



Zeal & Innovation in Medicine

RELATED PARTY TRANSACTIONS POLICY

SCOPE AND PURPOSE OF THE POLICY

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, ZIM LABORATORIES LIMITED (“ZLL”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, ZLL has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company.

OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, and any other laws and regulations as may be applicable to the Company.

DEFINITIONS

Related Party Transaction: “Related Party Transaction” is a transfer of any resources, services or obligations between the Company and a related party, regardless of whether a price is charged. (A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract).

ZIM LABORATORIES LIMITED

www.zimlab.in | info@zimlab.in | CIN: U99999MH1984PLC032172

Works: B-21/22, MIDC Area, Kalmeshwar - 441501 Dist. Nagpur,
Maharashtra, India. ☎ +91.7118.271370 | Fax: +91.7118.271470

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Related Party: An entity is 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 standard.
{Under Section 2(76) of the Companies Act, 2013 “Related Party”, with reference to a company, means—

- a) a director or his relative;
- b) a key managerial personnel or his relative;
- c) a firm, in which a director, manager or his relative is a partner;
- d) a private company in which a director or manager is a member or director;
- e) 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;
- f) 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;
- g) any person on whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- h) any company which is—
 - i. a holding, subsidiary or an associate company of such company; or
 - ii. a subsidiary of a holding company to which it is also a subsidiary;
 - iii. such other person as may be prescribed.}

{Under Accounting Standard A “Related Party” is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:

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- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) 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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key Managerial Person: “Key Managerial Personnel”, in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;

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- (ii) the Company Secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

Relative: “Relative” with reference to any person, means 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 such manner as may be prescribed.
of whether a price is charged.

MATERIALITY THRESHOLDS

SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a special resolution. ZLL has fixed its materiality threshold at 10% of the annual turnover of the company as per last audited financial statements of the Company

MANNER OF DEALING WITH 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.

a. Identification of related parties

ZLL has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed

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there under and SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015,.

b. Identification of 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 approval of related party transactions

Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

A) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;

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) 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. Such omnibus approval shall be valid for 1 year.

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While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

a) Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

b) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

c) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

d) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

e) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

f) market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

g) third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;

h) management assessment of pricing terms and business justification for the proposed transaction;

i) comparative analysis, if any, of other such transaction entered into by the company.

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Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, will be placed before the Board for its approval.

Approval of the Board of Directors of the Company

In addition to the above, the following kinds of transactions with related parties will also be placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) 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;
- c) 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.
- d) Transactions meeting the materiality thresholds laid down in this Policy, which are intended to be placed before the shareholders for approval.

Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds as laid down in this Policy, are placed before the shareholders for approval.

Approval of the Shareholders of the Company:

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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 thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

DISCLOSURES

ZLL 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.

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 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 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 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

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related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

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