

AVONMORE CAPITAL & MANAGEMENT SERVICES LIMITED

RELATED PARTY POLICY
(Revised as on 13.02.2019)
(Revised as on 27.05.2022)

ACMS Related Party Transactions - Policy & Procedure

1. Introduction

Section 188 of the Companies Act, 2013 read with rules 15 and 16 of Companies (Meetings of Board and its Powers) Rules, 2014 and the Sebi (Listing Obligation and Disclosure) Regulation, 2015 as amended from time to time which requires every listed company to establish a Policy on materiality and dealing with Related Party Transactions.

Accordingly, to ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements this policy has been adopted by Board of Directors to define the procedures by which Related Party Transactions must be reported, reviewed, approved and managed.

DEFINITIONS:

All the terms used and defined herein are in addition to those defined in the Act, SEBI LODR or any other applicable law or regulation:

“Act” means the Companies Act, 2013 read with the Rules thereto including any subsequent amendments 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. Pricing, though being an important factor, may not be the only determinant of a transaction being at arm’s length.

In order to ensure that the transaction is at arm’s length, judgement needs to be applied and the following points can be considered for the same:

- Transaction is in line with the principles of the Transfer Pricing Guidelines of the Income Tax (“IT”) Act, 1961 (though transfer pricing is not currently applicable for domestic transactions of the Company under the IT Act)
- Transaction is as per the prevailing pricing policy/market price/same price (or margin) as compared to transactions with unrelated parties
- Transaction is comparable with third party quotations/bids
- Transaction is based on cost sharing agreements (in cases where cost is shared based on benefits derived)
- Transaction is at a price in line with the valuation done by an external independent expert, if any.

Guidance may be taken from the examples laid down in the Standard on Auditing 550 on Related Parties (SA 550) for this purpose

“Audit Committee” means Audit Committee of the Board of Directors of the Company.

“Board” means Board of Directors of the Company.

“Group Company” or “Group Companies” means the Holding Company and its Subsidiaries, Associates, Joint Ventures.

“Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof (“SEBI LODR”).

“Material modification” would mean any modification to the related party transaction which shall result in an impact on the value of the transaction by 30% as compared to the approval given by the Audit Committee/Board/shareholders earlier.

“Material transaction(s)” would mean transactions or series of transactions in one financial year with any single related party exceeding Rs. 1,000 Crore or 10% of the annual consolidated turnover of the Company, whichever is lower, as per the last audited financial statements of the Company.

Payments to a related party towards brand usage or royalty exceeding 5% of the annual consolidated turnover of the Company would be considered as ‘*Material transaction*’.

“Ordinary course of business” means normal, regular business activities carried out by the Company in line with its Memorandum and Articles of Association. Since the term Ordinary course of business is not defined under the statute, the Company would exercise judgement on this aspect and for the purpose of the same, using the following guiding principles:

- The Company has done similar transactions in the past in the normal course of its business
- Such transactions are carried out at a regular frequency
- Activities relating to mergers, demergers, restructuring, etc. for organic and inorganic growth that are common for the industry(ies) to which the Company belongs

The guiding principles are not exhaustive and the facts and circumstances of each case would be examined before concluding on the matter.

“Related Party” is a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the SEBI LODR, applicable IND-AS, including modifications or amendments made thereto.

“Related Party Transaction” or “RPT” means transaction(s) as given under clause (a) to (g) of sub-section (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the SEBI LODR including modifications or amendments made thereto.

POLICY:

I. Prior Approval of Audit Committee

Irrespective of the materiality, prior approval of the Audit Committee will be sought for the following Related Party Transactions (RPTs):

- a. Transactions between the Company and its Related Party
- b. Transactions between the Company and Related Party of any of its subsidiary
- c. Transactions between a subsidiary and Related Party of the Company
- d. Transactions between a subsidiary and its Related Party if the annual value of all transactions of such subsidiary with that Related Party exceeds 10% of the annual consolidated turnover of the Company as per last audited balance sheet of the Company – applicable for financial year 2022-2023.

- e. Transactions between a subsidiary and its Related Party if the annual value of all transactions of such subsidiary with that Related Party exceeds 10% of the annual turnover of such subsidiary as per last audited balance sheet of the subsidiary – applicable for financial year 2023-2024
- f. Transactions between the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related Party of the Company or any of its subsidiaries – applicable from the financial year 2023-2024
- g. Any material modification(s) to approved RPTs

II. Approval of RPTs by Audit Committee (including Omnibus approvals)

- a. The Audit Committee shall take into account following considerations while granting approval for RPTs (including omnibus approvals for transactions that are or may be of repetitive nature):
 - Name of the related party and nature of relationship with the Company or subsidiary, including nature of interest or concern (financially or otherwise);
 - Nature, material terms and conditions, monetary values, tenure and particulars of the transaction/contract/arrangement;
 - Justification as to why the RPT is in the interest of the Company;
 - Percentage of the value of the proposed RPT to the annual consolidated turnover of the Company/standalone turnover of the subsidiary;
 - Percentage of the value of the proposed RPT to the annual consolidated turnover of the counterparty (voluntary);
 - Copy of valuation / external report, if any;
 - In case of RPT involving loan, advances, ICDs or investments made/given by the Company /subsidiary:
 - Details of source of funds;
 - In case of indebtedness, 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;
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - Any other information relevant or important to take a decision on the proposed transaction.
- b. Audit Committee will additionally consider the following while granting omnibus approvals:
 - Repetitiveness of the transaction;
 - Justification for the need of omnibus approvals;
 - Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - The maximum value per transaction which can be allowed;
- c. Pursuant to Regulation 23 of SEBI LODR, the threshold limits for RPTs for granting omnibus approval for each financial year is as under:

Sr.No.	Criteria	Amount
1	Maximum value of transactions, in aggregate, which can be allowed under the omnibus route [other than wholly owned subsidiaries]	Rs. 10 Crores per related party

- a. The Audit Committee shall grant such omnibus approval every financial year for RPTs. Additionally, the Committee may also grant omnibus approval for RPT of unforeseen nature not exceeding Rupees One Crore.
- b. The Audit Committee shall review on a quarterly basis the details of RPTs entered into by the Company pursuant to omnibus approval and shall review on an annual basis, the status of long-term (more than one year) or recurring RPTs.
- c. In the event the Company becomes aware of a transaction with a Related Party that has not been approved under the Policy prior to its consummation, the Audit Committee shall examine all facts and circumstances pertaining to non-reporting of such RPT to the Committee and shall take such action as it may deem appropriate.
- d. Only those members of Audit Committee who are Independent Directors will approve RPT. Any member of Audit Committee having a potential interest in the proposed RPT will not participate in the discussions nor vote on the proposal for approval of the transaction.

III. Board Approval

The Board will approve all RPTs which are not at arm's length and/or which are not in the ordinary course of business.

Where the Audit Committee does not approve any RPT, it shall refer the same to the Board for approval.

If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

IV. Shareholders:

All material RPTs and material modifications thereto, will be referred to the shareholders for prior approval.

A summary of information provided by the management to the Audit Committee as mentioned in clause II(a) shall form part of the explanatory statement.

No related party will vote on such resolutions irrespective of the fact whether it is a related party to the transaction or not.

V. Procedure:

Detailed procedure for treatment of RPTs is outlined provided in the extant 'Policy Guidelines for Related Party Transactions'.

VI. Exclusions:

The following RPTs will not be put up for approval as permitted under law:

1. Transactions between the Company and its Wholly Owned Subsidiary (WOS) (if the Company is preparing consolidated accounts and placing the same before its shareholders for approval)
2. Transactions between two WOS of the Company (if the Company is preparing consolidated accounts and placing the same before its shareholders for approval)
3. Issue of specified securities on preferential basis subject to compliance of applicable SEBI Regulations and the Act
4. Corporate actions as under, as the same are uniformly applicable to all shareholders:

- a. Payment/receipt of dividend
- b. Sub-division or consolidation of securities
- c. Issue of securities as rights or bonus
- d. Buy-back of securities

In addition to the above, since the transactions or arrangements as mentioned below are specifically dealt / approved under different provisions of the Act/ SEBI LODR/ Law/ policy of the Company, no approval of Audit Committee will be taken for:

- a. Any RPTs approved by the Nomination and Remuneration Committee and the CSR Committee;
- b. Any transaction by the Company with its employee, who is a related party of group, pursuant to the employment terms;
- c. Employer's contribution to Provident Fund/Gratuity/Superannuation, etc. to a recognized Trust as part of its statutory obligations;
- d. Reimbursement of expenses at actuals based on supporting documents.

VII. Disclosure:

Appropriate disclosures as required under the Act and the SEBI LODR shall be made in the Annual Report, Directors Report and to the Stock Exchanges.

VIII. Applicability, Review & Amendment:

Any change in the definitions and/or any provisions of this Policy pursuant to an amendment in the Act or SEBI LODR will be effective without any further approval from the Audit Committee/Board. The Audit Committee/Board will be briefed about such changes.

In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the SEBI LODR, the Act or Accounting Standards, etc. or any amendments thereto, (herein after referred as "Regulatory Acts"), the provisions contained in the Regulatory Acts will prevail.

The Board will review the Policy once in three years.