

# ARSHIYA LIMITED

CIN: L93000MH1981PLC024747

## RELATED PARTY TRANSACTION POLICY

(As amended and adopted by Board of Directors of Arshiya Limited w.e.f. June 30, 2021)

Board Meeting Date: June 30, 2021

## **PREAMBLE:**

The Board of Directors (the “Board”) of Arshiya Limited (the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company.

## **PURPOSE**

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“SEBI LODR”) and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties. This policy aims to comply with the provisions of the Companies Act, 2013, rules framed thereunder and SEBI LODR.

## **DEFINITION:**

- **“Act”** shall mean the Companies Act, 2013 and the rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- **“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.
- **“Audit Committee or Committee”** means **“Audit Committee”** constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013, from time to time.
- **“Associate Company”** means any other Company, in which the 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 purpose of this clause, “significant influence” means control of at least 20% of total share capital, or business decisions under an agreement.

- **“Board of Directors” or “Board”** means the Board of Directors of the Company, as constituted from time to time.
- **“Key Managerial Personnel” or “Key Management Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 and the rules made thereunder.
- **“Policy”** means Related Party Transaction Policy.

- **“Material Related Party Transaction”** means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

(i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;

(ii) In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements;

- **“Related Party”** means related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the company and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

- **“Relatives”:** “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; or 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)
- **“Related Party Transaction”** is a transfer of resources, services or obligations between a company and a Related Party, 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.

#### **POLICY:**

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

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

Each director and Key Managerial Personnel is responsible for providing Notice 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. The Board shall 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 strongly prefers to receive such notice of any potential Related Party Transaction at least 10 days 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 transaction by the Audit Committee**

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation, except transactions with wholly owned subsidiaries which requires only approval (and not prior approval) of the Audit Committee.

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.

The Audit Committee of the Board will review and, if appropriate, approve Related Party Transactions. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that calendar year:

- a. The name of the Related Party and nature of relationship.
- b. The nature, duration of the contract and particulars of contract or arrangement;
- c. The material terms of the contract or arrangement including the value, if any;
- d. Maximum amount of transaction that can be entered into and the period of such approval;
- e. Any advance paid or received for the contract or arrangement, if any;
- f. The manner of determining the pricing and other commercial terms both included as part of contract and the indicative base price / current contracted price and the formula for variation in the price if any;
- g. 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;
- h. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction; and
- i. any other information relevant or important for the Board to take a decision on the proposed transaction.

- In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant and grant an omnibus approval to the Related Party Transaction which are repetitive in nature and proposed to be entered into by the company:
  - i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company
  - ii. 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;
  - iii. Audit Committee may refer to SA 550, Related parties issued by ICAI which inter alia suggests the following to determine whether the transactions are at an arm's length:
    - a. Comparison of the terms with those of an identical or similar transaction with one or more unrelated parties;
    - b. Comparison of the terms to known market terms for identical or similar transactions; and
    - c. In making the comparison, consideration should be given not only to the price but also to other terms and conditions, for example, credit terms, contingencies, specific charges;
  - iv. The Committee can also refer to international guidelines / principles i.e., OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration
  - v. The Audit Committee shall determine whether the transaction is in the ordinary course of business with the help of the following parameters drawn from judicial precedents like reasonability of transaction in the context of business, whether it necessary, normal and incidental to the business, customary and happen with certain frequency etc.
  - vi. Whether the Related Party Transaction would affect the independence of the directors/KMP;
  - vii. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
  - viii. 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
  - ix. 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.
    - 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. i Omnibus approval shall not be given for transactions in respect of selling or disposing of the undertaking of the Company.

- If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
- If any additional Related Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, management shall present such transactions to the Committee for approval.
- Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

### **Approval of transactions by the Board of Directors**

- 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 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 the ordinary course of business or at arm's length basis.
- For transactions covered under Section 188 of the Companies Act, 2013 as stated below will require Board's approval, if not at arm's length and not in the ordinary course of business:
  - 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

### **Shareholders' Approval**

- The Audit Committee shall report all "Material Related Party Transactions" to the Board of Directors.
- The Company will also seek approval for "Material Related Party Transactions" from unrelated shareholders' in the subsequent general meeting of the year in which the Related Party Transaction is undertaken.
- All the transactions, other than the Material Related Party Transaction, with the Related Parties which are not in the Ordinary Course of Business or at Arms' Length Basis shall also require the approval of the shareholders through special resolution if the specified thresholds are met and the Related Parties interested in the contract/arrangement shall abstain from voting on such resolution

- The specified thresholds are as listed below:

Sr. No.	Prescribed Transaction Category	Thresholds*
1	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Exceeding 10% of the turnover of the company
2	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Exceeding 10% of net worth of the company
3	Leasing of property of any kind	Exceeding 10% of turnover of the company
4	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of the turnover of the company
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakhs as mentioned
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth

\*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

#### **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 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 failure of the internal control systems, and shall take any such action it deems appropriate.

#### **REPORTING REQUIREMENTS:**

- Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts / arrangements with the Related Parties as part of Directors' Report. Form AOC- 2 prescribes the manner in which disclosure is to be made in the Director's Report.

- The Company will also disclose the details of all Material Related Party on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges as per SEBI LODR.

**NOTICE TO THE READER:**

- This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI LODR.
- In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.
- This Policy shall be reviewed by the Audit Committee and the Board of Directors as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification on the Policy would be approved by the Audit Committee and the Board of Directors.