

ANSHUNI COMMERCIALS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION POLICY **AND ON DEALING WITH RELATED PARTY** **TRANSACTIONS**

SCOPE AND PURPOSE OF THE POLICY

- Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, Anshuni Commercials Limited (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, Regulation 23(1) of SEBI (LODR) Regulations, 2015 requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.
- In light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee of Directors (Audit Committee). Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

OBJECTIVE OF THE POLICY

The objective of this Policy is to set out

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of SEBI (LODR) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

DEFINITIONS

- “**Audit Committee or Committee**” means the Audit Committee of Directors constituted by the Board of Directors in accordance with Section 177 of the Companies Act 2013 and Regulation 18 of SEBI (LODR) Regulations, 2015 and Companies Act, 2013.

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“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

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

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the whole-time director
- (iv) the Chief Financial Officer and
- (v) such other officer as may be prescribed;

“**Material Related Party Transaction**” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party 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.

“**Policy**” means this Policy, as amended from time to time.

“**Related Party**” means a party as defined under 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the Listing Regulations, read with amendments issued from time to time which is as follow:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any company which is-

(A) a holding, subsidiary or an associate company of such company; or

(B) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed;

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- **“Related Party Transaction”** in relation to the Company means a transaction with a Related Party under the relevant provisions of the Companies Act, 2013 or the Listing Regulations or any other related law, regulation, standard etc.
- **“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
 - i. They are members of a Hindu undivided family;
 - ii. They are husband and wife;
 - iii. Father (including step-father); iv. Mother (including step-mother); v. Son (including step-son);
 - vi. Son’s wife;
 - vii. Daughter;
 - viii. Daughter’s husband;
 - ix. Brother (including step-brother);
 - x. Sister (including step-sister)
- **“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.
- **“Ordinary Course of Business”** means such transaction as may be so determined based on the guiding principles set down under *Appendix A*, which may be amended from time to time in accordance with the statutory requirements and other industry practices and guidelines.

APPROVAL OF RELATED PARTY TRANSACTIONS

- Every Related Party Transaction entered into with effect from 1st October 2014 shall be subject to approval of the Audit Committee.
- The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or SEBI (LODR) Regulations, 2015 and/or transactions referred to it by the Audit Committee.
- Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

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- Further, all Material Related Party Transactions shall require approval of shareholders of the Company through Ordinary Resolution (unless it is exempted pursuant to the provisions of SEBI (LODR) Regulations, 2015) and the Related Parties shall abstain from voting on such resolution(s).
- All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company through Ordinary Resolution and the Related Parties shall abstain from voting on such resolution(s).
- The approval mechanism for Related Party Transactions shall be as stipulated in the provisions of SEBI (LODR) Regulations, 2015 and/or Companies Act, 2013 and as amended from time to time.

AMENDMENTS

- The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

REVIEW OF THE POLICY

- The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.

INTERPRETATION

- Any words used in this policy but not defined herein shall have the same meaning as prescribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, SEBI (LODR) Regulations, 2015, Accounting Standards or any other relevant legislation / law applicable to the Company.
- In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

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Appendix A

Determination of Ordinary Course of Business

Background:

Section 188(1) of the Companies Act states that a company shall not enter into any contract or arrangement, as specified therein, with a related party which is not in the ordinary course of business and which is not at arm's length, without the consent of the board of directors given by a resolution at the meeting of the board of directors. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act read with the rules, it will be also be put up for prior approval of the shareholders through special resolutions.

So, for transactions meeting both the criteria in the third proviso to section 188(1) of the Companies Act, viz. transactions that are entered in the Ordinary course of business and amount to an Arms' Length Transaction, the provisions of Section 188(1) of the Companies Act would not apply.

Whilst the framework policy defined by us defines an Arm's Length Transaction, the Policy does not articulate what would be deemed as ordinary course of business for the Company.

What is Ordinary course of Business?

The phrase 'ordinary course of business' is not defined under the Companies Act or the rules prescribed thereunder. An assessment of whether a transaction is in 'ordinary course of businesses may be very subjective, judgmental and can vary on case-to-case basis. The purpose of making such assessment is to determine whether the transaction is usual or customary to the Company and / or its line of business.

The Company would, therefore, be required to exercise its judgment to conclude whether a transaction which the Company enters into can be considered to be in the ordinary course of its business.
