

Transpek Industry Limited – Policy on Related Party Transactions

1. Introduction

Transpek Industry Limited ("the Company") has always been committed to good Corporate Governance practices. The Company is also committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflict of interest of the Directors, Senior Management etc. with the interest of the Company. As a matter of practice, the Company follows arm's length basis in transacting business with its related parties which are in the ordinary course of business.

The Board of Directors of the Company (the "Board") has adopted this Policy on the recommendation of the Audit Committee. This Policy includes materiality thresholds and the manner of dealing with the Related Party Transactions ("Related Party Transaction (RPT) Policy") in line with the requirements of Section 188 of the Companies Act, 2013 read with the Rules made thereunder (hereinafter referred to as "the Act") and Revised Clause 49 of the Listing Agreement on Corporate Governance and subsequent amendments thereto (hereinafter referred to as "RC 49").

The Audit Committee will review and may recommend amendment to this Policy from time to time.

This Policy applies to transactions between the Company and one or more of its related parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

2. Objective

The Listing Agreement with the Stock Exchange mandates formulation of a policy on materiality of related party transactions and also on dealings with related party transactions. This Policy has been framed for complying with this requirement.

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.

Provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related parties. Further, the Board may amend this policy from time to time as may be required.

3. Applicability and governing law:

The RPT Policy will be applicable to the Company with respect to all Related Party Transactions covered within the scope of section 188 of the Act and /or RC 49.

This Policy on Related Party Transactions shall be governed by the Act as may be in force for the time being as well as RC49 or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions (whether before or after the date hereof) from time to time and shall include any provisions of which they are re-enactments (whether with or without modifications).

4. Key Definitions

- 4.1 **“Act”** means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- 4.2 **“Audit Committee”** means the committee of the Board of Directors of the Company constituted under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.
- 4.3 **“Board of Directors” or “Board”** in relation to the Company means the collective body of the Directors of the Company.
- 4.4 **“Key Managerial Personnel”** 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/s;
 - (iv) Chief Financial Officer; and
 - (v) such other officer/s as may be prescribed under the Act.
- 4.5 **“Material Related Party Transaction”** is a transaction with a Related Party which 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.

4.6 “Related Party”

“Related Party”, with reference to the Company, shall have the meaning as defined in Section 2(76) of the Act or an entity that is a related party under the applicable accounting standards;

4.7 “Related Party Transaction” means:

- for the purpose of the Act, specified transaction mentioned in clauses (a) to (g) of sub-section (1) of Section 188;
- for the purpose of RC 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged.

4.8 “Relatives” with reference to any person shall have the meaning as defined in Section 2 (77) of the Act.

4.9. A “Transaction” with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

4.10 “Arm's Length Basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining arm’s length basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961 and Organisation for Economic Cooperation and Development (OECD) Guideline.

4.11 “Policy” means the current policy on related party transactions, including amendments, if any, from time to time.

5. Policy

All Related Party Transactions (before being entered into) must be reported to the Audit Committee for its prior approval based on this Policy.

The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

5.1 Identification of Potential Related Parties and 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 the Audit Committee may require. 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 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.

The Company Secretary shall at all times maintain a database of the Company's Related Parties containing the names of individuals, Companies and entities, identified on the basis of the definition set forth in the Key Definition section above, along with their personal/company details including any revisions therein.

5.2 Review and approval of the Related Party Transactions

5.2.1 Prior approval of Audit Committee:

All Related Party Transactions of the Company (except those entered into between the Company and its wholly-owned subsidiaries whose accounts are consolidated with those of the Company and placed before the shareholders at a general meeting for approval as prescribed under proviso (ii) to clause 49 (VII) (D) of the Listing Agreement) as prescribed under the Act and RC – 49 shall require prior approval of the Audit Committee, whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature and are in the ordinary course of business and satisfy the arm's length basis, subject to the compliance of conditions set forth in RC49 which are summarized as follows:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company ;
- c) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, cumulative 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 can grant Omnibus approval for such transactions subject to their value not exceeding Rs.1 Crore per transaction.

- d) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given.
- e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Any member of the Audit 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.

While seeking its approval, the Audit Committee shall be provided with necessary information with respect to actual or potential Related Party Transaction.

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 Transactions:

- a) Whether the terms of the Related Party Transaction are fair and on an arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and alternatives, if any;
- c) Whether the Related Party Transactions would affect the independence of the Directors/KMP;

- d) Whether the proposed transaction involves any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e) 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
- f) 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 direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.

The Audit Committee shall decide whether a particular transaction requires approval of the Board of Directors and / or Shareholders in view of the provisions of the Act or RC 49 or for any other reasons.

5.2.2 Prior approval of the Board of Directors under the Act:

Transactions with related parties within the scope of Section 188 thereof, which are either not in the ordinary course of business or are not at arm's length shall require prior approval of the Board of Directors.

If the Audit Committee determines that a related party transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above under paragraph 5.2.1 shall apply to the review and approval of the matter by the Board of Directors, with such modifications, as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and his presence shall not be counted for determining the presence of quorum when such transaction is considered.

6. Shareholders' approval requirements:

➤ **Shareholder's approval shall be sought in the following cases as per the requirements of the Act:**

- Transactions with the related parties covered within the scope of Section 188 thereof, which are either not in the ordinary course of business or are not on an arm's length basis and exceed the threshold under the Act, shall require prior approval of the shareholders through an appropriate resolution.
- No member of the Company shall vote on the resolution where a related party contract or arrangement is being considered if such a member is a related party in the context of the contract or arrangement which is being considered.

➤ **Shareholder's approval shall be sought in the following cases as per the requirements of RC 49:**

All Material Related Party Transactions covered within the scope of RC 49 shall require approval of the shareholders through an appropriate resolution. For this purpose, all entities falling under the definition of related parties (as defined under RC 49) shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

However, the above shall not be applicable to transactions between the Company and its wholly owned subsidiary whose accounts are

consolidated with those of the Company and placed before the shareholders at a general meeting for approval.

7. 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action and remedial measures as it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been undertaken without approval, it may direct additional actions as it deems appropriate including, but not limited to, discontinuation of the transaction or seeking the approval of the Board/shareholders, payment of compensation for the loss suffered etc. In connection with any review / approval of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.

8. Disclosures of Related Party Policy

Details of all Material Related Party Transactions shall be disclosed to the stock exchange quarterly along with the compliance report on corporate governance.

Every contract or arrangement entered into under sub-section (2) of section 188 of the Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

This Policy shall also be uploaded on the website of the Company of the Company at www.transpek.com and a web link thereto shall be provided in the Annual Report of the Company.

9. Amendment in Law

Any subsequent amendment/modification in the Listing Agreement and/or applicable laws in this regard shall automatically apply to this Policy and accordingly this Policy shall stand amended.

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