

## **POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. INTRODUCTION**

This policy is intended to ensure proper approval and reporting of transactions between the Company and any of its related parties. This policy shall apply to all transactions entered into by the company with its related parties as per the Companies Act, 2013 and all other applicable laws. Further as per Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [hereinafter referred to as ["SEBI LODR"]] as amended from time to time. The policy sets forth the nature of related party transactions, approvals and disclosure requirements.

### **2. APPLICABILITY**

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

Transactions covered by this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as "Related Party Transaction".

### **3. DEFINITIONS**

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted in accordance with the provisions of SEBI LODR and Companies Act, 2013 to discharge its functions as the Audit Committee.

**"Board"** means Collective body of the directors of the Company.

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and in accordance with Companies Act, 2013.

**"Effective date"** means the date in which the Board approves the policy.

**"Key Managerial Personnel"** means key managerial personnel as defined under the Companies Act, 2013 and applicable Accounting Standards, as the case may be, and includes:

- (i) Managing Director, or Chief Executive Officer or Manager;
- (ii) Whole-time Director;

- (iii) Company Secretary;
- (iv) Chief Financial Officer; and
- (v) Such other officer as may be prescribed

**“Material Related Party Transaction”** means a transaction with a related party shall be considered 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.

However, in case of 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 Company as per the last audited financial statements of the Company.

**“Policy”** means this Related Party Transaction Policy.

**“Related Party”** means related party as defined under sub- section (76) of Section 2 of the Companies Act 2013 or under the applicable accounting standards and as per “SEBI LODR”.

**“Related Party Transaction”** 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 and includes:

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

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

**“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; or
- (iii) Father (including step-father)
- (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)

## 4. POLICY

### 4.1 Identification of Related Party Transactions

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company’s Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the Related Parties.

### 4.2 Review and approvals of Related Party Transactions

#### a) Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee, whether at a meeting or by resolution by circulation or any other manner as

provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards.

Provided that the transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in Listing Regulations and Companies Act, 2013 and Rules made thereunder, as amended from time to time.

a. 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;

Where the need for Related Party Transaction 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 per transaction.

Audit Committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its approval, the approval of the Audit Committee can be granted by way of a circular resolution.

The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

## **b) Board and the Shareholders**

The Board shall approve such Related Party Transactions as are required to be approved under Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

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

- 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;
- Transactions which are in the ordinary course of business and at arm's length basis, does not requires Board approval.
- Material Related Party Transactions as well as Related Party Transactions requiring shareholders' approval under Section 188 of the Companies Act, 2013 and Rules made thereunder, which are intended to be placed before the shareholders for approval.

Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered.

Further, all such Related Party Transactions exceeding the threshold limits prescribed in the Act shall also require prior approval of shareholders of the Company and Related Party/ies shall abstain from voting on such resolution.

In Compliance with Listing Regulations, all the material Related Party Transactions shall require approval of shareholders and the Related Party/ies shall abstain from voting on such resolution.

Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require approval of the shareholders.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

### **4.3 Related Party Transactions not previously approved**

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. 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 it deems appropriate.

Where any contract or arrangement is entered into by a director or any other employee of the Company with a Related Party, without obtaining the consent of the Board or approval by a resolution in the general meeting, where required and if it is not 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 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.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession 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.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.

## 5. VOTING

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the related party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

- If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter.
- Members who are related parties in the context of the related party contract or arrangement for which ordinary resolution is to be passed shall not vote to approve on ordinary resolution and only disinterested shareholder.

## 6. RELATED PARTY TRANSACTIONS SHOULD BE AT ARM'S LENGTH PRICE

- All related party transactions should be adequately supported by Contracts or purchase orders/ work order or sales order and documentations to justify Arm's Length Price.
- If Arm's Length Price cannot be justified for any transaction, then, only after the approval from the Audit Committee, approval should be taken from Board and / or shareholders, if applicable.

## 7. REPORTING AND DISCLOSURE OF RELATED PARTY TRANSACTIONS

- Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013.
- The Company shall disclose to the Stock Exchange along with the compliance report on corporate governance on a quarterly basis details of all material transactions with related parties.
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and disclose the weblink where such policy is available in the Annual Report.
- This Policy will be communicated to all operational employees and other concerned personnel of the Company.
- 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.

## 8. POLICY REVIEW AND AMENDMENTS

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and Listing Regulations and must be approved in the manner as may be decided by the Board of Directors.

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