

WABCO INDIA LIMITED

RELATED PARTY TRANSACTION POLICY

POLICY ON RELATED PARTY TRANSACTIONS

(As amended with effect from 27th January, 2022)

The Company) recognizes that Related Party Transactions as defined under Regulation 2 read with Regulation 23 and other relevant regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”) and in Section 2(76) read with Section 188 of the Companies Act, 2013 (“the Act”) may give rise to an actual or potential conflict of interest which may be against the best interest of the Company and/ or its shareholders.

The Audit Committee of the Board of Directors of the Company (“the Board”) is required by Section 177(4) of the Act and Regulation 23 of LODR to approve all transactions of the Company with related parties (“RPTs”).

OBJECTIVE OF THE POLICY

The Policy is intended to ensure timely identification of an RPT, its salient terms and conditions, details the approval process, outline the disclosure and reporting requirements thereof and to ensure transparency in the conduct of RPTs, so that there is no conflict of interest.

The Board of Directors of the Company (“the Board”) has adopted this Policy with respect to RPT’s on the recommendation of the Audit Committee. The Audit Committee is empowered to review and recommend amendments to this Policy as may be considered necessary from time to time but at least once every three years. All amendments to this Policy as may be recommended by the Audit Committee would be subject to the Board’s approval.

Part I of this Policy on dealing with RPT’s and determining their materiality is formulated in compliance with Regulation 23 and other relevant regulations of LODR and the requirements of Section 188 of the Act and Rules made thereunder.

Part II provides the definitions of various terms used in Part I of the Policy.

PART I

A. Related Party Transaction as per LODR

- 1) **Related Party Transaction**” or **“Transaction with a Related Party”** shall mean any transaction involving transfer of resources, services or obligations, regardless of whether a price is charged or not, between:
- (i) the Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
 - (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, (with effect from April 1, 2023);

However, the following transactions **shall not be considered as Related Party Transaction** for the purpose of this policy:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as modified or substituted from time to time;
- b) the following corporate actions initiated by the Company which are uniformly applicable/ offered to all its shareholders in proportion to their shareholding in the Company:
 - i. payment of dividend;
 - ii. sub-division or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities

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

The following persons/ entities shall be considered as **“Related Party”** to the Company/ its subsidiaries:

- a. A related party in terms of Section 2(76) of the Act; or
- b. A related party under the applicable accounting standards; or
- c. Forms part of the promoter or promoter group of the Company; or
- d. Holds equity shares to the extent set out below at any time during the immediately preceding financial year in the Company, either **directly or on a beneficial interest basis** as provided under Section 89 of the Act:
 - i. 20% or more (to be considered for the financial year beginning from April 1, 2022); or
 - ii. 10% or more (to be considered for the financial years beginning after March 31, 2023)

B. Transactions with Related Party under the Act

RPT's which are of the kind described in section 188(1)(a) to (g) of the Act as specified in this Policy.

2. Manner of Dealing with Related Party Transactions

a. Identification of Related Parties

The Company has formulated guidelines for identifying and updating the list of related parties as prescribed under section 2(76) of the Act read with the Rules framed thereunder and Regulation 23 of LODR as also the methodology for continuous updation and periodic monitoring of the same. Please refer to para 1 of Annexure 1.

b. Requirement of Approval

Prior approval of RPT's by Audit Committee

Any transaction which results in a transfer of resources, services or obligations between the Company and an identified related party would require the prior approval of the Audit Committee. Any subsequent material modification of such transactions of the company with related parties will also require prior approval of Audit Committee.

A Related Party Transaction **to which a subsidiary** of the Company is a party but the Company is not a party, shall require **prior approval of the Audit Committee** of the Company **if the value of such transaction** whether entered into individually or taken together with previous transactions during a financial year **exceeds 10%** of the annual consolidated turnover, as per the last audited financial statements of the company. With effect from April 1, 2023, the said threshold of 10% shall be calculated based on the annual standalone turnover of the said subsidiary, as per its last audited financial statements.

All RPT's, whether material or not, will require the prior approval of the Audit Committee of the Board.

Prior approval of Board of Directors

Further, if the nature of such transactions with a related party as defined in section 2(76) of the Act are covered by section 188 of the Act, they would require the prior approval of the Board through resolution passed at a meeting of the Board, unless they are in the ordinary course of business and are an arm's length transaction.

3. **Criteria to be considered by the Audit Committee for granting prior approval to an RPT**

The Audit Committee shall have regard to the following aspects before granting approval to any RPT:

- The rationale and necessity for entering into such an RPT;
- Whether any compelling business or commercial reasons or justification exist for the Company / the subsidiary of the Company to enter into the RPT and the availability, if any, of similar transactions between the Company / the subsidiary of the Company and unrelated counterparties or between two unrelated parties about the same time;
- Whether the transaction is in the Ordinary Course of Business and on Arm's length basis;
- Whether the terms and provisions of the RPT, viewed in their totality, are fair and the transaction is at arm's length, that is to say, whether it is similar to a transaction conducted as if between two unrelated parties, so that there is no conflict of interest;
- Whether any special or unusual benefits, rights or privileges are extended or given to the related party by the Company which would normally not feature in a similar transaction, were it to be entered into by the Company with an unrelated party or between two unrelated parties;
- Whether the consideration/compensation to be paid to the related party under or pursuant to the transaction is, or can be regarded as being, commensurate with the obligations undertaken by such related party, and/or the scope of services provided by it thereunder;
- Whether the transaction is unreasonably or unfairly weighted in favour of the related party vis-à-vis price, terms of credit and payment, interest payable or in any other manner or gives rise, or is likely to give rise, to any conflict of interest;
- Whether the RPT will or is likely to, affect the independence of judgment of any of the independent Directors on the Board;
- Whether the RPT is likely to give rise in any manner to a conflict of interest and duty for any Director or Key Managerial Personnel of the Company;
- Whether the RPT would or is likely to give rise to any potential reputational risk for the Company and/or its Directors;
- Any other aspects or factors that may be relevant or material in the opinion of the Committee.

4. **Omnibus Approval by Audit Committee where prior approval not possible in certain cases**

The Audit Committee may, owing, to the repetitive nature of related party transactions to be entered into OR

When the need for RPT's cannot be foreseen in advance, grant **Omnibus Approval** for such RPTs for a period not exceeding one year, subject to the following conditions:

- (i) the transactions satisfy the general criteria laid down for approval of RPTs (refer para 3);
- (ii) The Transaction does not require approval by the Board/ Shareholders under the provisions of the Act, LODR or any other applicable law;
- (iii) The particulars specified in the Act/ LODR have been provided to the Audit Committee to enable them to consider the omnibus approvals;
- (iv) the Audit Committee is satisfied as to the need for such **Omnibus Approval** and that grant of such approval is in the interest of the Company;
- (v) such **Omnibus Approval** may be of two types, namely:
 - (a) an **Omnibus Approval** specifying the name of the related parties, the nature, period and the maximum amount of the transaction that can be entered into, the indicative base price/current contracted price and the formula for variation in price, if any and such other conditions as the Audit Committee may deem fit

OR

- (b) where the need for the RPT cannot be foreseen and the details mentioned in (a) above are not available, an **Omnibus Approval** for RPTs subject to their value not exceeding Rs.1 crore per transaction.
- (vi) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each **Omnibus Approval** given;
- (vii) Audit committee shall also **review on an annual basis**, the status of long-term (more than one year) or recurring Related Party Transactions
- (viii) All such **Omnibus Approvals** shall require fresh approval after the expiry of one year.

5. Prior Approval of RPTs by the Board of Directors pursuant to section 188(1) of the Act

In addition to the prior approval of the Audit Committee for any RPT, whether mentioned or not, the following kinds of RPT's shall also require the prior approval of the Board of Directors by a resolution at a meeting of the Board of Directors (and not by circulation) unless they are entered into in the ordinary course of business and they are an arm's length transaction.

- (i) Sale, purchase or supply of any goods or services;
- (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) Appointment of the Related Party to any office or place of profit in the Company, its subsidiary or associate company; and
- (vii) Underwriting the subscription of any securities or derivatives thereof of the Company**

Transactions in the ‘Ordinary Course of Business’ and ‘On Arm’s length Basis’

The Company has formulated guidelines for determining whether a transaction can be said to be in the ‘Ordinary course of business’ and ‘On arm’s length basis’. Please refer to para 3 and para 4 respectively of Annexure 1.

Where the Company is required to obtain the prior approval of its Board of Directors by a resolution at a meeting of the Board, pursuant to section 188(1) of the Act, the Agenda of the Board meeting at which the resolution granting consent is proposed to be moved shall disclose the particulars regarding the transaction listed in Rule 15(1) of the Companies (Meetings of the Board and its Powers) Rules, 2014.

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. Also only those members of the Audit Committee, who are **independent directors can decide on granting approvals.**

6. Materiality of RPTs under Regulation 23 of LODR and under Section 188(1) of the Act

- (a) A transaction between the Company and a related party is to be considered as material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per its last audited financial statements. [Regulation 23 of LODR]**

All material RPTs, (whether or not they are entered into by the Company in the ordinary course of its business and are also on arm’s length basis) and material modifications of any such transactions shall also require the approval of the shareholders of the Company in general meeting by a special resolution, and the related parties shall abstain from voting on such resolutions.

However, material transactions entered into between the Company and its wholly owned subsidiary / transactions entered into between two wholly – owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders for such approval at the general meeting, would not require any approval of the shareholders.

(b) The following RPT's shall also require prior approval of shareholders by a Resolution as per section 188 of the Act read with the relevant Rules thereunder although they may not be material as per para 6(a) above:

- a. Sale, purchase or supply of any goods or materials, directly or through an agent, amounting to 10% or more of the turnover of the Company;
- b. Availing or rendering of any services, directly or through an agent, amounting to 10 % or more of the turnover of the Company ;
- c. Selling or otherwise disposing of, or buying, property of any kind, directly or through an agent, amounting to 10 % or more of the turnover of the Company ;
- d. Leasing of property of any kind, amounting to 10% or more of the turnover of the Company;

A member who is a related party shall not vote on such resolution for approval of the above transactions.

(c) The **Explanatory Statement** annexed to the Notice issued by the Company convening the general meeting for seeking approval of its Shareholders shall contain such details as enumerated in Rule 15(1) of the Companies (Meetings of the Board and its Powers) Rules, 2014.

However, no such approval of shareholders in general meeting would be necessary if the aforesaid transactions are in the ordinary course of business and are at arm's length transaction. Further, transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders for approval at the general meeting, would not require any such approval of the shareholders.

7. **RPTs not approved by the Board and/or shareholders, where required by section 188(1)**

In the event of an RPT being entered into without the prior approval of the Board and/or shareholders where such approval is required under section 188(1), the same shall be ratified by the Board and/or shareholders, as the case may be, within 3 months of entering into the RPT is not, the contract arrangement shall be voidable at the option of the Board.

8. **Disclosures by the Company**

(a) The particulars of contracts or arrangement with Related Parties will be disclosed in the Register of Contracts or Arrangements in which directors are interested (refer Rule 16 of the Companies (Meetings of the Board and its Powers) Rules, 2014 and in the Directors' report in Form AOC-2, in the manner prescribed in the Companies Act, 2013 and the Rules thereunder.

- (b) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance and the company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

- (c) Disclosures of all related party transactions on half year basis or for such period as prescribed under LODR to the stock exchanges in which the shares of the Company are listed .

PART II

Definitions:

1) Section 2(76) defines a ‘related party’, with reference to the Company, to mean –

- (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 his 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 on whose advice, direction 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 body corporate which is –
 - 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; or
 - c) an investing company or venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

2) As per Indian Accounting Standard (IND AS) 24 “related parties” are:-

A related party is a person or entity that is related to the Company 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:
 - (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).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are the persons specified within meaning of 'relative' under the Companies Act 2013 and that person's domestic partner, children of that person's domestic partner and dependents of that person's domestic partner.

Compensation includes all employee benefits (as defined in Ind AS 19 Employee Benefits) including employee benefits to which Ind AS 102 Share-based Payments applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or 11subsidized goods or services) for current employees;

(b) post-employment benefits such as pensions, other retirement benefits, post-employment life

insurance and post-employment medical care;

(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(d) termination benefits; and

(e) share-based payment.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the contractually agreed sharing of control over an economic activity.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

3) Relative – Section 2(77) (read with the Rule 4 of the Companies (Specifications of Definitions Details) Rules, 2014

Relative has been defined to mean anyone who is related to another, if:

- they are members of a Hindu Undivided Family;
- they are husband and wife;
- father including stepfather
- mother including stepmother
- son including stepson
- son's wife (which would also include stepson's wife)
- daughter
- daughter's husband including
- brother including stepbrother

- sister including stepsister

4) Key Managerial Personnel – section 2(51) in relation to a Company, means –

- the Chief Executive Officer or the managing director or the manager;
- the company secretary;
- the whole-time director;
- the Chief Financial Officer;
- such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- such other officer as may be prescribed

5) Manager – Section 2(53)

An individual who, subject to the superintendence, control and direction of the Board of Directors, has the management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

6) Holding Company – Section 2(46)

In relation to one or more other companies, means a company of which such companies are subsidiary companies. The term “company” includes a body corporate.

7) Subsidiary Company or Subsidiary – Section 2(87)

In relation to any other company, that is to say, the Holding company, means a company in which the holding company;

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the Total Voting Power
 - either at its own; or
 - together with one or more of its subsidiary companies

Explanation:

- a. a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) and (ii) or sub-clause (ii) is of another subsidiary company

of the holding company.

- b. the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c. The expression "company" includes any body corporate.

8) Associate Company – Section 2(6)

In relation to another company, means a company in which that other 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 purposes of this clause, "significant influence" means control of at least 20% of the total voting power, or control of or participation in business decisions under an agreement.

9) Control – Section 2(27)

"control" shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

10) **"Ordinary Course of Business"** has been defined in paragraph 3 of Annexure 1 to this Policy.

11) **"Arm's Length Transaction"** has been defined in paragraph 4 of Annexure 1 to this Policy.

12) **"Material Modification"** to a Related Party Transaction shall mean any one or more of the following:

- a) Modification of the price or value of the contract/ arrangement or rate of interest (in case of a loan) by 10% or more;
- b) Modification of remuneration of related parties by more than 20%;
- c) Extending or reducing the contract period by 3 (three) months or more;
- d) Extending or reducing the credit period (in case of commercial transactions) by more than 3 months or repayment period (in the case of financial transactions) by more than 6 (six) months;
- e) Providing additional concession/ rebate of 10% or more; and
- f) Any other aspect which may be considered "material" to the Audit Committee considering the nature of transaction

Annexure 1**GUIDELINES REFERRED TO IN THE POLICY IN RESPECT OF
RELATED PARTY TRANSACTIONS****1. IDENTIFICATION OF RELATED PARTY:**

Considering the wide coverage of related parties in the Act and the Regulation 23 of LODR, guidelines have been formulated for identification and monitoring of related parties and the Company has put in place processes for identification and execution of such related party transactions.

The Related Parties with respect to the Company, may be identified on the basis of Disclosures made by Directors and their relatives, and other information available with the Company, at different stages

i) Disclosures of interest by Director/Key Management Personnel (KMP)

- (a) Section 184 of the Act requires every director to disclose his concern or interest in any company/ies, bodies corporate, firms or other association of individuals, by giving a notice in writing in **Form MBP – 1**, at the beginning of every Financial year, as well as whenever there is any change in such concern or interest.
- (b) In addition to Form MBP-1, every Director should give information of his relatives in the format given in **Schedule 1** to these Guidelines, at the beginning of every Financial year, as well as whenever there is any change in such concern or interest.
- (c) Every KMP shall disclose his concern/interest and that of his relatives in the format given in **Schedule 1** to these Guidelines at the beginning of every Financial year, as well as whenever there is any change in such concern or interest.

ii) Responsibilities for Disclosures and Frequency thereof

It is the responsibility of the Directors and KMPs of the Company, its holding companies and its subsidiary companies and associate companies to disclose details of their associations which fall within the ambit of 'related party' under section 2(76) of the Act and the Regulation 23 of LODR (if applicable). The Company has defined a responsibility framework for disclosure of interest by such personnel. Suggested responsibilities for identification are tabulated below for reference.

Disclosure to be made by /Checks to be	Recommended responsibility for compilation and	Recommended Frequency
Directors and KMPs of the Company	Company Secretary of the Company	Half yearly disclosures may be obtained apart from event based changes to be communicated, which needs to be disclosed
Directors and KMPs of the Holding Company	Company Secretary to coordinate with company secretary of the holding company to obtain the details regarding the Directors and KMPs of the holding property	Half yearly statements of details may be obtained from the Company Secretary of the immediate holding company, apart from event-based changes, which need to be disclosed and
Structure of the Company and investments made in/ by the Company	CFO/Company Secretary to review structure of the company for identification of associates, subsidiaries, fellow subsidiaries, joint ventures and related parties by virtue of holdings or investments made by the Company in other companies or firms or holdings/investments made by other companies in the Company	Annual statement to be prepared by the CFO/Company Secretary, apart from event-based changes, which need to be updated immediately upon such change.

For ease of administration, the details required or the template may be made a part of the appointment/induction formalities.

iii) Creation of Database of Related Parties

The Company Secretary shall be responsible for compilation of the list of related parties and its periodic updation based on the information furnished by the Directors and KMPs and to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;

2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company;
6. All Group entities; and
7. Any other entity which is a Related Party as defined under section 2(76) of the Companies Act, 2013 read with Regulation 23 of LODR or the relevant Accounting Standard.

iv) **Vendor/Customer master**

All parties which are identified as related party should be flagged separately, in the vendor/customer master maintained in the ERP. All existing and new customers/vendors which are related parties will also be flagged post completion of the initial identification activity.

v) **Monitoring**

The Company has instituted an appropriate process for periodic monitoring of disclosures made with respect to 'related party' and compliance with the obligations commensurate with the size and nature of its operations. Such process may include:

- Periodic validation by the management
- Independent validation and check by an internal auditor/secretarial auditor appointed with specific terms of reference in this regard.

2. STAGES OF IDENTIFICATION OF RELATED PARTY TRANSACTION:

Every Director and Key Managerial Personnel will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Audit Committee may request, for being placed before the Committee and the Board.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal / transfer pricing expert and the outcome or

opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

3. MEANING OF 'ORDINARY COURSE OF BUSINESS'

As per Black's Law Dictionary

- The transaction of businesses according to the usages and customs of the commercial world generally or of the particular community or (in some cases) of the particular individual whose acts are under consideration.
- The normal routine in managing a trade or business

As per Case law

- Whether a particular act done is in the course of business or not is really a question of fact and that must be determined according to the evidence led and the circumstances of the case. It must be found as to whether the particular act has any connection with the normal business that the company is carrying on and whether it is so related to the business of the company that it can be considered to be performed in the ordinary course of the business of that company.
- In deciding whether a particular transaction is one which took place in the ordinary course of business or not, it has been held in several decisions that a stray or casual transaction would not amount to a transaction done in the ordinary course of business.
- Expression 'in the ordinary course of business' means in the ordinary course of a professional avocation or current routine of business which was usually followed by the person whose declaration it is sought to be introduced.
- To regard an activity as business there must be a course of dealings, either actually continued or contemplated to be continued with a profit motive, and not for sport or pleasure.
- Whether a person carries on business in a particular commodity must depend upon the volume, frequency, continuity and regularity of transactions of purchase and sale in a class of goods and the transactions must ordinarily be entered into with a profit motive.
 - The expression "usual course of business" is also found in certain sections of some Acts. These expressions are not statutorily defined in any one of these Acts, but there can be no doubt that they all indicate and imply uniformity of dealings, a certain degree of routine in business practice.
 - The expression "statement made in the ordinary course of business" means a statement made during the course not of any particular transaction of an exceptional kind, but of business or professional employment in which the deceased was ordinarily and habitually engaged.

4. MEANING OF ARM'S LENGTH TRANSACTION:

The primary objective of the Act is to avoid a conflict of interest.

The Act does not prescribe rules, approach or methodology for determining whether a transaction is an arm's length transaction.

However, the Explanation given in section 188 of the Act provides that '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. Therefore, whether the transaction is on 'arm's length basis' or not has to be determined by examining the totality of all terms and conditions of every such transaction on a case to case basis.

A reference to the provisions on arm's length transactions in the Income Tax Act, 1961 and the Rules made thereunder may also provide guidance as to whether a transaction was entered into on an arm's length basis.

(i) Section 92C of the Income Tax Act, 1961 read with Rule 10B of the Income Tax Rules provides that the arm's length price in relation to an international transaction or specified domestic transaction is to be determined by any of the following methods, namely:

- a. Comparable uncontrolled price method;
- b. Resale price method;
- c. Cost plus method;
- d. Profit split method;
- e. Transactional net margin method; and
- f. Such other method as may be prescribed by the Board

(ii) Further, Rule 10AB of the Income Tax Rules provides for the purposes of clause (f) of sub-section (1) of section 92C, the other method for determination of the arm's length price in relation to an international transaction or a specified domestic transaction shall be any method which takes into account the price which has been charged or paid, or would have been charged or paid for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.

SCHEDULE 1**NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL**

To

The Company Secretary/Compliance Officer

Dear Sir,

A. I, _____ son/daughter/spouse of _____ resident of _____ holding _____ Shares (equity or preference) of Rs.10/- each (_____ percent of the paid-up Capital) in the Company in my name, being a _____ in the Company, hereby give notice that I am interested directly / through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals):

Sr. No.	Name of the Companies/Bodies Corporate/Firms/	Nature of Interest or concern/ Change in Interest or Concern	Shareholding	Date on which interest or concern

B. The following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions.

Sr. No.	Name of the Body Corporate

C. I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).

Sr. No	Name of Person	Relation

Signature:

Name:

Designation:

Place:

Date:

s