



NEWGEN SOFTWARE TECHNOLOGIES LIMITED

**POLICY
ON
RELATED PARTY TRANSACTIONS**

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Newgen Software-Technologies Ltd.

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Revision History			
Release Date (DD-MM-YY)	Revision No.	Changes Summary (Mention Sections Affected)	Approved By (Designation)
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01-04-2019	1.1	Revision in the Policy due to amendments in the SEBI Listing Regulations.	Board of Directors



Contents

1. Preface.....	4
2. Objective of the Policy.....	4
3. Definitions.....	4
4. Materiality Thresholds:.....	6
5. Identification of Potential Related Party Transactions.....	7
5. Approvals for Related Party Transaction:.....	8
5.1 Approval of Audit Committee	8
5.2 Approval of Board:	10
5.3 Approval of Shareholders	11
6. Determination of Arms' Length Nature of the Related Party Transaction	11
7. Related Party Transactions not approved under this Policy.....	11
8. Disclosure.....	12
9. Amendment.....	12
10. General.....	13



1. Preface

The Board of Directors of Newgen Software Technologies Limited (“**Newgen**” or “**the Company**”) recognises the importance of stakeholder's confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders. The Board of Directors of the Company, acting upon the recommendation of its Audit Committee has adopted this Policy on Related Party Transaction (“**Policy**”).

This Policy on Related Transaction is not only in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 read with the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”).

2. Objective of the Policy

This Policy lays down the mechanism to deal with Related Party Transactions and seeks to ensure that related party transactions entered into by the Company are carried out in a transparent manner i.e. in ordinary course of business and at arm's length basis as per the provisions of applicable laws. This Policy also aims at providing guidance in situations of potential conflict of interest and compliance matters relating to related party transactions.

3. Definitions

“**Act**” shall mean the Companies Act, 2013 and includes any statutory amendment or re-enactment thereof.

“**Arm's Length Transaction**” means a transaction carried out between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“**Audit Committee**” means the committee of Board of Directors constituted in pursuance of Section 177 of the Act.

“**Group Companies**” means the Newgen and its Subsidiaries.

“**Director**” means a member of the Board of Directors of the Company.

“**Material Related Party Transactions**” shall mean a transaction with related party, if the transaction(s) 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.

“**Ordinary Course of Business**” means a transaction which is:

- is in line with the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities
- usual as per industry practice within India or overseas, or
- happening frequently over a period of time and is for the business purpose of the Company, or



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- necessary, normal, regular and incidental to the business of the Company, or
- carried out in the normal course of business envisaged in accordance with the Memorandum of Association ('MoA') of the Company as amended from time to time, or
- 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; or
- common commercial practice, or
- meets any other parameters/ criteria as decided by the Board of Directors of the Company with the recommendation of the Audit Committee.

"Related Party" has the meaning assigned to such term as below:

- I. Related party with reference to Company means (as defined under Section 2(76) of the Act) :-
 - (i) a Director or his relative;
 - (ii) key managerial personnel or his relative;
 - (iii) a firm, in which a Director or his relative is a partner;
 - (iv) a private Company in which a Director is a member or Director;
 - (v) a public Company in which a Director 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 or managing Director 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 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;
 - (viii) a Director (other than Independent Director) or key managerial personnel of the holding Company, if any, or his relative with reference to the Company, shall be deemed to be a related party;
 - (ix) any Company which is—
 - (A) a holding, subsidiary or an associate Company of Newgen;
 - (B) a subsidiary of a holding Company to which it is also a subsidiary;
 - (C) Any investing Company or the venture of the Company;
- II. any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party;
- III. under the accounting Standards as may be in force from time-to-time in relation to Related Party; or
- IV. under other applicable regulation of SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015

"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;
- iii. Father (including step-father);



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- 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);

“Related Party Transaction” also referred as "RPT" means

- i. a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- ii. means a contract or arrangement with a related party with respect to.
 - 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; or

The expression “office or place of profit” means any office or place -

(i) where such office or place is held by a Director, if the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a Director or by any firm, private Company or other body corporate, if the individual, firm, private Company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

“Transaction” shall be construed to include single transaction or a group of transactions in a contract.

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Companies Act, 2013 and SEBI Regulations or in any applicable laws/ rules/ Regulations as may be amended from time to time shall have the meaning respectively assigned to them therein.

4. Materiality Thresholds:

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual



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consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

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 Company.”

5. Identification of Potential Related Party Transactions

- 5.1. Each Director / Key Managerial Personnel is responsible for providing notice to the Audit Committee/ Board, 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. Audit Committee/ Board 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.
- 5.2. In addition to clause 5.1, the Interested Director/ also Key Managerial Personnel may provide written notice to the Company Secretary of any potential RPT involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary may reasonably request, for determining whether the transaction constitute Related Party Transaction. The Company Secretary shall, in consultation with Chief Financial Officer or/ and with the Audit Committee, as appropriate, determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.
- 5.3. Where any Director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he or she shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he or she becomes concerned or interested or at the first meeting of Board held after he or she becomes so concerned or interested.
- 5.4. A contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- 5.5. The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it for approval. Ratification of RPT after its commencement or even its completion may be appropriate in some circumstances.
- 5.6. A list of promoters and their relatives as fall under the definition of Related Party shall be kept by the Chief Financial Officer for identifying any proposed transaction with them.



5. Approvals for Related Party Transaction:

5.1 Approval of Audit Committee

- (a) All related party transactions shall require prior approval of the Audit Committee.
- (b) Audit Committee shall mandatorily review the statement of significant (i.e material) related party transactions as may be submitted by the management from time to time.
- (c) Omnibus Approval by the Audit Committee: Every Related Party Transaction shall be subject to the prior approval of the Audit Committee. However, the Committee may grant omnibus approval for RPT proposed to be entered into by the Company subject to the following conditions:
 - In case of transactions that are repetitive in nature.
 - The Committee shall lay down valid grounds while making a decision for the need for such omnibus approval and see to it that such approval is in the best interest of the Company;
 - 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, provided that where the need for RPT 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 (One Crore) per transaction.
 - Audit Committee shall review the details of RPTs entered into by the Company pursuant to approval given to each of the omnibus transaction, atleast on a quarterly basis;
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (d) Additional Criteria / guidelines for granting omnibus approval:
 - i. Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:
 - Transactions which are not in ordinary course of business or not on arm's length basis and covered under Section 188(1) of the Companies Act, 2013;
 - Transactions in respect of selling or disposing of the undertaking of the Company;
 - Transactions which are not in the interest of the Company;
 - Such other transactions specified under any applicable Law from time to time.



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- ii. Notwithstanding the generality of foregoing, the following transactions shall not be deemed Related Party Transactions for the purpose of this Policy and as such no omnibus approval is required to be granted for same:
- Any transaction that involves providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of business and travel expenses incurred in the ordinary course of business.
 - Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party.
 - Reimbursement of pre-incorporation expenses incurred by or on behalf of a Related Party.
 - Any transaction in which the Related Party's interest arises solely by way of ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party, or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.
 - Recurring transactions flowing out of a principal transaction or arrangement for which the Audit Committee has granted its omnibus approval
 - Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.
- iii. While granting omnibus approval to related party transactions, the Audit Committee shall review and consider: -
- The Related Party's interest in the RPT and the amount involved in the RPT;
 - Whether the RPT was undertaken in the ordinary course of business of the Company;
 - Whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
 - The purpose of and the potential benefits to the Company from the RPT;
 - Whether there are any persuasive business reasons for the Company to enter in to the RPT and the nature of alternative transaction, if any;
 - Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
 - Type of public disclosure, if any, as required under the applicable laws;
 - Any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/shareholders, as applicable in light of the circumstances of the particular Transaction.



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- (e) Any member of the Audit Committee who is covered under the ambit of the Related Party, such member shall not vote to approve the relevant transaction, irrespective of the fact that whether such member is a party to the particular transaction or not.
- (f) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- (g) Any subsequent modification of transactions of the Company with related parties shall be done by the Audit Committee.
“Provided that in case of the transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

Provided also that in case any transaction involving an amount not exceeding one crore rupees is entered into by a Director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any Director or is authorized by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

Provided also that the provisions of clause (a), (b), (c) and (d) shall not apply to a transaction between a holding Company and its wholly owned subsidiary Company whose accounts are consolidated with Newgen and placed before the shareholders at the general meeting for approval.

5.2 Approval of Board:

- All the transactions as specified under section 188 of the Companies Act 2013, shall be entered into with the consent of the Board of Directors given by the resolution at a meeting of the Board.

Provided that the Agenda of the Board meeting at which the resolution is proposed to be moved to approve related party transactions shall disclose:

- a. the name of the related party and nature of relationship;
 - b. the nature, duration of the contract and particulars of the contract or arrangement;
 - c. the material terms of the contract or arrangement including the value, if any;
 - d. any advance paid or received for the contract or arrangement, if any;
 - e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - f. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - g. any other information relevant or important for the Board to take a decision on the proposed transaction.
- Where any Director is interested in any contract or arrangement with a 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.



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- If the Audit 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 Board shall consider and approve the Related Party Transaction at a meeting and 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.

5.3 Approval of Shareholders

- a) All material related party transactions, other than the exempted transactions in the Company, shall require prior Shareholders approval by way of Resolution in General Meeting. All the transactions, other than the Material Related Party Transactions, which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through resolution if so required under any law and the related parties shall abstain from voting on such resolution whether the entity is a related party to the particular transaction or not.
- b) The approval of the Shareholders is not required in case of transactions entered into between the Company and its wholly -owned Subsidiary whose accounts are consolidated with the Company's accounts and such consolidated accounts are placed before the Shareholders at the General Meeting for approval;
- c) If any Director or employee of the Company has entered into a Contract or arrangement without the prior consent of the Board or Shareholders (when required) then such Contract or arrangement shall be ratified by the Board or as the case may be, by the Shareholders at a Meeting within three months from the date on which such Contract or arrangement was entered into. Such Contract or arrangement shall be voidable at the option of the Board or as the case may be, by the Shareholders and if the contract or arrangement is with a Related Party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

6. Determination of Arms' Length Nature of the Related Party Transaction

At the time of determination of the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- a) Permissible methods of arms' length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- b) For the said purposes, the Audit Committee shall be entitled to rely on professional opinion in this regard.
- c) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said-procedure.

7. Related Party Transactions not approved under this Policy



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- a) 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.
- b) 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 as it deems appropriate to ratify the same. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee 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.

8. Disclosure

- a) The Company shall submit within 30 days from the date of publication of its standalone and consolidated 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.
- b) The particulars of contracts or arrangement with related parties referred in section 188(1) of the Act to be disclosed in the Directors Report in Form AOC-2.
- c) The Company shall disclose this Policy on its website and also a web link thereto shall be provided in its annual report.
- d) The Company shall keep and maintain a register, either physically or electronically, giving separately the particulars of all contracts or arrangements to which this Policy applies, and such register is placed/taken note of before the meeting of the Board of Directors.
- e) Every Director or Key Managerial Personnel shall, within a period of 30 (thirty) days of this appointment, or relinquishment of his office in other companies, as the case may be, disclose the Company the particulars relating to his/her concern or interest in the other Company which are required to be included in the register maintained.
- f) The Company shall make all other disclosures as may be required time to time pursuant to any other applicable laws.~

9. Amendment

- 9.1. This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.



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9.2. This Policy can be amended, modified or revised anytime with the approval of Audit Committee, subject to the provisions of SEBI Listing Regulations and the Companies Act, 2013 and Rules framed thereunder.

10. General

10.1. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), Clarification, circular(s) etc.

10.2. In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

10.3. Notwithstanding anything contained in this Policy, the Company shall ensure compliance with any additional requirements as may be prescribed under any laws/regulations either existing or arising out of any amendment to such laws/regulations or otherwise and applicable to the Company, from time to time.

Date: 24.01.2019
Place: New Delhi



Signature:
Diwakar Nigam
Chairman & Managing Director