



DIVGI TORQTRANSFER SYSTEMS LIMITED

MATERIALITY OF RELATED PARTY TRANSACTIONS POLICY

Document Control

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Document Record Sheet

Sr. No.	Revision No.	Date	Description of changes
1.	First	August 09,2023	Insertion of definition of "Senior Management Personnel pursuant to amendment by SEBI and approval by Board of the same in it's meeting held on August 09, 2023.

1. Preamble

- 1.1. Divgi TorqTransfer Systems Limited ("**Company**") is committed to uphold the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflict of interest of the directors, senior management personnel, and shareholders etc. with the interest of the Company.
- 1.2. The board of directors of the Company ("**Board of Directors**" or "**Board**") adopts the following policy and procedures ("**Policy**") with regard to Related Party Transactions ("**RPT**") as defined below, in compliance with the requirements of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended from time to time ("**SEBI Listing Regulations**"), and such other regulatory provisions, as may be applicable in order to ensure timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties (*as defined below*).

2. Objective

- 2.1. In terms of Regulation 23 (1) of the SEBI Listing Regulations, the Company shall formulate a policy on the materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors and such policy shall be reviewed by the Board of Directors at least once every 3 years and updated accordingly.
- 2.2. 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, Regulation 23 of the SEBI Listing Regulations and other laws and regulations as may be applicable to the Company.
- 2.3. This Policy is intended to ensure systematic identification, approval and/or reporting of transactions, as applicable, between the Company and any of its Related Party in the best interest of the Company and its stakeholders. Provisions of this Policy are designed to govern the transparency in the identification and approval process as well as disclosure requirements to ensure fairness in the conduct of Related Party Transactions, in terms of the applicable laws. This Policy shall supplement other policies of the Company that may be in force for identification, approval and / or reporting of transactions with related persons.
- 2.4. The audit committee of the Company, shall review, approve, and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions. The Board of Directors reserve the power to review and amend this Policy from time to time. Any exceptions to the Policy on Related Party Transactions shall be consistent with the SEBI Listing Regulations and shall be approved in the manner as may be decided by the Board of Directors.

3. Transactions Covered by this Policy

- 3.1. The transactions covered by this policy include any contract or arrangement with a related Party with respect to transactions defined hereunder as "Related Party Transactions".
- 3.2. Provided further that any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm's length basis, shall be periodically reported to the Audit Committee.
- 3.3. The provisions of this regulation shall be applicable to all prospective transactions.
- 3.4. All existing material related party transactions entered into prior to the date of adoption of this policy and which may continue after the adoption of this policy will be approved/reported in accordance with this policy upon this policy being effective.

4. Definitions

- 4.1. "Act" means the Companies Act, 2013, to the extent notified and the Companies Act, 1956, to the extent in force and rules made there under as amended from time to time.
- 4.2. "Associate Company", in relation to another company, means a company in which the Company has a significant influence, but which is not a subsidiary company of the Company having such influence and includes the joint venture companies of the Company if any.

Explanation: "Significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement. "Total voting power", in relation to any matter, means the total number of votes which may be cast in regard to that matter on a poll at a meeting of the Company if all the members thereof *or their proxies* having a right to vote on that matter are present at the meeting and cast their votes.

- 4.3. "Audit Committee" means a committee of the board of directors of the Company constituted under provisions of the Act and SEBI Listing Regulations.
- 4.4. "Key Managerial Personnel" means key managerial personnel as defined in subsection (51) of section 2 of the Companies Act, 2013.
- 4.5. "Material Related Party Transactions" means a transaction with a Related Party, if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10 % (Ten per cent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 4.6. Further, 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 5% (Five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. "Ordinary Course of Business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per the provisions of the Memorandum and Articles of Association. The Board and Audit Committee may lay down the principles for determining the ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

- 4.7. **Related Party** - Related Party means a Related Party as defined under:
- (i) Section 2 (76) of the Companies Act, 2013; or
- 4.8. Regulation 2 (1) (zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. "**Relatives**" - with reference to Director or Key Managerial Personnel of the company, means anyone who is related to another, as defined under Section 2(76) of the Act.
- 4.9. "**Related Party Transaction**" shall have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following :
- 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. 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

- 4.10. **“Senior Management Personnel”** shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.
- 4.11. The Related Party Transaction means transactions/contracts /arrangements which falls within the purview of:
- 4.12. Regulation 2 (1) (zc) of the SEBI Listing Regulations; Or **“Transactions on arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail.

5. Materiality Thresholds

Regulation 23 of the SEBI Listing regulations require a company to provide materiality thresholds beyond which approval of the shareholders through resolution will be required and the related parties shall not vote to approve the resolution of Material Related Party Transaction irrespective of whether the entity is related to the particular transaction or not. The Company has fixed the materiality threshold at 10 % (ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

6. Pre-requisites for ascertaining related party

The following details shall be required:

- (i) Declaration/disclosure of interest by all the Directors and Key Managerial Personnel in form MBP-1.
- (ii) Declaration of relatives by all Directors and Key Managerial Personnel.
- (iii) Declaration of direct or indirect, concern or interest in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—
 - (a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or
 - (b) with a firm or other entity in which, such director is a partner, owner, or member, as the case may be,

- (iv) List of persons or entities belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company.

Any change in the declarations as regards any additions/ deletions shall be intimated by the Directors and Key Managerial Personnel by way of a fresh declaration to the Company within 7 days of such change. All such declarations about the change received by the Company shall be placed before the Board at the first subsequent meeting held after the receipt.

The validity of the above declaration would be only and up to the date of the first Audit Committee/Board meeting of the following financial year and a fresh declaration is required to be given in the manner as mentioned above for each financial year.

- (v) Any company which is—
- a) a holding, a subsidiary or an Associate Company of the Company; or
 - b) a subsidiary of a holding company to which it is also a subsidiary;
 - c) an investing company or the 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.

- (vi) Declaration by a director other than Independent Director or key managerial personnel of the holding company or his relative with reference to the Company.

7. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

7.1 Identification of Related Parties :

The Company has formulated detailed guidelines, which are stated in this policy, for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and Regulation 2(1)(zb) of the SEBI Listing Regulations, 2015.

7.2 Identification of Related Party Transactions :

The Company has formulated guidelines for the identification of related party transactions in accordance with the provisions of Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations, 2015, which are stated in this policy. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the company will seek expert opinion, if necessary.

7.3 PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

7.3.1 : Approval of the Audit Committee

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

- a) The Audit Committee shall, after obtaining approval from the Board of Directors, specify the criteria for granting omnibus approval in line with the policy and such approval which shall include the following namely:
 - i) Maximum value of the transaction, in aggregate, which can be allowed under omnibus route in a year;
 - ii) The Maximum value per transaction which can be allowed;
 - iii) Extents and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - iv) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each omnibus approval made;
 - v) Transactions which cannot be subject to the omnibus approval by the Audit Committee
- b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely ;-
 - i) Repetitiveness of the transactions (in past or in future)
 - ii) Justification for the need of omnibus approval
- c) The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;

The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, the maximum aggregated value of the particular value and the particular type of transaction that can be entered into, (ii) basis of arriving at the indicative base price/current contracted price and 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 related party transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction.

- a. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
 - b. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
 - c. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
 - d. Any other conditions as the Audit Committee may deem fit.
- B. In compliance with the approval of the Board of Directors, the Audit Committee of the Company, the Company has specified the following criteria for granting omnibus approval:
- a. The maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year will be 25% of the annual consolidated turnover of the company as per last its audited financial statements.
 - b. The maximum value per transaction which can be approved under the omnibus route will be the same as per the materiality threshold as defined in Clause 5 of the Policy.
 - c. 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:
 - i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered/availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 - ii. Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - iii. Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
 - iv. Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - 2. third party comparable, valuation reports, price publications including stock

- exchange and commodity market quotations;
 - 3. management assessment of pricing terms and business justification for the proposed transaction;
 - 4. comparative analysis, if any, of other such transaction entered into by the company
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given
- e. Transaction of the following nature will not be subject to the omnibus approval of the Audit Committee:
 1. Transactions that are not at arm's length or not in the ordinary course of business
 2. Transactions that are not repetitive in nature
 3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy
 4. Transactions in respect of selling or disposing of the undertaking of the company
 5. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

7.3.2 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 or not at arm's length basis, shall be placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties shall 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 as per Audit Committee requires Board approval
- 7.3.3 Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the shareholders for approval

8. Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, be placed before the shareholders for approval.

For this purpose, all persons and 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 at Arm's Length or not in the ordinary course of business; 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.

However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

9. DISCLOSURES

The Company shall disclose, pursuant to section 134 (3) (h), in the Board's report, the particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 in the prescribed form along with the justification for entering into such transaction, where applicable.

Further, the Company shall also disclose in its Board's report/Annual Report, such transactions with related parties or make such Related Party Disclosures as prescribed pursuant to the SEBI Listing Regulations,

In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

10. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

11. Identification of potential Related Party Transactions

a) The concerned functional / departmental head shall arrange to nominate a nodal officer at the respective department (preferably a person having knowledge of the company law and accounting standards). Each director / key managerial personnel are responsible for providing written notice to the concerned nodal officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the nodal officer may reasonably request. The nodal officer, shall, in consultation with other members of management and with the Audit Committee, as appropriate, ascertain whether any transaction in the concerned department would be covered under the definition of Related Party Transactions and report the said transaction to the appropriate authorised person or CFO. After obtaining the report of the authorised person or CFO, approval of the Audit Committee shall be obtained for the said transaction. Thereafter, the proposed Related Party Transaction shall be placed before the Board for its consideration.

b) Every Director/Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board / Audit committee in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.

c) Where any Director/Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

d) 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.

e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the nodal officer has adequate time to obtain and review information about the proposed transaction and other matters incidental thereto and to refer it to the appropriate authority for approval.

f) Any Director/Key Managerial Personnel who has been convicted of the offence

dealing with Related Party Transactions at any time during the last preceding 5 years shall be disqualified for appointment as Director/Key Managerial Personnel, as the case may be.

12. Road map to track Related Party Transactions

For prospective / potential Related Party Transaction, it is essential to identify the transaction at proposal / purchase requisition / contract stage, at the department level. As such, there is a requirement of amendment in the vendor master and customer master by material management where one mandatory field of related party identifier (trading partner) shall pop-up and compulsorily be released by such designated nodal officer - before creation / amendment of any vendor master / customer. Similarly all the finance executives at the departments need to ensure that any transaction with related party whether on arm's length basis or otherwise is booked properly through such vendor master / customer so that SAP can capture all the related party transactions to generate the categorically report i.e. transaction on arm's length basis / other than arm's length basis, by central accounts with the support of the nodal officers at the concerned locations for reporting / seeking approval of Audit Committee / Board in time as per this Policy.

13. Ascertainment of a transaction on arm's length basis

a) The indenter or the initiator of the proposed transaction which is covered under Related Party Transactions shall examine the documents / information with regard to the transaction before forming an opinion / arriving at a conclusion that the concerned transaction is on arm length basis. In particular, any or all of the following may be examined:

- (i) Whether the purported transaction between two related parties pursuant to an agreement / memorandum of understanding is in accordance with the directives / approval of the Government.
- (ii) Whether the terms of the transaction is in the ordinary course of business
- (iii) How the consideration price has been arrived.
- (iv) Is it comparable with internal and external industry benchmarks.
- (v) Any other relevant documents / information which supports the contention that the transaction is on arm's length basis.

b) Rules applying to transactions with Related Parties which are in the ordinary course of business on arm's length basis.

c) Transactions with Related Parties which are in the ordinary course of business of the Company and on arm's length basis shall be periodically reported to the Audit

Committee.

d) The nodal officer shall ensure that details of such transactions which he considers to be in ordinary course of business of the Company and on arm's length basis are brought to the notice of functional / departmental head and thereafter shall be notified to CFO, who shall designate an officer to collate the data.

e) The data so collated shall be submitted to the Company Secretary for placing before the next meeting of the Audit Committee. Transactions being entered into with the Related Parties even though being in the ordinary course of business of the Company shall satisfy the criteria of arm's length pricing. It shall be the responsibility of the nodal officer at the department level etc. to ensure that requisite evidence and documentation are made available to the auditors / Audit Committee, as may be required by them, to demonstrate that the transactions are in ordinary course of business of the Company and have been conducted on arm's length basis.

f) Board of Directors to take note of such Related Party Transactions.

g) Prior approval of shareholders by way of resolution if such Related Party Transactions are "Material Related Party Transactions" as defined above.

14. Review and approval of Related Party Transactions

a) All Related Party Transactions must be reported / referred to the Audit Committee for its prior approval / ratification, accompanied with management's justification for the same. Before approving such transactions, the Audit Committee will look into the interest of the Company and its stakeholders in carrying out the transactions and the benefits of the same. The Audit Committee may, thereupon, approve, reject or approve subject to modifications such transactions, in accordance with this Policy and / or recommend the same to the Board for approval.

b) All transactions which are either not on arm's length basis and / or not in ordinary course of business must be reported / referred to the Board through Audit Committee for its approval / ratification, and in case Material Related Party Transactions prior approval of the shareholders by way of a resolution accompanied with management's justification for the same.

c) The Audit Committee / Board shall ensure that the transaction is in the interest of the Company and its shareholders before approving the relevant Related Party Transactions, which are not in the ordinary course of business or not on arm's length basis. .

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.

15. Standards for review

The Audit Committee while approving and the Board while approving a Related Party Transaction shall review and consider the following, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the approximate amount involved in the Related Party Transaction;
- (c) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (d) whether the transaction with the Related Party is proposed to be, or was, entered on at arm's length basis;
- (e) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (f) whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (g) whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction;
- (h) whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee director;
- (i) whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought for and whether subsequent ratification would be detrimental to the Company;
- (j) whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / the Board deems relevant and appropriate;
- (k) required statutory and public disclosure, if any; and

- (l) any other information regarding the Related Party Transaction 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.

16. The agenda of the Board meeting at which the resolution is proposed to be considered 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.

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Companies Act, 2013 shall contain the following particulars namely:

- (a) name of the related party;
- (b) name of the director or key managerial personnel who is related, if any;
- (c) nature of relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) any other information relevant or important for the members to take a decision on the proposed resolution.

17. Related Party Transactions not previously approved

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 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 shall take any such action it deems appropriate.

b) 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 Audit Committee / 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 Audit Committee / Board / shareholders at a meeting within a 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.

c) In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has commenced without approval, the Audit Committee, as appropriate, 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 Audit Committee has authority to modify or waive any procedural requirements of this Policy.

d) 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.

18. Amendment

This Policy shall stand amended in terms of the Act including the Companies (Meetings of Board and its Powers) Rules, 2014, and SEBI Listing Regulations. In the event of any conflict between this Policy and the applicable law, the applicable law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review, and amend this Policy from time to time. Any amendment to this Policy will be in writing.

19. Exemptions

General

18.1 Subject to approval of the Audit Committee, approval of the Board is not required in case of any contract or arrangement:

- (i) in the ordinary course of its business, and
- (ii) at arm's length price basis between the Company and;
 - (a) any other firm in which Director or Key Managerial Personnel or their relatives are partner;
 - (b) service availed in a professional capacity from body corporate / person;
 - (c) contract with a private or public company in which relative of a director or Key Managerial Personnel is a director/member.

Specific

18.2 The following transactions with the related parties shall be treated as transaction on arm's length basis provided:

- (i) Sale of the Company's finished product / services / others including scrap sale at rates or charges involved are determined by competitive bids / fixed by government.
- (ii) Where purchase of product / availing of services at rates or charges are determined by competitive bids.
- (iii) Lease rent receipt / payment at market rate / municipal / local body board standard rate or fixed by any other government authority.
- (iv) Subject to the applicable laws, approval of the audit committee would not be required for the Related Party Transactions entered into by the Company with its wholly owned subsidiaries, whose accounts are consolidated with the Company and place before the shareholders at the general meeting for approval.

20. Registers & disclosures

20.1. The Company secretary of the Company (the "**Company Secretary**") shall maintain a register, either physically or electronically, as prescribed in the Act, giving details of all contracts or arrangements to which this policy applies.

20.2. Every director or Key Managerial Personnel shall, within a period of 30 days of his appointment, or relinquishment of his office in other companies, as the case may be,

disclose to the Company the particulars relating to his / her concern or interest in the other associations which are required to be included in the register maintained.

20.3. The Company Secretary shall provide extracts from such register to a member of the Company on his request, within 7 days from the date on which such request is made upon the payment of such fee as may be specified in accordance with the relevant rules.

20.4. The register to be kept under this section shall also be produced at the commencement of every annual general meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

20.5. Purchase / sale of material, goods etc.

- (i) Copy of agreements / purchase orders / correspondence exchanged / letters of exchange / bills / invoices etc.
- (ii) Invoices / bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (iii) Quotation from un- related service provider.

20.6. Purchase / sale of property

- (i) Valuation reports from independent valuers to ascertain fair market value.
- (ii) Quotations from independent property dealers / brokers.
- (iii) Draft copy of agreement to sell / draft of proposed sale deed.
- (iv) Brief terms and conditions and justification of such transaction.

20.7. Availing / rendering services

- (i) Copy of agreement / memorandum of understanding / correspondence etc.
- (ii) Supporting documents justifying the transaction on arm's length basis.

20.8. Loans / advances given or taken

- (i) Compliance of sections 185, 186 and other applicable provisions of the Act and rules there under;
- (ii) Agreements;
- (iii) Statutory approvals wherever required; and

- (iv) Rate of interest and justification for the same in view of nearest prevailing government security rate for the term of the loans / advances (wherever applicable).

20.9. Guarantee / securities

- (i) Compliance of sections 185, 186 and other applicable provisions of the Act and rules there under;
- (ii) Agreements; and
- (iii) Other documents justifying the same.

20.10. Subscription to shares / debentures / securities

- (i) Valuation report or documents justifying that subscription is done / received at a rate on which placement has been made / shall be made to an un-related party.

20.11. Rent agreement

- (i) Copy of draft agreement.
- (ii) Quotation from a property dealer / advisor in the area in which the property is located or a nearby area.
- (iii) If quoted prices are substantially lower / higher than existing, to seek second quotation.

20.12. Other transactions

Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

21. Disclosures and reporting

- a) Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and board meeting. The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, if any.
- b) Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.
- c) The Company shall disclose the contract or arrangements entered into with the Related Party in the board report to the shareholders along with the justification for entering into such contract or arrangement.

d) The Company shall disclose this policy relating to Related Party Transactions on its website and also in the annual report.

e) This policy will be communicated to all operational employees and other concerned persons of the Company.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.