

# **ADVAIT INFRATECH LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**



This Policy has been adopted and approved by the Board of Directors at its meeting held on 5<sup>th</sup> December, 2019.

## **ADVAIT INFRATECH LIMITED- RELATED PARTY TRANSACTION POLICY**

### **1. SCOPE AND PURPOSE OF POLICY**

Related party transaction 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 thereunder and Regulation 23 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) Advait Infratech Limited (“the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, regulations 23 of SEBI LODR requires a company to formulate a policy on materiality of related party transactions and dealing with related party transaction (“Policy”). This policy has been adopted by the Board of Directors of the Company based on the recommendation of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

### **2. 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 transaction between the Company and its related parties based on the Act, regulation 23 of SEBI LODR and any other laws and regulations as may be applicable to the Company.

### **3. DEFINITIONS**

**“Arm’s Length Transaction (ALL)”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**“Related Party”** with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013.

**“Related Party Transaction” (RPT)** means- for the purpose of Companies Act, 2013 specified transactions mentioned in clause (a) to (g) of sub-section 1 of section 188 and as per regulation 2(ZC) of SEBI LODR a transfer of resources,

services or obligations between a listed entity and a related party, 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.

#### **4. MATERIALITY THRESHOLDS**

The following shall be considered as material RPT

- A. A transaction with a related party shall be considered material if the transaction(s) 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 or such sums as may be prescribed under the Listing Regulations and as amended from time to time.
- B. 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 statements of the Company.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

- A. Identification of related parties Advait Infratech Limited has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 23 of SEBI LODR.
- B. Identification of related party transaction Advait Infratech Limited has formulated guidelines for identification of related party transaction in accordance with Section 188 of the Act and Regulation 23 of SEBI LODR. Advait Infratech Limited has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.
- C. Procedure for approval of related party transactions.

### **Approval of the Audit Committee**

All related party transactions require prior approval of the Audit Committee. Omnibus Approval

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company,
- The Omnibus approval shall provide (1) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (2) the indicative base price/ current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and (3) such other conditions as the Audit Committee may deem fit. However, in case of related party transactions which can not be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 crore per transaction;
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transaction entered into by the company pursuant to each of the omnibus approval given,
- Such omnibus approval shall be valid for a period of one year and shall require fresh approval after the expiry of one year.

While accessing a proposal put up before the Audit Committee/ Board for approval, the Audit Committee/ Board may review the following documents/ seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e details of goods or property to be acquired/ transferred or services to be rendered/ availed- including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation, contemplated under the arrangement) of the proposed transaction, including value and quantum; Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

- Special terms covered/ to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as: market analysis, research report, industry trends, business strategies, financial forecasts etc., third party comparable, valuation reports, price publications including stock exchange and commodity market quotations; management assessment of pricing terms and business justification for the proposed transaction; comparative analysis, if any, of other such transaction entered into by the company.

### **Approval of the Board of Directors of the company**

As per the provisions of Section 188 of the Act, all kinds of transaction specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval. In addition to the above, the following kinds of transaction with related parties are also placed before the Board for its approval:

- I. Transaction which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/ or other parameters) requires Board approval in addition to Audit Committee Approval;
- II. Transaction in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/ or at arm's length basis and decides to refer the same to the Board for approval;
- III. Transaction which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- IV. Transactions meeting the materiality threshold laid down Clause 4 of the policy, which are intended to be placed before the shareholders for approval.

### **Approval of the Shareholders of the Company**

All the transaction with related parties meeting the materiality thresholds, laid down in Clause 4 of the policy, are placed before the shareholders for approval. For this purpose all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above , all kinds of the transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the threshold laid down in Companies (Meetings of Board and its Power) Rules, 2014 are placed before the shareholders for its approval.

## **6. DISCLOSURES**

Adviat Infratech Limited shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction. In addition to the above, Advait Infratech Limited shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchange.

## **7. DISCLOSURES**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to the 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 of such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to,

discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. in connection with any review/ approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.

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