to employees on applying the arm's length principle. This also sets out the basis for arm's length price for existing related party transaction.

The guidance on arm's length principle is applicable to all transactions, both local and cross-border, between BLS International Services Limited and its related parties.

**Arm's Length Basis**

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an independent party.

The application of arm's length principle involves the identification of comparable situation(s) or transaction(s) undertaken by independent parties against which the related party transaction or margin is to be benchmarked. This step is commonly known as "comparability analysis". It entails an analysis of the similarities and differences in the conditions and characteristics that are found in the related party transaction with those in an independent party transaction.

**Factors Affecting Comparability****a) Characteristics of Goods, Services or Intangible Properties under transactions**

The specific characteristics of goods, services or intangible properties play a significant part in determining their values in the open market. For instance, a product with better quality and more features would, fetch a higher selling price.

**b) Analysis of Functions, Risks and Assets**

Proposed pricing depends on functional characteristics of the assets used and risks assumed. For instance, an entity selling a product with warranty should earn a higher return compared to another entity selling the same product without the provision of warranty. Likewise, a product with a reputable branding is expected to fetch a higher return compared to that of a similar product without the branding.

**c) Commercial and Economic Circumstances**

Prices may vary across different markets even for transactions involving the same property or services. In order to make meaningful comparisons of prices or margins between entities/transactions, the markets and economic conditions in which the entities operate or where the transactions are undertaken should be comparable.



**d) Government policies and regulations**

Government Policies such as price controls etc. may have an impact on prices and margins. Hence, the effects of these regulations should also be examined as part of the examination for comparability of the market and economic conditions.

**e) Commercial parlance, customs and trade practices**

Custom and trade practices in respect of particular transaction(s) are important in determining arm's length basis. For example, interest free security deposits given in property lease transactions.

**Concluding basis of Arm's length price**

Based on comprehensive assessment of outcome of comparability analysis, significant similarities and differences between the transactions/entities in question and those to be benchmarked against, adjustments could be made for material differences identified.