

## POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

### **INTRODUCTION / BACKGROUND / PURPOSE OF POLICY**

Policy with regard to Related Party Transactions (“RPT Policy”) is prepared pursuant to Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 (“the Act”) and Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“Listing Regulations”) with Regulation 23(1) requiring the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

The Audit Committee/Board will review and may amend this policy from time to time.

### **SCOPE**

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties, in the best interest of the Company and its stakeholders.

### **POLICY DETAILS**

#### **1. Introduction**

The Board of Directors (the “Board”) of **V Marc India Limited** (the “Company”) have adopted the following policy and procedures with regard to Related Party Transactions (‘Dealing with Related Party Transaction (RPT) Policy’), in line with the requirements of Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 (hereinafter referred to as ‘The Act’) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘SEBI Listing Regulations’).

The Audit Committee/ Board will review and may amend this policy from time to time

#### **2. Purpose**

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties, in the best interest of the Company and its stakeholders.

#### **3. Definitions**

- a) **Audit Committee** has not been defined in Companies Act, 2013. However, the Act states that the Board of directors of every listed Public company and the following class of companies shall constitute an Audit Committee –

- i) all public companies with a paid up capital of ten crore rupees or more;
  - ii) all public companies having turnover of one hundred crore rupees or more;
  - iii) all public companies, having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more.
- b) The paid-up share capital or turnover or outstanding loans, or borrowings or debentures or deposits, as the case may be, as existing on the date of last audited Financial Statements shall be taken into account for the purposes of the above means Audit Committee constituted by the Board of Directors in accordance with Section 177 of the Companies Act, 2013.
- c) **Board of Directors or Board** in relation to a company means the collective body of the directors of the company.
- d) **Key Managerial Personnel ("KMP")** 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) Chief Financial Officer
- e) **Material Related Party Transaction:** A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.  
 Transactions 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.
- f) **Related Party** with reference to a company, means
  - 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 or his relative 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) 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;
  - 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 body corporate which is—
    - i) a holding, subsidiary or an associate company of such company;
    - ii) a subsidiary of a holding company to which it is also a subsidiary; or
    - iii) an investing company or the venturer of the company;
    - iv) 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.
  - ix) Director, other than independent director, or key managerial personnel of the holding company or his relative with reference to a company;
  - x) An entity that is a related party under the applicable accounting standards
  - xi) Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.  
Provided the units issued by mutual funds which are listed on a recognized stock exchange will not be considered as related party.
- g) **Related Party Transaction** means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- h) Relatives 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 the following manner:
    - 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)

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

#### **4. Policy on Related Party transactions**

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy

## **5. Disclosure of Related Party**

Each director and Key Managerial Personnel (“KMP”) shall be responsible for providing details of parties which may be considered as related parties as per the definition provided hereinabove. The Directors shall provide the information about their related parties in the format attached with this Policy. Such information shall be provided at the time of appointment, at the time of first board meeting in every financial year and as and when there is any change in last provided information, promptly. In addition to the above, management shall identify other related parties based on the control exercised by the Company within the meaning of the Companies Act, 2013. The Company Secretary shall maintain a database of Related Parties containing the names of individuals and companies identified based on the definition of Related Party and declaration provided by the Directors and Key Managerial Personnel.

## **6. Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing Notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request.

The functional departments shall submit to the Chief Financial Officer and the Company Secretary, the details of proposed transaction (except those for which omnibus approval has been granted by the Audit Committee as explained subsequently) with draft agreement or other supporting documents justifying basis of the rationale for arm’s length and methodology for pricing. Based on such information, the Company Secretary will facilitate for the necessary approval from the Board/ Audit Committee of the Company.

The Company strongly 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.

## **7. Approval of Related Party Transactions**

### **I) Prior approval of Audit Committee**

- a) All Related Party Transactions shall require prior approval of Audit Committee.
- b) A prior approval of the Audit Committee shall be required for all Related Party Transactions except for the following: a) transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval (“WOS Transactions”).

Provided that any of the above Related Party Transaction which is not in the ordinary course of business or not at arm’s length shall require a prior approval of the Audit Committee.

Any member of the Audit Committee who is interested in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

**II) Procedure for approval**

The Audit Committee will be provided with all relevant material information of Related Party Transactions, 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 as specified under the Act and SEBI Listing Regulations.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for decision

In case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may grant omnibus approval and fix up Limits within which the management may carry out such Transactions without prior approval of the Audit Committee for the specific transactions as long as these are carried out on the principles approved by the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

**III) Omnibus Approval**

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

- a) The transaction(s) to be entered into is/are repetitive in nature;
- b) The criteria for grant of omnibus approval are as under:-
  - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year shall not exceed - The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year shall not exceed 30% of annual consolidated turnover of the Company, if transaction is in the nature of revenue or expenses or 20% of the total assets, if transaction is in the nature of capital/assets, as per the last audited financial statement;
  - the maximum value per transaction which can be allowed shall not exceed - The maximum value per transaction which can be allowed with wholly owned subsidiaries, associates and subsidiaries (and any other related party except as provided in point iii below) under omnibus route will be up to 5% of the Annual Consolidated Turnover or 5% of the total assets, depending on the nature of transaction;
  - Any commercial transaction with Director, Key Managerial Personnel, under omnibus route shall additionally require Board approval;

- At the time of seeking omnibus approval, the proposal should disclose the Name of the related party and nature of relationship, Nature of transaction, Rationale/Justification for the Related Party Transaction Maximum amount of transaction that can be entered into during the financial year, Indicative base price/current contracted price;
  - The transactions undertaken pursuant to omnibus approval shall be reviewed by the Audit Committee on a quarterly basis;
  - The following transactions cannot be subject to the omnibus approval by the Audit Committee.
    - Transactions which are not in ordinary course of business or not on arm's length basis;
    - Transactions involving and in respect of sale or disposal of an undertaking of the Company;
    - Transactions involving sale or disposal or assignment of any significant or critical asset of the Company;
    - Transactions which are not in the interest of the Company;
    - Any other transaction the Audit Committee may deem not fit for omnibus approval;
    - Such other transactions specified under Applicable Law from time to time
- c) To review a related party transaction, the Committee will be provided with 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, arm's length principles and any other relevant matters. 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:
- ✚ The fairness and arm's length or otherwise of the related party transaction after applying the same basis as if the transaction did not involve a related party;
  - ✚ The business reasons for the Company to enter into the related party transaction and the nature of alternative transactions, if any;
  - ✚ The business reasons for the Company to enter into the related party transaction and the nature of alternative transactions, if any;
  - ✚ Any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - ✚ Whether the related party transaction would present an improper conflict of interest for any director or KMP of the Company, taking into account the size of the transaction, the overall financial position of the director or other related party, the direct or indirect nature of the director's, KMP'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.
  - ✚ Any other relevant information regarding the transaction.

- d) 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 the Board to approve the related party transaction, then 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.
- e) Such omnibus approval shall specify
  - the name/s of the related party and nature of relationship;
  - nature and duration of the 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;
  - terms and conditions of the transaction(s) / contract(s), including advance paid, if any; and
  - such other conditions as the Audit Committee may deem fit or information relevant or important for the Audit Committee to take decision on the proposed transaction;
  - 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 ..... per transaction.
- f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

## **8. Deemed Approval**

- a. The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under separate approvals/procedures from relevant competent authority or committee shall be deemed to be approved under this Policy. Such transactions are enumerated below:
  - i. Appointment and payment of remuneration/compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business, including any variations thereto, to director or KMP pursuant to the Nomination and Remuneration Committee/Board approval as may be applicable;
  - ii. Payment of remuneration, fees, commission, etc. to directors pursuant to the Nomination and Remuneration Committee approval.
  - iii. Share based incentive plans for the benefits of the Directors or Key Managerial Personnel pursuant to shareholders including ESOPs.
  - iv. Any benefits, interest arising to Related Party solely from the ownership of Company's shares at par with other holders, for example, dividends, right issues,

stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board composed committee.

- v. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, amalgamation, hive-off, etc. duly approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- vi. Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

## **9. Prior approval of Board of Directors**

Transactions with the related parties which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board.

Where any director is interested in any contract or arrangement with a related party, such director shall not participate in the discussions and abstain from voting on the subject matter of the resolution relating to such contract or arrangement.

The Board is required to approve the criteria for the omnibus approval as prescribed under point 7(III)(b) of this Policy.

## **10. Shareholders' approval**

Shareholder's approval shall be sought in the following cases:

- a) All the Material Related Party Transactions shall require approval of the shareholders through ordinary resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.
- b) Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the 'Ordinary Course of Business' or are not on an 'arm's Length Basis' and exceeds the threshold prescribed under section 188 of the Companies Act 2013 and the rules thereunder, amended from time to time, shall also require the prior approval of the shareholders through ordinary resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

No member of the Company shall vote on ordinary resolution, to approve any contract or arrangement which may be entered by the Company, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed. However, in case of material related party transactions, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.



Provided that the transactions entered into between the Company and 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 the approval of either Board or the Shareholders.

#### 11. 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 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 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.

#### 12. Ceiling of Related Party Transactions

Pursuant to Regulation 23 of Listing Regulations, all Related Party Transactions will be subject to following approval mechanism, as may be applicable:

Provisions	Ceiling on the Amount	Approval Required		
		Audit Committee	Board of Directors	Shareholders (Ordinary Resolution)
Transactions in the ordinary course of business and on arm's length basis	upto 10% of the annual Consolidated turnover of the Company	Yes	-	-
	In excess of above limits	Yes	-	-
<b>Transactions either not in the ordinary course of business or arm's length basis</b>				
Sale, purchase or supply of any goods or materials, directly or through appointment of agent.		Yes	Yes	Yes (Amounting to 10% or more of the turnover)
Selling or otherwise disposing of or buying property of		Yes	Yes	Yes

any kind, directly or through appointment of agent.				
Leasing of property of any kind		Yes	Yes	Yes
Availing or rendering of any services, directly or through appointment of agent		Yes	Yes	Yes
Appointment of any related party to any office or place of profit in the Corporation, its subsidiary company or associate company		Yes	Yes	Yes
Underwriting the subscription of any securities or derivatives thereof, of the Corporation		Yes	Yes	Yes
1. *Note : In case of shareholders' approval for such transactions, no related parties shall vote to approve on the resolution				
Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligation or services		Yes	For Transactions that are not on arm's length basis.	Exceeding 10% of the annual consolidated turnover of the Corporation Note: (No related parties can vote to approve the contract or arrangement)

### 13. Disclosure of related party transactions and Policy

This Policy will be communicated to all operational employees and other concerned persons of the Company. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in its Annual Report. Further the Company will disclose as per Accounting Standard (AS 18) "Related Party Disclosures" on the Master Circular - Disclosure in Financial Statements - 'Notes to Accounts' related party transactions in the Annual accounts.