



## RELATED PARTY TRANSACTION POLICY

### **1. Preamble**

The Board of Directors (“the Board”) of Subros Limited (“the Company”) has formulated this policy on materiality of related party transactions and on dealing with related party transactions (“the Policy”) as per requirement of the Companies Act, 2013 (“Act”), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), Accounting Standards and other applicable provisions, if any as amended from time to time.

The Board of Directors shall review this policy at as and when required but at least once in three years.

### **2. Purpose**

This policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the financial Statements details of the transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

This policy regulates transactions between the Company and its Related Parties based on the applicable laws, rules and regulations along with materiality of Related Party Transactions, as applicable to the Company.

### **3. Definitions**

**3.1 “Arms’ Length Transaction”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is not conflict of interest.

**3.2 “Audit Committee or Committee”** means Audit Committee constituted by the Board of Directors of the Company under provisions of Listing Regulations and the Act.

**3.3 “Board”** means Board of Directors of the Company.

**3.4 “Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013 and includes

- (i) the Managing Director, or Chief Executive Officer or 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.

**3.5 “Material Related Party Transaction”** means a “Related Party Transaction (including any transaction to be entered into with a Related Party, individually or taken together with previous transactions during a Financial Year), which exceeds Rs. 1000 crore or ten per cent of the annual of the Company as per the last audited financial statements of the Company or such other sum as may be prescribed the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended form time to time .

Notwithstanding the above, 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 Company as per the last audited financial statement.

**3.6 “Material Modification”** means any alteration, in the approved related party transactions amounting to 10% or more of the transaction in value or any subsequent major changes in the terms and conditions as approved by the Audit Committee (approval of material modification required as per statutory timeline under listing regulations.

**3.7** Words and phrases used in this policy have the same meaning as assigned in the Act and Listing Regulations as amended from time to time.

#### **4. Policy Statement**

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy and applicable provisions.

#### **4.1 Procedures for review and approval of Related party Transactions**

##### ***4.1.1 Approval of Audit Committee***

- (a) All Related Party Transactions and Subsequent Material Modifications therein must be reported by the Chief Financial Officer/ Head of Accounts Department, to the Compliance Officer and referred for prior approval by the Audit Committee in accordance with this Policy.
- (b) The Audit Committee will undertake an evaluation of the Related Party Transactions. If that evaluation indicates that the Related Party Transactions would require approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transactions, together with a summary of material facts, to the Board for its approval.
- (c) If the Board is of the view that the Related Party Transaction needs to be approved by the Shareholders pursuant to applicable provisions, the same shall be put up for approval by the shareholders of the Company.
- (d) If prior approval of the Board/ Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board /Shareholders, if required, within 3 months of entering in the Related Party Transaction.
- (e) In any case where either the Audit Committee / Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or Shareholders as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.
- (f) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will take into account, among other factors it deems appropriate, whether the Related Party Transaction is on term no less favourable than terms generally available to an unaffiliated third – party under the same or similar circumstances and the extent of the Related Party's interest in the transaction.
- (g) No Director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.
- (h) Audit Committee may grant omnibus approval for Related Party Transactions, which are repetitive in nature subject to certain conditions as prescribed in the Act and Listing Regulations.
- (i) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- (j) The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) 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.1.00 crore(Rs. one crore only)per transaction.

- (k) Thereafter, the Audit Committee, shall review at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

- (l) The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- (m) In addition, the Audit Committee / the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
- (n) If in case any transaction involving any amount not exceeding Rs. 1.00 crore (Rs one crore) is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the Company against any loss incurred by it.
- (o) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

#### ***4.1.2 Approval of Board of Directors***

- (a) Approval of Board of Directors shall be taken for entering into Related Party Transactions which are not in the ordinary course of business and not on an arm's length basis.
- (b) Where any director is interested in any contract or arrangement with Related Party, such director shall not participate in the meeting during discussion on the subject matter of the resolution relating to such contract or arrangement.
- (c) Transactions above the materiality threshold laid down in the Listing Regulations or the Act, which are intended to be placed before the shareholders for approval.
- (d) Transactions which are in the Ordinary Course of Business and at arms' length basis, requires approval of the Board if it is recommended by the Audit Committee.

#### ***4.1.3 Approval of Shareholders***

- (a) Prior approval of the shareholders shall be required for the Material Related Party Transactions and subsequent material modifications.
- (b) In addition all kind of transactions which are either not in the ordinary course of business or not on arms length basis and exceeding the limits prescribed under the Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time.

#### **4.2 Identification of Related Party Transaction**

- (a) Every Director/ Key Managerial Personnel shall at the first meeting of the Board in which he participates as a director/ Key Managerial Personnel and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosure already made, then at the first Board meeting held after such change, disclose his concern or interest.
- (b) Every Director / Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement or entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.
- (c) Where any Director / Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- (d) A contract or arrangement entered into by the Company without disclosure or with participation by a Director/Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

- (e) The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Compliance Officer has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of a Related Party Transaction after the commencement or even its completion may be appropriate in some circumstances.

#### **4.3 Determination of Ordinary Course of Business**

“Ordinary Course of Business” means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is not a standalone transaction. The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determination what is in the ordinary course business.

#### **4.4 Determination of Arms’ length nature of the Related Party Transaction**

(a) Price Determination

At the time of determination the arms’ length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms’ length pricing as per Applicable Law including such prices, where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes of Audit Committee shall be entitled to rely on professional opinion in this regard.

(b) Underwriting and Screening of arms’ length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening /selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.
- (ii) The Chief Financial Officer shall produce evidence to the satisfaction of the Audit Committee for having applied the said procedure.

If the Audit Committee is of the opinion that the Related Party Transaction meets the aforesaid criteria of Ordinary Course of Business and the Arms’ Length nature, the Related Party Transaction will not be treated as a Related Party Transaction for the purpose of this Policy.

#### **4.4A Ratification**

The Members of the audit committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the terms as prescribed under the Act and Listing Regulations.

#### **4.5 Exceptions**

Notwithstanding to the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee or Shareholders:

- (a) Any transaction that involves the providing of compensation to a Director /Key Managerial Personnel 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.
- (b) Any transaction in which the Related Party’s interest arises solely from ownership of securities receive the same benefits pro-rata as the Related Party

#### **4.6 Disclosures**

- (a) The Company is required to disclose Related Party Transactions in its Board Report to the Shareholders of the Company at the Annual General Meeting.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Compliance Report on Corporate Governance.
- (c) The Company shall disclose the Policy on its website and also in the Annual Report.
- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.
- (e) Details of all Related Party Transactions will be disclosed for the half-year on a consolidated basis, to the stock exchange (s) within the timeline as prescribed in the Listing Regulations and publish the same on website of the Company.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **5. Amendment**

Any subsequent amendment / modifications in the Listing Regulations or Act, impacting the provisions of this Policy, shall automatically apply to this Policy and the relevant provision(s) of this Policy shall be deemed to be amended / modified to that extent, even if not incorporated in this Policy.