

AUSOM ENTERPRISE LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

Version adopted by: The Board of Directors of Ausom Enterprise Limited

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INTRODUCTION:

This Policy shall be called 'Policy on Related Party Transactions and dealing with Related Parties'.

POLICY OBJECTIVE:

This Policy is framed in accordance with the requirement of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amended from time to time and is intended to ensure governance and reporting of transactions between the Company and its Related Parties. To update the Policy in line with SEBI (Listing Obligations and Disclosure Requirements) Amendment Regulations, 2018, the said Policy is hereby revised.

DEFINITIONS:

- a. "Related Party Transaction" means transaction in the nature of contract involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged or not under the relevant provisions of the Companies Act, 2013 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other related law or regulation etc.

As per Section 188 of the Companies Act, 2013, Related party Transactions are:

- (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;

As per Regulations 2(zc) readwith Regulations 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and its amendment from time to time,

“related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- (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;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.

- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

- b. **“Related Party”** means an entity under Section 2 (76) of the Companies Act, 2013 and as per Accounting Standards.

(A) Related Party as per Section 2 (76) of the Companies Act, 2013 is as under:

- 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 or holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. anybody 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, 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—

- (i) a holding, subsidiary or an associate company of such company; or
- (ii) a subsidiary of a holding company to which it is also a subsidiary;

(B) Related Party as per Indian Accounting Standard 24 is as under:

- i. Enterprises that directly or indirectly control (through subsidiaries) or are controlled by or are under Common control with the reporting enterprise;
- ii. Associates, Joint Ventures of the reporting entity, investing party or venturer in respect of which reporting enterprise is an associate or a joint venture;
- iii. Individuals owning voting power giving control or significant influence;
- iv. Key Management Personnel and their relatives; and
- v. Enterprises over which any of the persons in (iii) or (iv) are able to exercise significant influence.

(C) Related Party as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

Related party as per Regulation 2(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

“related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

“Provided that:

- a. any person or entity forming a part of the promoter or promoter group of the listed entity; or
- b. any person or any entity, holding equity shares:
 - i. of twenty per cent or more; or
 - ii. of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);
- c. “Relative” as per Section 2 (77) of the Companies Act, 2013 means with reference to any person, means anyone who is related to another, if
 - i. they are members of a Hindu Undivided Family;
 - ii. they are husband and wife; or
 - iii. one person is related to the other in such manner as may be prescribed, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

- d. **“Material Related Party Transaction”** means a transaction with a Related Party where the transaction / transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds Rs. 1,000 Crores (Rupees One Thousand Crore) or 10% (Ten percent) of the Consolidated Annual turnover of the Company as per the last audited Financial Statement of the Company, whichever is lower.
- e. **“Material Modification”** means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee.
- f. **“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.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

The Policy is intended to:

- i) Identify all transactions which fall within the ambit of Related Party Transactions as per the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Companies Act, 2013 and Rules made thereunder;
- ii) Provide necessary disclosures / declaration of Interest from each Director and Key Managerial Personnel to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.
- iii) The Board to record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

The information provided shall specifically cover the following:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of the directors / KMP;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vi. Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

The Audit Committee may grant Omnibus Approval for the Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i. Audit Committee shall satisfy itself the need for such Omnibus approval and that such approval is in the interest of the Company.
- ii. Such omnibus approval shall specify
 - (a) The name (s) of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (b) The indicative base price / current contracted price and the formula for variation in the price if any, and
 - (c) 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 subject to their value not exceeding Rs.1 crore per transaction.

- iii. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the Omnibus approval given.

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

The Related Party Transactions shall not include the following transactions:

- i. transactions entered into between two government Companies;
- ii. transactions entered into between a Holding Company and its Wholly-owned Subsidiary whose accounts are consolidated with such holding company and placed before the Shareholders at the General Meeting for approval.
- iii. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

All the Material Related Party Transactions and subsequent material modification shall require approval of the shareholders through resolution and no Related Parties shall vote to approve the relevant transaction of such resolution whether the entity is a related party to the particular transaction or not.

All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through ordinary resolution and no related party shall vote to approve the relevant transaction on such resolutions whether the entity is a related party to the particular transaction or not.

DECISION REGARDING TRANSACTIONS ARE IN ORDINARY COURSE OF BUSINESS AND ARE AT ARM'S LENGTH BASIS:

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

MATERIALITY THRESHOLDS FOR RPTs:

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover of the Company	All transactions with one party exceeding Rupees 1000 Crore or 10% of the annual consolidated turnover, whichever is lower.
Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% or more Net worth of the Company	
Leasing of any kind of property	Exceeding 10% or more of the turnover of the Company.	
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% or more of Turnover of the Company	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding ₹ 250,000	
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	
Transfer of resources (e.g. loans and advances, interest thereon, guarantees)	---	

Brand Usage:

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.

Net worth and turnover would be as per Audited accounts of preceding financial year.

The Company has defined Material RPTs basis the thresholds defined in the Companies Act 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a 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 failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. 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.

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

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.ausom.in.

This policy is approved by the Board of Directors on 3rd February, 2022.
