



FOODS AND INNS LIMITED

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RELATED PARTY TRANSACTION POLICY

1. INTRODUCTION:

The Companies Act, 2013 (Act) has significantly revised the regulations governing related party transactions entered into by the Indian Companies. The Act defines related parties and related party transactions and prescribed certain approval requirements with respect to such transactions.

In line with the requirements of the Companies Act, 2013 read with rules made there under and the Securities and Exchange Board of India (SEBI) has also amended the listing agreement entered into by companies with stock exchanges to revise the corporate governance norms with respect to related party transactions. The Listing Agreement (as defined below) also defines related parties and related party transactions and prescribes the corresponding approval requirements. The Listing Agreement also requires a listed company to adopt a policy setting out the manner in which the Company will deal with related party transactions as well as the materiality thresholds applicable to such transactions.

In view of the above and to consolidate the procedural requirements under the Act and the Listing Agreement, The Board of Directors (the “Board”) of Foods and Inns Limited (the “Company” or “F&I”), 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 the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company. This policy was approved by the Board of Directors (Board) of F&I at its meeting held on May 17, 2014.

This policy will be effective from October 1, 2014.

This policy is published on the Company website and can be accessed via the following link:
www.foodsandinns.com

2. SCOPE OF THE POLICY

This Policy sets out the principles and processes that apply in respect of transactions entered into by the Company with a Related Party.

This policy is framed as per the requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchange and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if

they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

DEFINITIONS:- In this Policy:

“Act” means the Companies Act, 2013 and the rules and regulations notified thereunder.

“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 the Board of Directors of the Company.

“Listing Agreement” means the listing agreement entered into by the Company with the stock exchange, as amended from time to time, including by the SEBI circular dated April 17, 2014.

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

“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

“Policy” means Related Party Transaction Policy.

“Material Related Party Transaction” means the transaction with a related party if any transaction / transactions to be entered into individually or taken together with previous transactions during a financial year above the threshold limits specified in the Companies Act, 2013 read with rules made there under and the listing agreements.

“Related Party” means related party as defined in Clause 49 of the listing Agreement which is a follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/ or operating decisions and includes the following

1. A person or a close member of that person’s family is related to a company if that person:
 - a) is a related party under Section 2(76) of the Companies Act, 2013 which 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 percent 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 under whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in sub- clause (vi) and(vii) 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) Director or key managerial personnel of the holding company or his relative with reference to a company ; or

b) has control or joint control or significant influence over the company ; or

c) is a Key management personnel of the company or of a parent of the company ; or

2. An entity is related to a Company if any of the following conditions applies:

- a. The entity is a related party under section 2 (76) of the companies Act, 2013; or
- b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- c. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member) ; or
- d. Both entities are joint ventures of the same third party; or
- e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f. The entity is a post- employment benefit plan for the benefit of employees of either the company or an entity related to the Company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g. The entity is controlled or jointly controlled by a person identified in (1)
- h. A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity).

Related Party Transaction has the meaning given to it in:

(a) Under the Listing Agreement: 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.

(b) Under the Companies Act, 2013: Section 188 (1) of the Act, i.e any of the following transactions with a Related Party as defined under Section 2(76) of the Act:

- (a) sale, purchase or supply of any goods or material;
- (b) selling or otherwise disposing of , or buying , property of any kind;
- (c) leasing of property of any kind.
- (d) appointment of any agent for purchase or sale of goods, materials, services or property;
- (e) Related party’s appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (f) underwriting the subscription of any securities or derivatives of the Company, and

This policy on Related Party Transactions complements the existing legal framework and aims at avoiding a conflict of interest in relation to the Related Party Transactions.

3. RELATED PARTY TRANSACTIONS APPROVAL MATRIX:

a) No transaction with a Related Party shall be entered into by the Company unless it is approved by the appropriate authority. The table below lists the approval matrix applicable to such transactions.

Nature of Transactions	Approving Authority	Rationale
All transactions with Related Parties	Audit Committee	Requirement under Section 177 of the Act and the listing Agreement
Related Party Transactions as defined under Section 188 (1) of the Act, which are not in ordinary course of business OR not at arm’s length	Board of Directors and shareholders of the Company	Requirement under Section 188 of the Act read with Rule 15 of the Companies (Meeting of Board and its Powers) Rule, 2014
All Material Related Party Transactions (regardless of whether they are in the ordinary course and / or on arm’s length terms)	Board of Directors and shareholders of the Company	Requirement under the Listing Agreement

b) All transactions with Related Parties (including any amendments or modifications to such transactions) must be reported by the Company to the Audit Committee and referred for its approval in accordance with this Policy.

- c) Any person who is a Related Party with respect to a particular transaction cannot participate in the approval process as may be applicable for that transaction.

4. APPROVAL PROCESS

4.1. Identification of Related Party Transactions:

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. Board/ Audit Committee will determine whether the transaction does in fact constitute a Related Party Transaction requiring compliance with this policy.

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.

The process for entering into Related Party Transaction will be as set out below

Transactions with Related Parties shall generally be in the form of master agreements which would define the terms governing individual transactions / work orders/ service orders (Sub-transactions) to be undertaken under the Master Agreement.

The Company will:

- (a) identify the transactions with Related Parties
- (b) perform test to determine whether the transaction is in the ordinary course of business operations or otherwise.
- (c) review the commercial terms involved in the transaction and analyze whether the transaction is at "arm's length" as if the party is unrelated.
- (d) consider the value of the transaction to determine if it is a Material Related Party Transaction.
- (e) determine the approval requirements applicable to the transaction in accordance with this policy;
- (f) prepare and maintain relevant documentation supporting the basis of its assessment.
- (g) present the required details to the Audit Committee, Board or Shareholders for approvals as required ; and
- (h) execute the Master Agreement once the approvals are obtained.

4.2 Determining whether a transaction is in the ordinary course of business operations:

Related Party Transactions that are part of regular operative activities, and connected financial activities, of any organization in similar business and size shall be considered to be in the ordinary course of business operations.

Following are some of the criteria that may be considered for determining whether the transaction is in the ordinary course of business:

- a. Nature:** Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party.
- b. Frequency:** Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- c. Size of Transaction:** Whether the transaction value is within the reasonable range for similar types of transactions. An exceptionally large value transaction should invite closer scrutiny.

These are not exhaustive criteria and the Company will assess each transaction considering its specific nature and circumstances.

4.3 Determining Whether a Transaction is at Arm's Length

As per section 188 (1) of the Act, the expression "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.

In addition to evaluating whether the transaction results in a conflict of interest on the basis of the transfer pricing report, the Company should also consider that additional tests such as those listed below:

- whether the transaction is commercially negotiated;
- whether the transaction is necessary for business opportunities for growing new or existing markets; and
- and other matters the Company considers relevant.

For on-going transactions, the last available transfer pricing report shall be the basis of the assessment. For a new transaction, a review and approval by Company's internal transfer pricing tax team would be the basis.

4.4 Approval for Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of audit committee for review and approval. 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.

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.

Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

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;

Whether the Related Party Transaction would affect the independence of an Independent Director;

Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

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

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.

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:

- i. Any transaction that involves to providing of compensation to a director or Key managerial personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

4.5 Exception Handling

If the Company becomes aware of a Related Party Transaction that has not been approved under this policy, the Related Party Transaction shall be reported to the Audit Committee for its approval. A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

When reviewing a Related Party Transaction that has not been approved under this Policy, the Audit Committee shall consider all the relevant facts and circumstances relate to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.