



# **POLICY ON RELATED PARTY TRANSACTIONS**

**aarvee engineering consultants limited**



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## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. SCOPE AND PURPOSE**

- 1.1. Aarvee Engineering Consultants Limited (hereinafter referred 'the Company') recognises that transactions between the Company and one or more of its Related Parties (more particularly referred to as 'Related Party Transactions' and defined hereinafter) present a risk of actual or potential conflicts of interest.
- 1.2. This policy is formed as a part of Corporate Governance Framework with a view to ensure that the Related Party Transactions are in the best interest of the Company and its Shareholders, the Board of Directors (the 'Board') of the Company has adopted this Policy on Related Party Transactions in line with the requirements of the Companies Act, 2013 (hereinafter referred to as Act) and SEBI (Listing Obligations and Disclosures Requirements) (hereinafter referred to as '**SEBI LODR, 2015**').

### **2. OBJECTIVE**

This Policy is framed as per requirement under Regulation 23 of the SEBI LODR Regulations and is intended to ensure proper approval, review and disclosure of related party transactions, the materiality threshold for related party transactions, material modification thereof and the manner of dealing with the transaction between the Company and its related parties based on the Act, Listing Regulations and any other laws and regulations as may be applicable to the Company. Such transactions may be considered appropriate only if they are in the best interest of the Company.

### **3. DEFINITIONS**

- 3.1. **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.
- 3.2. **"Audit Committee"** means a Committee of Directors of the Company, as constituted from time to time under Section 177 of the Companies Act, 2013 and read with Regulation 18 of the Listing Regulations.
- 3.3. **"Board of Directors" or "Board"** shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and the SEBI Listing Regulations.
- 3.4. **"Key Managerial Personnel" or "KMPs"** in relation to the Company shall have the definition as ascribed to the term under Section 2(51) of the Act, as amended from time to time.

- 3.5. **“Material Modification”** means any modification made to an existing related party transaction, approved by the Audit committee/ Board/ shareholders, as the case maybe, having a **significant** impact on the nature, value, tenure, exposure, or maybe determined by the Audit committee, from time to time [Regulation 23(2) (a) of SEBI LODR, 2015]

For the above purpose, the modification is material, if such modification, together with previous modifications during a financial year, exceeds 20% of the existing limit (or) Rs.25 Crore, whichever is higher.

- 3.6. **“Material Related Party Transaction”** means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One Thousand Crores or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- 3.7. **“Ordinary course of Business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association.

- 3.8. **“Related Party”** means related party as defined in Regulation 23 of SEBI LODR, 2015, which is as follows:

- i) A related party as defined 4/s 2(76) of the Act (or) under the applicable accounting standards.
- ii) Any person or entity forming a part of the promoter (or) promoter group;
- iii) Any person (or) entity, holding equity shares of 10% or more [w.e.f 01.04.2023] in the company either directly (or) on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediately preceding financial year.

- 3.9. **“Related Party Transaction”** means:

- i) for the purpose of the Act, specified transaction of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188 of the Act, as amended; and
- ii) for the purpose of Regulation 2(1)(zc) of the SEBI Listing Regulations, a transfer of resources, services or obligations between:
  - 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 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, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

iii) 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:
  - payment of dividend;
  - subdivision or consolidation of securities;
  - issuance of securities by way of a rights issue or a bonus issue; and
  - buy-back of securities.
  - acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

3.10. **“Relative”** means relative as defined under Section 2(77) of the Companies Act, 2013.

#### **4. IDENTIFICATION & MAINTAINING RECORD OF RELATED PARTY AND RELATED PARTY TRANSACTIONS (“RPT”)**

4.1. Every promoter, directors and key managerial personnel [KMP] of the company and its subsidiaries/ joint venture shall,

- At the time of appointment;
- Periodically- as required by the company (or) applicable law;
- Whenever there is any change in the information already submitted

Provide requisite information about his/her relatives and all firms, companies, body corporates, or other association of individuals, in which such Promoter/ Director/ KMP is interested, whether directly or indirectly, to the company or the subsidiary/ Joint venture.

4.2. Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board/ Audit committee may reasonable request.

4.3. The “Corporate Development Department”/ “Secretarial Department” shall at all times maintain a database of company’s Related parties, along with their personal/ company details including any revision therein.

- 4.4. The Related party list shall be updated whenever necessary & shall be reviewed atleast once a year.
- 4.5. The register of related party transactions shall be maintained, updated and preserved permanently.

## **5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

### **5.1. AUDIT COMMITTEE APPROVAL**

- 5.1.1. All Related Party Transactions and subsequent Material Modifications require the prior approval of the Independent Directors on the Audit Committee.  
However, this requirement of seeking a prior approval of the Audit Committee would not apply in cases where Company's subsidiary is a party but the Company is not a party and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10 per cent of the Company's annual consolidated turnover, as per the last audited financial statements.  
Matters relating to the approval of Related Party Transactions shall be considered and approved by only the Independent Directors of the Audit Committee.
- 5.1.2. With effect from 01.04.2023, a related party transaction to which the subsidiary of the company is party, but the company is not a party, shall require prior approval of the Audit committee, if the value exceeds 10% of subsidiary's Annual standalone turnover whether individually (or) taken together with previous transactions during a financial year.
- 5.1.3. The Audit Committee approval is not required for the transactions with or between the Company's Wholly Owned Subsidiaries, whose accounts are consolidated and presented to shareholders for approval.
- 5.1.4. Any member of the committee with a potential interest in a related party transaction will abstain from discussing and voting on its approval.
- 5.1.5. The Audit Committee may grant omnibus approval for the proposed Related Party Transactions which are repetitive in nature and such approval is in the interest of the Company;
- 5.1.6. In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction;
- 5.1.7. 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;

5.1.8. 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.

5.1.9. The Audit Committee shall also undertake an evaluation of the Related Party Transaction in terms of it being in the ordinary course or arm's length basis line with Section 188 of the Companies Act, 2013. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case considers to review any such matter, the Audit Committee shall report the Related Party Transaction, together with a summary of material facts, to the Board for its review/approval as the case may be.

## **5.2. BOARD APPROVAL**

Related Party Transactions referred under Section 188(1)(a) to (g) of the Act that which are not in the ordinary course of business or at arm's length basis require the prior approval of the Board.

## **5.3. SHAREHOLDERS APPROVAL**

5.3.1. All Material Related Party Transactions and subsequent material modifications require the prior approval of the shareholders. Pursuant to Regulation 23(1) of SEBI LODR, 2015.

5.3.2. In case of transaction, other referred under section 188 of the Act, and where Audit committee does not approve the transaction, it shall make its recommendation to the Board of Directors of the company for the approval of such transactions.

Related Party Transactions referred under Section 188 of the Act that are not in the ordinary course of business or at arm's length basis which exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 requires the approval of the shareholders.

5.3.3. For this purpose, no related party shall vote to approve the relevant resolution irrespective of whether the entity is a related party to the particular transaction or not.

5.3.4. The shareholder of the company shall be provided with all the relevant information as required to review the material RPT.

5.3.5. The prior approval of shareholders through special resolution will be valid for a period of one year.

## **6. TRANSACTIONS EXEMPT FROM APPROVAL REQUIREMENTS**

- 6.1. In terms of Regulation 23(5) of SEBI LODR, 2015, nothing contained in para 5 of this policy shall be application to any of the following transactions:
- 6.1.1. transactions entered into between two public sector companies;
  - 6.1.2. Transactions entered into between the company with wholly owned subsidiary of the company whose accounts are consolidated and placed before the shareholders at the general meeting for approval;
  - 6.1.3. Transactions entered into between two wholly- owned subsidiaries of the company of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval
  - 6.1.4. Transactions which are in the nature of payment of statutory dues, fees (or) charges, entered with central (or) state Government (or) any combination thereof.
  - 6.1.5. transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

## **7. POLICY REVIEW AND AMENDMENTS**

The Board of Directors of the Company shall review the policy as and when needed and update the policy accordingly.

## **8. DISCLOSURE**

- 8.1. The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- 8.2. The Company shall submit the requisite disclosures to the Stock Exchanges as prescribed under SEBI LODR from time to time.
- 8.3. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.
- 8.4. In case of any subsequent changes in the provisions of the Companies Act or any other regulations, including the SEBI LODR Regulations, which makes any of the provisions in the Policy inconsistent with the Companies Act or such other regulations, such provisions of the Companies Act or such other regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.





- 8.5. The Company shall make disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results: Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

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