

# **POLICY ON RELATED PARTY TRANSACTIONS**

*(Pursuant to Regulation 23(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015)*

## **R K SWAMY LIMITED**

*(Formerly Known R K Swamy Private Limited)*

## **1. PREAMBLE:**

The Companies Act 2013 together with the Rules notified thereunder, Regulation 23 of the SEBI LODR Regulations, and related circulars, clarifications, guidelines and notifications issued thereunder (together referred to as “the applicable laws”), provide a framework for regulating transactions with Related Parties. This policy is framed as per the requirements of the applicable laws and shall operate within the boundaries set by the laws.

This policy shall come into effect from the date of listing of equity shares of the company on the stock exchanges.

## **2. PHILOSOPHY/ OBJECTIVE:**

The objective of this Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company in this regard and to ensure proper approval and reporting of transactions between the Company and its Related Parties.

## **3. DEFINITIONS:**

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

“**Arms’ 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.

“**Audit Committee or Committee**” means “**Audit Committee**” constituted by the Board of Directors of the Company, from time to time, under provisions of Listing Regulations and The Companies Act, 2013 or under any previous Companies Act.

“**Board of Directors**” or “**Board**” means the collective body of the Board of Directors of the Company, as constituted from time to time.

“**Key Managerial Personnel**” means key managerial personnel as defined under sub-section 51 of Section 2 of the Companies Act 2013

“**Listing Regulations/ SEBI LODR**” mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modifications, clarifications, circulars or re-enactment thereof.

“**Material Modification**” shall mean any modification with respect to the following:

- a. significant terms and conditions of the contract with a Related Party such as modifications in price, margin, significant alteration to the credit period and material changes in scope of deliverables;
- b. any other modification which as per the directions of the Audit Committee may be deemed material on case-to-case basis.

*In case a modification is required pursuant to amendment to the applicable laws, it shall not be regarded as a material modification.*

“**Material transaction**” means a Transaction with a Related Party where any transaction(s) to be entered into individually or taken together with previous transactions during a financial year,

exceeds rupees *one thousand crore or ten per cent* of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

A transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the said Transaction to be entered into individually or taken together with the previous transactions during a financial year, exceed *five percent* of the annual consolidated turnover of the Company as per the last audited financial statements.

**“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.

**“Relative”** means a relative as defined under the Companies Act, 2013 or rules made thereunder and Listing Regulations, as amended from time to time.

**“Related Party”** means a related party as defined under the Companies Act, 2013 or rules made thereunder and Listing Regulations, as amended from time to time..

**“Related Party Transaction or RPT”** shall mean such transactions as specified under the provisions of the Companies Act, 2013 & Listing Regulations including any amendment or modification thereof, as may be applicable.

**“Senior Finance Officers”** shall mean and include the Group Chief Financial Officer, the Executive Vice President Finance, the Vice President Finance or such Senior Official in the Finance Department which the Board of Directors may so authorise for the purpose of this policy.

**“Unforeseen Related Party Transaction”** means a Related Party Transaction, where the need for such transaction cannot be foreseen, the details whereof necessary for seeking an omnibus approval of the Audit Committee are not available and the value of such transaction does not exceed Rupees one crore per transaction.

**Note:**

*Words and expressions used and not defined herein shall have the meaning respectively assigned to them under the Listing Regulation / Companies Act 2013 or other applicable laws.*

**4. Policy:**

**4.1 Identification of Related Party Transactions:**

- a. Before the commencement of each financial year, the Company shall draw up a list of Related Party(s) in accordance with the definition given in SEBI LODR and the Act. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard.
- b. All Directors and Key Managerial Personnel are responsible for informing the Company of their interest (including their indirect interest) in other companies, firms, body corporate(s) or concerns at the beginning of every financial year and any change in such interest during the year. Upon receipt of such notice, the Senior Finance Officer in consultation with the Company Secretary is authorised to determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- c. As regards transactions with Related Parties that require prior approval of the Board/Audit Committee, the Senior Finance Officer shall be responsible to notify the Board/ Audit

Committee of any such potential Related Party Transactions and shall also contain adequate information about the Related Party transaction(s). This will provide the Board/Audit Committee members adequate time and information to consider and review the proposed transaction(s).

- d. The Audit Committee, in consultation with Senior Finance Officer, will review and determine whether any Transaction with such Party(s) will constitute a Related Party Transaction requiring compliance with this RPT policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and shall not be present in the meeting during discussions on related party transactions and shall not be entitled to vote on for such item under consideration by Audit Committee and Board, as the case may be.

#### **4.2 Approval of Related Party Transactions:**

##### **a. Approval of the Audit Committee:**

- i. All RPTs between the Company and its Related Parties, and any modifications therein, shall require prior approval of the Audit Committee.
- ii. The Audit Committee shall consider all relevant factors while deliberating on the RPTs for its approval.
- iii. Only Independent Directors who are members of the Audit Committee shall approve Related Party Transactions.
- iv. Related Party Transaction to which the subsidiary of the Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds the thresholds as prescribed under the Listing Regulations.
- v. The Audit Committee may grant omnibus approval for the RPTs, which are routine and repetitive in nature and which satisfy the criteria for omnibus approvals, as prescribed under the Act or the Listing Regulations (including RPTs to which the subsidiary of the Company is a party, but the Company is not a party). Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- vi. Where the need for the RPT cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- vii. Audit Committee shall review on a quarterly basis, the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approvals given.
- viii. The Audit Committee shall also review the status of long-term (more than one year) on an annual basis.

##### **b. Approval of the Board of Directors:**

- i. All transactions between the Company and its Related Parties which are not in the Ordinary Course of Business, or not proposed to be executed as an Arm's length transaction.

- ii. Transactions which are not approved by the Audit Committee, or in the opinion of the Audit Committee, need special consideration / determination by the Board
- iii. Where any director is concerned or interested in any potential RPT, such director shall abstain from discussion and voting when such transaction is being considered.

**c. Approval of the Shareholders of the Company**

- I. The following RPTs and subsequent Material Modifications thereto, shall be subject to prior approval of shareholders of the Company, by way of a resolution:
  - A material transaction as per the provisions of SEBI LODR; and
  - Not in the ordinary course of business, or not at arm's length price and exceeds thresholds prescribed under the Companies Act, 2013,.
- II. No Related Party shall vote to approve such a resolution, irrespective of whether the entity is a Related Party to the particular transaction or not.
- III. The Audit Committee and the Board shall approve and recommend all Material Related Party Transactions, before submitting the same for approval of the shareholders of the Company.

**5. Related Party Transactions not previously approved:**

- 5.1 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 following conditions:
- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
  - ii. the transaction is not material in terms of regulation 23 (1) of listing regulations;
  - iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
  - iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of regulation 23 (9);
  - v. (any other condition as specified by the audit committee)

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it."

**6. Exemptions:**

- 6.1. The following RPTs shall be exempt from the requirement of prior approval of the audit or Board or shareholders:
- i. transactions between and among the wholly owned subsidiary(ies) and the Company, whose accounts are consolidated with the Company, if such transactions are in the Ordinary Course of Business or executed as Arm's length transaction;
  - ii. transactions between and among two or more wholly owned subsidiaries of the

Company, whose accounts are consolidated with the Company;

- iii. transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand

## **7. Approval for specific RPTs:**

**7.1** The following transactions or arrangements, which are specifically dealt under separate provisions of the Act or the SEBI LODR and executed under separate approvals/procedures of the competent authority of the Company (i.e. shareholders, Board, or a Board Committee), shall be deemed to have been approved under this Policy, in compliance with provisions of Applicable Laws:

- a. Issue of specified securities on a preferential basis, subject to the compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b. the following corporate actions 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.
- c. retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors;
- d. Payment of remuneration to Directors, KMPs, SMPs and other employees except remuneration and sitting fees paid by the Company or its subsidiary to director, key managerial personnel or senior management, who is part of promoter or promoter group, shall require approval of the audit committee;
- e. Share based incentive plans including Stock Options to the directors, KMPs and other employees by the Company or its subsidiaries;
- f. Financial assistance in the form of investment, loan or guarantee or creating security;
- g. Spends towards Corporate Social Responsibility

## **8. Disclosures & Reporting:**

**8.1** This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

**8.2** A summary statement of RPTs approved by the Audit Committee shall be submitted to the Audit Committee on quarterly basis for information, review and noting. This statement of RPT shall be accompanied by following confirmations from any one from the Management of the Company or an external consultant, or such other officer as may be approved by the Audit Committee:

- I. Whether the transactions are Arm's length transactions;
- II. Whether the transactions are in the Ordinary Course of Business; and whether the transactions are as per the terms and within the limits approved by the Audit Committee / Board;

**8.3** The RPTs shall be disclosed to the stock exchanges, on the website of the Company and in other statutory documents, in accordance with Applicable Laws.

**9. Review and amendments:**

**9.1** The Audit Committee shall review this Policy at least once in three years, or as may be otherwise prescribed by the Audit Committee/ Board from time to time.

**9.2** Based on the recommendations of the Audit Committee, the Board may review or amend this Policy at any time without any prior intimation and lay down further rules or procedures, to give effect to this Policy.

**10. POLICY APPROVAL AND UPDATES:**

The Key management personnel's (KMPs) or the person authorised by the Board may review this Policy from time to time. Any material changes to this Policy shall require prior approval of the Board. In case of any inconsistency between the terms of this Policy, Listing Regulations & Companies Act, 2013 the provisions of the Listing Regulations & Companies Act, 2013 shall prevail.

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