

## SOP/POLICY ON RELATED PARTY TRANSACTIONS POLICY

<b>Reviewing Authority</b>	Audit Committee
<b>Approving Authority</b>	Board of Directors
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## **POLICY/SOP ON RELATED PARTY TRANSACTIONS**

### **Preamble**

The Board of Directors of the Company (“Board”), acting upon the recommendation of its Audit Committee of Directors (“Committee”), has approved the following policy and procedures for reviewing, approving and ratifying Related Party transactions and in providing disclosures with respect to the related party transactions, as required under the Companies Act, 2013, SEBI Regulation, Listing Obligation and Disclosure Requirements and Accounting standards as amended from time to time and other applicable provisions, rules and regulations made there under in order to ensure the transparency and substantive and procedural fairness of such transactions.

### **Objective**

This policy is framed in accordance with SEBI (Listing Obligations and Disclosure Requirements) regulations 2015 (“SEBI LODR”) and as prescribed under the Companies Act 2013 to ensure proper approval and reporting of transactions between the Company and its Related Parties. The provision of Companies Act, 2013 also requires approval of Audit committee/Board/Shareholders, for various Related Party Transactions. The Company is required to disclose in its Annual Financial Statements and Directors Report, certain transactions between the Company and Related Parties as well as policies relation thereto.

### **Applicability**

This policy shall come into force with effect from 01<sup>st</sup> April 2014 and shall be applicable to transactions made with:

- a) Board of Directors & their Relatives;
- b) Key Managerial Personnel (KMP) of the Company & their Relatives; and
- c) Related Parties, as defined hereinafter.

### **Definitions**

“**Arm’s Length Transaction**” means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest

“**Audit Committee/Committee**” means committee of Board of Directors of the Company constituted under the provision of SEBI LODR and Companies Act, 2013.

“**Board**” means Board of Directors of the Company.

**“Control”** means control as defined in Section 2(27) of Companies Act, 2013 and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Key Managerial Personnel”** shall have personnel as defined in Section 2(51) of the Companies Act, 2013

**Chief Executive Officer** under section 2(18) means an officer of a company, who has been designated as such by it.

**Chief Financial Officer** under section 2 (19) means a person appointed as Chief Financial Officer of the company

**Managing Director** under section 2(54) means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called

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

**“Office or place of profit”** under Section 188 means any office or place—

- i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**“Material Related Party Transactions” included** a transaction / transactions 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% of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

Provided that, 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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

### **Associate Company**

As per Section 2 (6) of the Act, “Associate Company” means a company in which that other Company has a significant influence, but which is not a subsidiary company of the company and includes a joint venture company.

*Explanation-* “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

### **Subsidiary:**

As per Section 2 (87) of the Act subsidiary company or subsidiary, 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 share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

**Explanation: -** For the purposes of this clause:

- 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) 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;
- d) “layer” in relation to a holding company means its subsidiary or subsidiaries;

**Section 2(76) of the Companies Act, 2013**, as referred above, defines **Related Party** as –

- 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 a partner;
- iv. A private company in which a director or manager is a member or director;
- v. A public company in which a director or manager is a director and holds with his relative more than two percent. 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 director or manager; [Except advice, directions or instructions given in a professional capacity



- vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act; [Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;]
- viii. Any company which is holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary or such other person as may be prescribed.
- ix. A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a company

**“Relative”** as per section 2(77) of the Companies Act, 2013, with reference to any person shall be deemed to be relative of another, if or she is related to another in a following manner, namely:-

- i. Father, includes step-father.
- ii. Mother, includes step-mother.
- iii. Son, includes step-son
- iv. Son's wife.
- v. Daughter.
- vi. Daughter's husband.
- vii. Brother, includes step-brother.
- viii. Sister, includes step-sister.
- ix. Are members of a Hindu Undivided Family.
- x. They are Husband or wife.

**“Related Party Transactions”** as defined under LODR means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and a transaction with a related party shall be constructed to include single transaction or a group of transactions in a contract.”

### **Type of Transactions covered**

**Under Section 188 of Companies Act, 2013**, pertaining to the contracts or arrangements that can be entered into with related party are as follows:

- a) Sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) Leasing of property of any kind;
- d) Availing or rendering of any services;
- e) Appointment of any agent for purchase or sale of goods, materials, services or property;
- f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) Underwriting the subscription of any securities or derivatives thereof, of the Company.

Transactions that, require previous approval of the Shareholders of the company by special resolution, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/arrangements as follows:

- i. a company having a paid-up share capital of ten crore rupees or more shall not enter into a contract or arrangement with any related party; or
- ii. a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into—
  - a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below-
    - i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding twenty five percent of the annual turnover, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
    - ii. Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten percent of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
    - iii. Leasing of property of any kind exceeding ten percent of the net worth or exceeding ten percent of turnover, as mentioned in clause (c) of sub-section (1) of section 188 of Companies Act, 2013;
    - iv. Availing or rendering of any services directly or through appointment of agent, exceeding ten percent of networth as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of Companies Act, 2013;
  - b) Appointment to any office or place of profit in the Company, its subsidiary or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub section (1) of section 188; or
  - c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

**Following details shall be required for ascertaining Related Party:**

1. Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager or his relative is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/ KMPs' and their relatives.



8. Details of 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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:  
Provided that nothing in point no.8& 9 shall apply to the advice, directions or instructions given in a professional capacity.
10. Details of any Company 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.
  - c) If 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)
  - d) If both entities are joint ventures of the same third party
  - e) If One entity is a joint venture of a third entity and other entity is an associate of the third entity
  - f) If 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

### **Process for ascertaining related party**

All related party transactions shall require prior approval of the audit committee

The transaction proposed to be entered with Related Party to be based on the below mentioned four criteria:

- Audit Committee.
- Board Members.
- Stakeholders.
- Ordinary Course.
- Not Ordinary Course.
- Arms' Length.
- Not Arms' Length.

Finance Department to prepare the list of Related Parties on the basis of aforesaid information. Internal auditors/ Statutory Auditor to verify the process of ascertaining the Related Parties and their correct recording /listing in register of Contracts/arrangement etc. as per the Section 189 of the Companies Act, 2013 and Rules thereof as well as their classification regarding whether they are on arm's length basis.

### **Circulating of above list of related parties**

The aforesaid list shall be circulated to MD /CEO's/ COO's/ED/CFO/Business Heads/ Department Heads/ Branch Heads, Finance & Accounts Department, Statutory Auditor and Internal Auditor.

### **Procedure of seeking approval**

Functional departmental heads shall submit to the CFO and Company Secretary, the details of the proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are on arms' length/not arm's length basis in an ordinary/not ordinary course of business. After all the facts are received, the decision lies with MD and CFO to decide on the urgency of the business and communicate as to holding the Audit Committee for necessary prior approval and convey back the decision to the originator and after all the procedures are completed, transaction can be commenced.

### **Approval of transactions**

#### **(A) Approval of transactions through Audit Committee**

#### **Prior approval of Audit Committee for all Related Party Transactions -**

The agenda of the Audit Committee at which the item is proposed to be moved 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 i.e. indicative base price/ current contracted price and formula for variation in the price 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. Rebates or discount provided
- h. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- i. statement of transactions as per the contracts/arrangements.

The CFO should certify whether the contracts/transactions are at arm's length. Similarly, the internal auditors and /or statutory auditors should examine the entire documentation and certify the same.

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.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely





- a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- c) the omnibus approval shall specify:
  - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
  - ii. the indicative base price / current contracted price and the formula for variation in the price if any; and
  - iii. such other conditions as the audit committee may deem fit:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions as they deemed fit.

- d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

#### **(B) Approval of the Board and the Shareholders**

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

- 1. 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 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;
  - b) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
  - c) 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. Or shall abstain from participating in the discussion.

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.

2. In Compliance with SEBI LODR, 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 Party 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.

The threshold limit approved by the Board of Directors, Audit Committee and shareholders in their respective meetings have approved the limit of Rs. 500 crore per financial year excluding taxes as applicable with effect from 01<sup>st</sup> April 2017 for the company's services rendered towards ocean freight, documentation charges etc. to its related party Avana Logistek Limited (formerly known as Shreyas Relay Systems Limited) in the ordinary course of business and at arm's length price.

#### **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 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.

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 rescission of the transaction. In

connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

### **Registers**

The Company shall keep and maintain a register giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty 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. from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

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.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary /Chief Financial Officer of the Company or any other person authorized by the Board for the purpose.

### **Records relating to Related Party/ Supporting documents**

#### **a) 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.

#### **b) Purchase/ sale of property**

- (i) Valuation reports from at least 2 independent valuers to ascertain Fair Market Value.
- (ii) Quotations from 2 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.

#### **c) 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.

#### **d) Availing/ Rendering Services**

- (i) Copy of Agreement/ MOU/ Correspondence etc.
- (ii) Supporting documents justifying the transaction on arms' length basis.

**e) Loans/ Advances given or Taken**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013
- (ii) Agreements
- (iii) Statutory approvals wherever required.
- (iv) Rate of Interest and justification for the same.

**f) 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.

**g) Guarantee/ Securities**

- (i) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.
- (ii) Agreements.
- (iii) Other documents justifying the same.

**c) Other transactions**

- (i) 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.

**Disclosures -**

1. Details of all material transactions with Related Parties shall be disclosed quarterly in Audit Committee meeting and the Board meeting
2. The Company shall disclose the contract or arrangements entered into with the Related Party in the Annual Report to the shareholders
3. The company shall disclose the policy on dealing with Related Party Transactions on its website.
4. As per section 134, there shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include, among others, particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form above.
5. As per section 186, the company shall disclose to the members in the financial statement the full particulars of the loans given, investment made or guarantee given or security provided and the purpose for which the loan or guarantee or security is proposed to be utilised by the recipient of the loan or guarantee or security. (includes loan to wholly owned subsidiaries)

6. Every contract or arrangement entered into under Section 188 sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
7. Any other disclosures as may be required from time to time under any law, rules and regulation for the time being in force.

Disclosures with respect to Related Party Transactions shall be made as per applicable provisions of the Act and/or LODR.

### **Reporting of Related Party Transactions**

Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement

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.

### **SOP/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 SEBI LODR and must be approved in the manner as may be decided by the Board of Directors. Any subsequent amendment / modification in SEBI LODR , Act and/or applicable laws in this regard shall automatically apply to this Policy

### **Consequences of Non-compliance:**

Any Director or Employee of the Company who enters into or authorises any contract or arrangement in violation of this Policy, the Companies Act, 2013, SEBI (LODR) Regulations, 2015 or any other applicable law or regulation may be subject to such disciplinary proceedings as the Board members may deem fit in addition to the penal consequences as prescribed by the law from time to time.

**THRESHOLD LIMITS BY COMPANY IN PURSUANT TO COMPANIES ACT PROVISIONS**

<i>Provisions</i>	<i>Ceiling on the Amount</i>	<i>Approval Required</i>		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm's length basis	Up to 10% of the Annual Consolidated turnover of the corporation	Yes	-	-
	In excess of the above limit	Yes	Yes	Yes (All related parties to abstain from voting)
<b><i>Transactions either not in the ordinary course of business or arm's length basis</i></b>				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.		Yes	Yes	Yes Exceeding 10% of the turnover or Rs. 100 crore, whichever is lower
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent		Yes	Yes	Yes Exceeding 10% of the net worth or Rs. 100 crore, whichever is lower
Leasing of property of any kind.		Yes	Yes	Yes Exceeding 10% of the turnover or



				10% of the net worth, or Rs. 100 crore whichever is lower
Availing or rendering of any services, directly or through appointment of agent		Yes	Yes	Yes Exceeding 10% of the turnover or Rs. 50 crore, whichever is lower
Appointment of any related party to any office or place of profit in the Corporation, its subsidiary company or associate company.		Yes	Yes	Yes Monthly remuneration exceeding two and half lakh rupees
Underwriting the subscription of any securities or derivatives thereof, of the Corporation		Yes	Yes	Yes Remuneration exceeding 1% of net worth
<b>* Note: In case of shareholders' approval for such transactions, related parties that are parties to the contract shall abstain from voting.</b>				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services		Yes	For Transactions that are not on arm's length basis.	Exceeding 10% of the annual consolidated turnover of the Corporation Note: All related parties to abstain from voting