

# **R.C.A. LIMITED**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1) OBJECTIVE OF THE POLICY**

The Board of Directors (the "Board") of R.C.A. Limited has adopted this Policy on Related Party Transactions as required in terms of Clause 49(VII) of the Listing Agreement.

The Board of Directors 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, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

This Policy shall regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and also lay down mechanism for identification, approval, review and reporting of such transactions.

The Policy on Related Party Transactions may be amended at any time and is subject to any further change in the Listing Agreement or the Companies Act, 2013 ( the Act) or rules/regulations made there under.

### **2) EFFECTIVE DATE**

This Policy shall become effective from the date of its adoption by the Board.

### **3) DEFINITIONS**

**"Applicable Law"** means the Companies Act, 2013 and the rules made there under, the Listing Agreement and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

**"Material Related Party Transactions"** means such Transactions to be entered into individually or taken together with previous Related Party Transaction 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 with Related Party.

An entity shall be considered as related to the Company if:

(a) Such entity is a related party under Section 2 (76) of the Companies Act, 2013,

**Related party'** with reference to a company, means:

- (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 or his relative is a member or director;

- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital ;
- (vi) anybody 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) Director (other than Independent Director) or KMP of the holding company or his relative;
- (b) such entity is a related party under the applicable accounting standards.

**“Relative”** with reference to any person, means anyone who is related to another, if—

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (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).

**“Related Party Transaction”** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

**Explanation:** - A transaction with a related party shall be construed to include a single transaction or a group of transactions in the contract.

**“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
- iv) the Chief Financial Officer, and
- v) such other officer as may be prescribed

**“Associate Company”** means a company which has significant influence but which is not a subsidiary of the Company having such influence and includes a joint venture company.

**“Significant Influence”** means control of at least 20% of the total share capital or of business decisions under an agreement.

**“Joint Venture”** means a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

**“Control”** shall include:

a) The right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders'/voting agreements etc.; or

b) Ownership, directly or indirectly, of more than one half of the voting power of the Company;  
or

c) A substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the Company.

**“Related Party Transaction”** (“RPT”) means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether or not a price is charged, either single or a group of transactions in a contract,

**“Specific Related Party Transaction”** shall mean any of the following transactions entered into by the Company with any of its Related Parties which are, either not in the ordinary course of business or not on arm’s length basis:

- a. sale, purchases or supply of any goods or materials;
- b. selling or otherwise disposing of, or buying, property of any kind;
- c. leasing of property of any kind;
- d. availing or rendering of any services;
- e. appointment of any agent for purchases or sale of goods, materials, services or property;
- f. such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g. Underwriting the subscription of any securities or derivatives thereof, of the company.

**“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.

**“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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other threshold as may be laid down from time to time by Applicable Laws.

**“Office or Place of Profit”** means any office or place:

i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

“Responsibility Officer” means the Chief Financial Officer (CFO) of the Company. The Board may, where it is considered necessary so to do, appoint such other officer as it may consider proper as such Responsibility Officer(s).

**“Applicable Laws”** means the Companies Act, 2013 and the rules made thereunder, the Listing Agreement and include any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

**All terms not defined herein shall take their meaning from the Applicable Laws.**

## **PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

### **4) AUDIT COMMITTEE APPROVAL**

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

#### **Omnibus approval**

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:-

- 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 -
  - (i) the name/s of the related party, nature of transaction, period of transaction, 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.

However, in case of related party transactions which cannot 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 transactions 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 approvals after the expiry of one year.

## **5) BOARD OF DIRECTOR APPROVAL**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said section are placed before the Board for its approval; however this provision will not apply to the transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

All the Material Related Party Transactions as per Listing Agreement shall be approved by the Board of Directors of the Company

## **6) SHAREHOLDER APPROVAL**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

## **7) NON-APPLICABILITY**

Transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **8) DISCLOSURES**

(a) The Company is required to disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report of the Company.

(b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.

## **9) AMENDMENT**

This policy shall stand amended in terms of the Companies Act, 2013, the rules made there under, and Clause 49 of the Listing Agreement, as amended from time to time. The Board or the Audit Committee may review and amend this policy from time to time.