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# RELATED PARTY TRANSACTION POLICY

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## 1. Background

The Clause 49 of the erstwhile Securities Exchange Board of India (SEBI) Listing Agreement provided that company shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions. Subsequently, SEBI repealed the Listing Agreement and replaced it with SEBI (Listing Obligations and Disclosure Requirements)[LODR] Regulations, 2015. SEBI further amended the SEBI (LODR) 2015 vide Notification dated 9<sup>th</sup> November 2021. Regulation 23 of SEBI (LODR) Regulations, 2015 provides that all listed companies shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions.

Further Section 177 and 188 of the Companies Act, 2013 read with relevant rules also provides for certain compliance requirements such as Audit Committee approval, Board approval and Shareholder's approval. (Listed in Part 4 of the Policy)

Keeping in view the above mentioned compliance requirements stated in Companies Act, 2013 read with related rules issued thereon and SEBI (LODR) Regulations, the Board of Directors (the "Board") of Advance Multitech Limited (the "Company" or "AML"), acting upon the recommendations of the Audit Committee of the Company, has approved and adopted the policy and procedure with regard to Related Parties and Related Party Transactions of the Company.

This policy is formulated primarily from the purview of Companies Act, 2013, Rules framed thereunder, SEBI (LODR) and also drawing relevant provisions from Ind Accounting Standards (Ind AS). This Policy shall supplement Company's other policies & practices/ delegation of authorities / manual of authorities etc. which require approval of the Contracts or Arrangement in specified manner and by specified authority.

## 2. Purpose

This Policy is intended to ensure proper review, effective approval mechanism and reporting of transactions between APL and its related parties as defined in the Policy. If there exists more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principle which would meet the higher governance standards.

## 3. Definitions

- a. "Arm's Length Transaction" as per the Explanation (b) to Section 188 (1) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- b. "Associate Company" means associate company as defined in Section 2(6) of the Companies Act, 2013. Accordingly, "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation— for the purposes of this clause, "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

- c. "Control" shall have the same meaning as defined in Section 2(27) of Companies Act, 2013.

Accordingly, control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in

concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

Further as per Para 7 of Ind AS 110, an investor controls an investee if and only if the investor has all the following:

- (i) Power over the investee;
  - (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
  - (iii) The ability to use its power over the investee to affect the amount of investor's returns.
- d. "High value debt listed entity" will constitute an entity that has listed its non-convertible debt securities.
- e. "Holding Company" means holding company as defined in Section 2(46) of the Companies Act, 2013. Accordingly, "holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies
- f. "Joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
- g. "Key Managerial Personnel" (KMP) means as defined in Section 2(51) of the Companies Act, 2013. Accordingly, "key managerial personnel", in relation to a company, means
- (i) The Chief Executive Officer or the Managing Director or the Manager;
  - (ii) The Company Secretary;
  - (iii) The Whole-time Director;
  - (iv) The Chief Financial Officer;
  - (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
  - (vi) Such other officer as may be prescribed;
- h. "Material Related Party Transaction" (Material RPT) as per SEBI (LODR) Regulations
- A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 Crore or 10% of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower.
- Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds
- 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.
- i. "Office or Place of Profit" as per the Explanation (a) to Section 188 (1) of the Companies Act, 2013 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;

- j. “Ordinary Course of Business” with reference to a transaction with a related party means a transaction which is:
- (i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“MOA”) of the Company as amended from time to time; (ii) Historical practice with a pattern of frequency;
  - (iii) Common commercial practice; or
  - (iv) Meets any other parameters/criteria as decided by the Board/Audit Committee from time to time.

Ordinary Course of Business includes but not limited to activities that are necessary, normal, and incidental to the business.

- k. “Policy” means this Related Party Transaction Policy, as amended from time-to-time.
- l. “Related Party” in relation to the company means a party related to the company in any of the ways as laid down in Section 2(76) of the Companies Act, 2013 or Regulation 2(1)(zb) of the SEBI (LODR), 2015 as amended from time to time and includes the following
- (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 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 under whose advice, directions or instructions a director or manager is accustomed to act:
  - (viii) any company which is –
    - a holding, subsidiary or an associate company of such company ;
    - a subsidiary of a holding company to which it is also a subsidiary ; or
    - an investing company or the venturer of the company
  - (ix) Such other person as may be prescribed.

In addition to the above, an entity will be considered as a related party if it satisfies the conditions laid down as per Ind AS 24

Provided that any person or entity forming a part of the promoter or promoter group of the listed entity or holding 20% or more [or 10% or more (w.e.f. 01/04/2023)] of shareholding 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.

- m. “Related Party Transactions” (RPT) means as per SEBI (LODR) Regulations, 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, (w.e.f April 1, 2023), regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include 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 buy-back of securities.

n. "Relative" means relative as defined in Section 2(77) of the Companies Act, 2013.

Accordingly, "relative", 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 ;
- (iii) one person is related to the other in such manner as may be prescribed

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 includes a person who shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

- (i) Father (including step-father)
- (ii) Mother ( including step-mother)
- (iii) Son ( including step-son)
- (iv) Son's wife
- (v) Daughter
- (vi) Daughter's husband
- (vii) Brother ( including step-brother)
- (viii) Sister (including step-sister)

o. "Subsequent material modifications" means any variation(s) on cumulative basis in the terms or value of original approved contract by Rs. 1 Crore or more than 20% of overall contract value, whichever is Higher.

Provided that change in the value of RPT on account of following shall not be considered as

## Material

### Modification:

- Change in the quantity or rate of the existing RPT due to the reasons beyond the control of the Related Parties for instance variation due to volatility in International crude/product prices or external factors resulting in fluctuating patterns of demand and supply levels for petroleum products
- Change due to revision / imposition of statutory levies like taxes, duties, etc.

p. “Subsidiary Company” means subsidiary company as defined in Section 2(87) of the Companies Act, 2013. Accordingly, “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 voting power 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.

q. “Specified Related Party Transactions” (Specified RPT), in accordance with Section 188 (1) (a) to (g) of the Companies Act, 2013, means a contract or arrangement with a related party with respect to:

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

#### 4. Approval Mechanism for entering into Related Party Transaction

All RPT and subsequent material modifications shall require prior approval/recommendation, as the case may be, of the Audit Committee. RPT shall be approved only by the members of the audit committee, who are independent directors.

Following is the approval mechanism for RPT;

- (a) The Audit Committee may grant prior omnibus approval for RPT proposed to be entered into by APL under section 177(4)(iv) of the Act read with rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014, and regulation 23(3) of the SEBI (LODR) Regulations provided it is satisfied that there is a need to grant such approval and such approval is in the interest of APL. It shall be taken for all transactions proposed to be undertaken during the next Financial Year, before the start of such Financial Year. Such approval may be granted by Audit Committee for the proposed transaction after considering the following criteria's of the transaction:
  - i) Repetitive in nature;
  - ii) Sufficient details shall be provided to the Audit Committee such as the
    - name/s of the related party,
    - nature of transaction
    - period of transaction
    - maximum amount of transaction that can be entered into

- the indicative base price / current contracted price and the formula for variation in the price if any and
- Such other conditions as the Audit Committee may deem fit.

- (b) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.
- (c) In case, need for RPT cannot be foreseen at the time of Omnibus Approval for the year and the aforesaid details are not available, Audit Committee may grant omnibus approval for any transaction(s), subject to their value not exceeding Rs. One Crore per transaction. Where the audit committee does not approve the transaction, it shall make its recommendation to the Board.
- (d) As per Sec 188 of Companies Act 2013, the contract or arrangement with respect to the specified transactions which are not on arm's length or in the ordinary course of business and are within the threshold limits as specified in the rules (reproduced below), shall be entered into with a related party only with the prior approval of the Board of directors.
- (e) All material RPT and subsequent material modifications thereof shall require prior approval  
from shareholders through a resolution. Further, prior approval of shareholders would be required for the specified RPT beyond the threshold limits as specified in the rules (reproduced below), if they are not in the ordinary course of business or are not on arm's length basis.

Contracts or arrangements with respect to	Threshold Limit
Sale, purchase or supply of any goods or materials directly or through appointment of agents*	≥ 10% of Turnover ^
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents *	≥10% of Net Worth ^
Leasing of property of any kind *	≥ 10% of Turnover ^
Availing or rendering of any services directly or through appointment of agents *	≥ 10% of Turnover ^
Such related party's appointment to any office or place of profit in the company.	monthly remuneration > Rs. 2.5 Lakh
remuneration for underwriting the subscription of any securities or derivatives thereof, of the company *	> 1% of Net Worth ^

\* The limits shall apply for these transaction(s) to be entered into either individually or taken together with the previous transactions during the financial year.

^ The turnover or Net Worth referred in above shall be computed on the basis of Audited

Financial Statements of the preceding financial year.

- (f) Any member of the corporation who as on the date of passing resolution is a related party shall not be allowed to vote on such resolution to approve any contract or arrangement which may be entered into by the corporation
- (g) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the Board Meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- (h) Where any contract or arrangement, which is considered as a related party transaction exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of the Board or the shareholders of APL, such transaction shall be 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 and in case such transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board or shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the Directors concerned shall indemnify APL against any loss incurred by it.

The summary of the approval mechanism under SEBI (LODR) Regulation and Companies Act 2013 is provided as under:

Details of Transaction	Approving Authority
All related party transactions (other than those mentioned below) and any subsequent material modifications to the contracts /	Audit Committee (including Omnibus Approval for a maximum period of one year)
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both	Recommendation by Audit Committee Approval by Board of Directors
Specified RPTs which are not in Ordinary Course of Business or not on arm's length basis or both	Recommendation by Audit Committee to Board Recommendation by Board to Shareholders Approval by Shareholders
Material RPTs	Recommendation by Audit Committee to Board Recommendation by Board to Shareholders Approval by Shareholders

In the event of inadvertent omission to seek the approval of the Related Party Transaction in accordance with the Policy, the Audit Committee / Board / Shareholders reserve the right to ratify as they may deem fit.

## 5. Procedure for approval of Related Party Transactions / contract / arrangements

- (a) For the purpose of Identification of Related Party Transactions, the respective Entity Head of Department will ensure that a notice of any potential Related Party Transaction is intimated well in advance to the Audit Committee/ Board, so that the Audit Committee/ Board will have adequate time to obtain and review information about the proposed transaction and arrange for necessary prior approval.
- (b) For the purpose of obtaining approval of RPT and subsequent material modifications from Audit Committee, the following should be disclosed in the agenda-
  - (i) Name/s of the related party its relationship with APL or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - (ii) Nature of transaction, material terms and particulars of the proposed transaction; (iii) Period of transaction;
  - (iv) Maximum amount of transaction that can be entered into;
  - (v) The percentage of the APL's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction.
  - (vi) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
    - 1) Details of the source of funds in connection with the proposed transaction;
    - 2) Where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,

- nature of indebtedness;
  - cost of funds; and
  - tenure;
  - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (vii) The indicative base price / current contracted price and the formula for variation in the price if any;
- (viii) Whether transaction is in the interest of APL at arm's length basis / in ordinary course of business with justification for the same;
- (ix) A copy of the valuation or other external party report, if any such report has been relied upon
- (x) Such other conditions as the Audit Committee may deem fit.
- (c) The audit committee shall also review the status of long term (more than one year) or recurring RPTs on an annual basis.
- (d) The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- (e) The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of APL
- (f) For the purpose of obtaining approval from the Board of Directors of APL of any contract or arrangement with the related party which is not at arm's length or in ordinary course of business, the following shall be disclosed in the agenda –
- (i) A summary of the information provided by the management of APL to the audit committee as specified above;
  - (ii) Any advance paid or received for the contract or arrangement, if any;
  - (iii) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - (iv) 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;
- (g) For the purpose of obtaining approval from the Shareholders in respect of transactions beyond threshold limits entered into with the related party under any contract or arrangement which are not at arm's length or in ordinary course of business or material RPT's or any subsequent material modifications thereof, the following shall be included in the explanatory statement annexed to the notice of general meeting –
- (i) A summary of the information provided by the management of APL to the audit committee as specified above;
  - (ii) Justification for why the proposed transaction is in the interest of APL
  - (iii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary as specified above;
  - (iv) Any other information relevant or important for the members to take a decision on the proposed resolution.

## 6. Disclosure

- (a) Every Contract or arrangement entered with Related Parties to which Section 188 of the Companies Act, 2013 is applicable shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- (b) APL shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

## 7. Governance of the Policy

- (a) Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.
- (b) This Policy on Related Party Transactions shall be governed by Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time as well as the Companies Act, 2013 read with Rules made therein under, as may be notified by MCA and in force for the time being. Accordingly, interpretation of any of the provisions should be made in consistence thereto in the implementation of this policy. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR) Regulations, Ind AS and all other applicable laws / rules, as may be issued from time to time shall be mutatis mutandis applicable.

### General

In case of any doubt with regard to any provision of the Policy and also in respect of matters not covered herein, a reference shall be made to the Chairman of the Committee. In all such matters, the interpretation and decision of the Chairman shall be final. The Company reserves the right to modify, cancel, add, or amend any clause of this Policy as set out above.