

POLICY
FOR DETERMINING MATERIALITY
AND
DEALING WITH RELATED PARTY TRANSACTIONS

[Pursuant to SEBI (Listing Obligations and Disclosure Requirements), 2015]

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2	03/04/2019	Amendment in Clauses
3	14/02/2022	Review of Policy

Any enquiries or comments regarding this document / circulation should be addressed to the Related Party Monitoring team:

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1. GENERAL

Regulation 23 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, as amended from time to time requires that the listed entity shall formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions:

It further requires that all Related Party Transactions shall require prior approval of the Audit Committee and Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject certain conditions and the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

It further states that material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

2. Objective

The objective of this Policy is to set out (i) the materiality thresholds for Related Party Transactions and; (ii) 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; (iii) to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

This policy specifically deals with the review and approval of Material Related Party Transactions, keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

This policy applies to all transactions with any of the identified Related Parties, unless the transaction is specifically exempted.

3. Effective

The Policy shall be effective from the date of listing of equity securities of the Company.

4. Preliminary

- a. For the purposes of this Policy, a related-party transaction is any sale or purchase, transfer of resources, services or acceptance of obligations between the Company 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:
- b. This Policy also applies when amending, modifying or terminating an existing agreement between the Related Parties.
- c. The value to be ascribed to an amendment or modification of contract which is confirmed as being on ordinary course, arms' length terms is the change in value of the contract from the existing contract to the new contract. For other contracts the value to be ascribed would be the total value of the (new) amended contract.

- d. When determining the value of a transaction to which the Policy applies, the total value of all commitments arising pursuant to the transaction (including taxes) should be taken into account. Any conditional or contingent amounts and the terms under which such amounts would become payable should also be indicated.
- e. Once a transaction is approved along with its crucial terms (nature of transaction/service, payment terms, pricing formula, timing and manner of revisions in terms, etc.), as a contract, specific approval of purchase orders or sub-contracts would not be required under this Policy.
- f. Payments under related party transactions approved prior to this policy coming into effect shall not require any further approval.
- g. To monitor the approval process, a Related Party Transaction Monitoring team is being formed consisting of (i) Group Chief Financial Officer (ii) Company Secretary (iii) Chief Internal Auditor and (iv) Head of Taxation.
- h. The roles and responsibilities, in general, of the functions involved in the approval process is outlined at Appendix F and the statutory provisions are reproduced at Appendix G.
- i. The recommended documentation for related party transactions is provided at Appendix A.
- j. The Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to certain conditions listed in para of this Policy.
- k. The Policy may be reviewed from time to time by the Board of Directors based on the recommendation of the Audit Committee.

5. Definitions¹

- a. “Act” means the Companies Act 2013 and Rules thereunder as amended or modified from time to time.
- b. “Approval Form” means the form for “Approval of Related Party Transactions” attached as Appendix A completed and signed off by all appropriate persons.
- c. “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.
- d. “Associate company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
 - i. Explanation—For the purposes of this clause, significant influence” means control of at least 20% of total share capital, or of business decisions under an agreement
- e. “Goods” means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale; as defined under the Sale of Goods Act 1930.
- f. “Key Managerial Personnel” in relation to a company means a person in terms of

Section 2(51) of the Act-

- i. Chief Executive Officer or the Managing Director or the manager;
 - ii. Company Secretary
 - iii. Whole-time Director
 - iv. Group Chief Financial Officer
 - v. such other officer as may be prescribed under the Act
- g. "Listing Regulations" means the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- "Ordinary course transaction" - a transaction could be considered in "ordinary course of business" if
- It is covered in the main or incidental objects in the Memorandum of Association i.e., it relates to the main purpose of the business. Transactions that are entered in the normal and usual course of business and are identical to the business of the company
 - It is "normal" or "routine" in managing trade or business.
- o It is a transaction a company has engaged in many times (frequency)
 - o It is a transaction a company does regularly (predictable, uniformly occurring or consistent)
 - o If it is common practice in the industry
 - o It is a source of income or revenue for the business of the Company as per its Memorandum of Association

¹ *Wherever relevant, definitions have been taken from the Companies Act,2013 as applicable and prevailing from time to time.*

- h. "Policy" means this policy, as amended from time to time.
- i. "Related Party" in relation to a company means a related party as defined under Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time:
 - i.e., An entity shall be considered as related to the company if:
 - i. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - ii. such entity is a related party under the applicable accounting standards; or
 - iii. Any person or entity belonging to the promoter or promoter group of the Company and holding 20% (10% w.e.f. April 1, 2023) or more of shareholding in the Company shall be deemed to be a related party.
- j. "Related Party transaction" as defined under Regulation 2(1)(zc) of Listing Regulations or shall mean all the transaction as specified under Section 188 of the Act and rules prescribed thereunder as amended time to time.
- k. "Relative" means relative as defined under sub-section (77) of section 2 of the Act and rules
- l. "Rules" means the rules made under the Companies Act, 2013.
- m. "SEBI" means the Securities and Exchange Board of India.
- n. "Stock Exchange(s)" means BSE Limited and the National Stock Exchange of India Limited, where the equity shares of the Company will be listed.

6. Process for Identification and Monitoring of Related Parties

2.1 Each Director and Key Managerial Personal is responsible for providing disclosure regarding persons and entities to be considered as "related Party" by virtue of his /her being Director/KMP in the entity or holding certain shareholding. Such notice shall be provided to the Company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made

2.2 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 or her or his or her Relative, including any additional information about the transaction that the Board /Audit Committee may reasonably request. Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy

2.3 It shall be the joint responsibility of the Group CFO, and the Company Secretary to ensure that the list of related parties be kept updated at all times by following the process mentioned hereunder.

2.4 The Secretarial team shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/KMPs, investment structures and other supporting documents/ information or as and when information of addition or

deletion of a party is brought to its notice. At any rate, the related party list shall be updated on a quarterly basis.

2.5 The names of all Related Parties identified shall be consolidated as a Related Party Reference List (hereafter the 'Reference List') and this Reference List, as amended from time to time, shall be progressively shared by the Secretarial Team with the Corporate Accounts Head who, in turn, will share the same with all Business Heads (Unit General Manager or higher)/ Functional Heads for compliance, at their end.

2.6 The Technology Team (IT-SAP Team) will tag the Related Parties in the Reporting System to generate periodic reports of RPTs recorded in the system. Finance/Internal Audit will independently review the tagging in the system from time to time.

2.7 The Directors and KMPs are mandated to promptly communicate to the Secretarial team of any changes in the initial disclosure submitted by them. The Secretarial team shall update the Reference List on the basis of the intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

2.8 All Accounts Heads of each business unit would be required to proactively ensure that RPTs are entered in accordance with the approved Framework and provide self-certified compliance certificates to the Company Secretary on periodic basis for placing the same before the Audit Committee.

2.9 An independent validation of compliance vis a vis the approved Framework would be conducted by the Internal Audit Team or such other person(s) nominated / appointed for the purpose.

2.10 The Corporate Accounts Head shall be responsible for ensuring that the list of related parties received as per 6.3 above are tagged and / or marked in SAP.

7. List of RPTs and Key Principles of Materiality Thresholds for RPTs

A. Indicative list of ordinary-course RPTs

The definition of RPTs under Listing Regulations is wide enough to cover any type of transactions between related parties, whereas, under the Companies Act, 2013, following types of transactions are covered under the scope of RPTs.

- a. Sale, purchase 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 purchase or sale of goods, materials, services or property
- f. Appointment of a related party to any office or place of profit in the company, its subsidiary company or associate company
- g. Underwriting the subscription of any securities, or derivatives thereof, of the company

The above transactions may be recurring or non-recurring depending on the arrangements between the parties.

Examples of recurring transactions include contracts between related parties/ affiliates for goods and services such as:

- Data processing services
- Accounting services
- Supplies, e.g., raw materials, finished goods, office or maintenance supplies etc.
- Management fees
- Providing financial support of any kind
- Infrastructure sharing services
- Lease transactions

Examples of non-recurring transactions include:

- Sale/Purchase of equipment between related parties
- Sale of properties or real estate between related parties
- Execution of contracted services over a long period of time to a related party
- ICDs / Loan participations / Security Creation / Guarantees
- Providing of services by one related party to another, without contract

B. Indicative list of non-ordinary course RPTs

The example of non-ordinary course of RPTs are as under:

- a. Equity transactions, such as corporate restructurings or acquisitions
- b. The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- c. Sales/Purchase transactions with unusually large discounts or returns
- d. Transactions with circular arrangements, for example, sales with a commitment to repurchase
- e. Transactions under contracts whose terms are changed before expiry

C. Materiality Thresholds for RPTs:

Following transactions with a Related Party shall be construed as Material Related Party Transactions:

Nature of Transactions	Materiality as per Companies Act, 2013	Materiality as per SEBI LODR
Sale, purchase or supply of any goods or materials directly or through appointment of agents	exceeding 10% of Turnover or Rs.100 Crores, whichever is lower	Transaction(s) with a related party exceeding Rs. 1000 crore* or 10% of the annual consolidated turnover whichever is lower* as per the last audited financial statements of the Company. <i>(*Effective April 1, 2022.)</i> Explanation: The above limit is applicable for the transaction or transactions
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents		
leasing of property of any kind		

Availing or rendering of any services directly or through appointment of agents	exceeding 10% of Turnover* or Rs.50 Crores, whichever is lower	to be entered into either individually or taken together with the previous transactions during a financial year.
Appointment to any office or place of profit in the company, its subsidiary company or associate company	at a monthly remuneration exceeding two and half lakh rupees (Rs.2,50,000)	10% of the annual consolidated turnover
Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	exceeding 1% of the net worth	10% of the annual consolidated turnover
Loan to a Managing Director or a Whole Time Director which is not part of the conditions of service extended by the Company to all its employees	Any Amount	10% of the annual consolidated turnover
Transfer of resources (e.g., loans and advances, interest thereon, guarantees)	Any Amount	10% of the annual consolidated turnover

The Company has defined Material RPTs basis the thresholds defined in the Companies Act 2013 and Regulation 23 of the SEBI LODR Regulations.

- D. Material Modification in Related Party Transaction: Material Modification with respect to any approved Related Party Transaction shall mean and include:
- i. Material Modification in the pricing criteria as agreed at the time of approval of the Related Party Transaction
 - ii. Material change in the nature of the Transaction
 - iii. Such other material modifications as may be approved by the Audit Committee time to time

Whereas the word “Material” shall mean any modification/change (individually or taken together with previous modifications/change) in the existing Transaction having effect of increase or decrease, which exceeds 25% of value of Transaction which is proposed to be modified.

Provided that if any future modification or alteration is already approved at the time of approving original transaction by Audit Committee and/ or Shareholders, such modification or alteration shall not be treated as material modification

8. Arm's length pricing and Ordinary Course of business

A. Arm's Length pricing

The Arm's Length Pricing (ALP) is the condition or the fact that the parties to an RPT are independent (un-related) and on an equal footing from one or more of the following aspects, namely quality, realization, commercial terms etc. Such a transaction is known as an "arm's-length transaction".

In the absence of any prescriptive guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company shall take guidance from applying below-mentioned method which are otherwise recognized under Income-tax Act, 1961. Additionally, the Company may also adopt any other reasonable approach or methodology to demonstrate ALP for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm's Length benchmark.

The following commonly applicable methodologies may be used to establish arms' length pricing.

8.1 Comparable Uncontrolled Price Method (CUP) [Price comparison]

CUP is a method used to determine if the prices reported in a transaction are comparable with prices for similar tangible goods in an arm's length transaction. This method relies on a direct comparison of prices and is applicable only when the goods are standard enough to be sold in an open market. For e.g.

- o Company sells or buys similar goods, in similar quantities and under similar terms from / to an independent enterprise in a similar market;
- o An independent enterprise buys or sells a particular product, in similar quantities and under similar terms from / to another independent enterprise in a similar market.

8.2 Resale Price Method (RPM) [Gross margin comparison]

An arm's length price is determined by deducting an appropriate discount for the activities of the reseller from the actual resale price. The appropriate discount is the gross margin, expressed as a percentage of net sales, earned by a reseller on the sale of property that is both purchased and resold in an uncontrolled transaction in the relevant market. Whenever possible, the discount should be derived from sales by other resellers in the same or a similar market.

The resale price method measures the value of functions performed and is ordinarily used in cases involving the purchase and resale of tangible property in which the reseller has not added substantial value to the tangible goods by physically altering the goods before resale. For this purpose, packaging, repackaging, labelling, or minor assembly do not ordinarily constitute physical alteration.

8.3 Cost Plus Method (CPM) / Transactional Net Margin Method (TNMM) [Comparison of profit markups on costs/ sales or assets]

Cost plus pricing is a cost-based method for setting the prices of goods and services. Under this approach, a markup percentage (to create a profit margin) is added to the cost of a product in order to derive the price of the product. Cost plus pricing can be used within a customer contract, where the customer reimburses the seller for all costs incurred and also pays a negotiated profit in addition to the costs incurred. For e.g. if in the auto component industry normal margin is around 10%,

then for evaluating similar related party transactions, cost plus margin can be used with margin being compared against industry benchmarks.

8.4 Profit Split Method (PSM)

This method can be used where transactions are so interdependent that it is not possible to identify closely comparable transactions, particularly in circumstances where both parties in a related party transaction have contributed valuable intellectual property.

The relative value of each related party's contribution to the success of the relevant business activity must be determined in a manner that reflects the functions performed, risks assumed, and resources employed by each participant in the relevant business activity, consistent with the comparability. This method compares the division of operating profits among the related parties to the division of operating profits among non-related parties engaged in similar activities under similar circumstances.

B. Ordinary Course of Business

The criteria of being "ordinary" or "normal" or "in the ordinary course of business", is met when both of the selective criteria are satisfied namely;

- a) the transaction must be ascribed to business objectives or operational activities or alternatively, related to financial activities and;
- b) the same transaction must also fall under the perimeter of the ordinary exercise of operational activities or related financial activities.

9. Approval process

a. General

- 9.1.1 All employees are responsible for identifying and disclosing potential RPTs to the Monitoring Team and/or Audit Committee.
- 9.1.2 The Monitoring Team is responsible for ensuring that all RPTs reported to it are submitted to the Audit Committee for review and approval process.
- 9.1.3 All Potential RPTs, that are identified by the Monitoring Team, would be reviewed by the Legal & Secretarial Department, if required.

- 9.1.4 All transactions identified as RPTs must be reviewed by the Monitoring Team to ensure the following:
- A conflict of interest does not exist;
 - An improper valuation of such transaction has not been performed;
 - Information necessary to disclose the related party transaction are properly documented; and
 - Proper back-up documents are available for review and decision by the Audit Committee to ensure that the transaction is proposed at Arm's Length price and is in the Ordinary Course.
- 9.1.5 All transactions with a related party (other than those specified in Appendix B) including renewals/ amendment /novation of contracts specified in Appendices B, shall be approved by the Audit Committee and where applicable, by the Board of Directors or shareholders. Where the related party is a Company, it should be approved by the Audit Committee or Board or shareholders of the respective related party Company in terms of relevant provisions of the Companies Act, 2013 such as sections 179, 185, 186 or 188.
- 9.1.6 Each transaction which is backed by a contract shall be vetted by the legal department.
- 9.1.7 Each non-contract transaction shall be signed off by the head of Supply Chain Management (SCM) department or person designated in writing by him. The Approval chart for RPTs is set out in Appendix E for easy reference.
- 9.1.8 List of contracts, arrangement or transactions already approved by the Board/Shareholders before effective date of this Policy, and which are not material RPTs, will not require any further approval. However, any amendments or modifications in the terms and conditions of such approved contracts, arrangement or transactions will require fresh approvals under this Policy.

9.2 Document processing by the Monitoring Team

- 9.2.1 The employee/ department initiating transaction with a Related Party (Requisitioning department) shall prepare a note on the proposed transaction along with Arms' length pricing justification.
- 9.2.2 The Requisitioning department shall be responsible for filling-up and submission of the Approval Form (*Refer Appendix A*) which shall be duly filled in and signed off as follows:

- a. Confirmation by Head of Supply Chain Management Department (SCM)

The initiator of RPT shall submit proposal for confirmation of commercial terms to the Head of SCM or designated person for confirmation that the commercial terms of the proposed transaction are at arm's length or not. The certification of arm's length pricing shall be supported by relevant evidence (e.g. in case of sale/purchase of any product with related party, the price, delivery and payment terms are identical with the similar transaction with un-related party).

- b. Confirmation by Legal Head

The Legal Head shall confirm that the legal department has vetted the transaction documents and that it contains no terms adverse to the interests of the Company.

c. Confirmation by Functional / Business Head

The head of the Function or Business Unit, which is proposing to enter into the transaction, is required to confirm whether the transaction is in “ordinary course” or “non-ordinary course”.

9.2.3 All documents in 9.2.1 and 9.2.2 above shall be sent to the Monitoring Team after confirmation by the Function/ Business Head.

9.2.4 At any point of time while reviewing the transaction, the SCM Head or the Monitoring Team may require the Requisitioning department to obtain a third-party confirmation that the commercial terms of the transaction are on arm’s length basis. The identity of the third party would be determined by the SCM Head and/or Monitoring Team.

9.2.5 The Monitoring Team shall scrutinise the documents and submit the same to the Secretarial team within 3 days of receipt of the documents.

9.3 Audit Committee approval process

9.3.1 The Secretarial team shall, in consultation with Managing Director and/or Group CFO, schedule an Audit Committee meeting after giving a notice of at least 7 days or such shorter notice as may be allowed under the Act.

9.3.2 The Audit Committee meeting shall be convened and conducted as per the provisions of the Act.

9.3.3 Any transaction requiring specific approval of the Board or Board committee as per Section 179, 185, 186 or 188 or any other Section of the Act (Refer Appendix C) shall be first approved by the Audit Committee and then referred to the Board or the relevant Committee of Directors. Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. Provided that only those members of the Audit Committee, who are Independent Directors, shall approve such Related Party Transactions. Further, any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction. A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

Pursuant to the Amendment Regulations, with effect from April 1, 2022, the following will require prior audit committee approval or Board of Directors of the Company as the case may be, as required under and subject to the Act and Listing Regulations and recommendations of Audit Committee:

i. all RPTs as well as their subsequent material modifications (as defined above); and

ii. transactions to which a subsidiary of the Company is a party (but the Company is not) and whose value is 10% or more of the consolidated turnover of the Company, and with effect from April 1, 2023, whose value is 10% or more of the standalone turnover of the subsidiary.

- 9.3.4 The Audit Committee shall scrutinize all the documents placed before committee and shall approve the transaction, other than those covered under omnibus approval, and if required refer or recommend the transaction to the Board for approval as indicated in Clause 9.3.5 below, keeping in mind whether:
- a. the proposed transaction is in the ordinary course of business and on arms' length commercial terms OR
 - b. the proposed transaction is in the ordinary course of business but not on arms' length basis OR
 - c. the proposed transaction is not in the ordinary course of business.
- 9.3.5 If, in the opinion of the Audit Committee, the transaction falls under sub-para (a) of para 9.3.5 above, the Audit Committee shall approve the same unless it is one of the transactions mentioned in para 8.6.3 (Appendix C).
- 9.3.6 All transactions approved by the Audit Committee as per para 9.3.5 shall be reported to the Board at its next meeting.
- 9.3.7 If in the opinion of the Audit Committee, the transaction should be approved by the Board or the transaction meets Materiality Threshold or requires approval of the Board or Shareholders under any other provisions of the Act or Regulations, the Audit Committee shall refer the transaction to the Board of Directors or Shareholders for its approval and further process as may be applicable. The Audit Committee shall give a rationale / reasoning for considering the transaction as falling under either sub- para (b) or (c) of para 9.3.4 above.
- 9.3.8 The Audit Committee may require the Company to obtain a third-party confirmation that the commercial terms of the transaction are on arm's length basis. The identity of the third party would be determined by the Chairman of the Audit Committee.
- 9.3.9 The Company has the option to present any transaction not approved by the Audit Committee to the Board for its consideration and approval.

9.4 Board approval process

- 9.4.1 In case the transaction is referred to the Board pursuant to 9.3.3 or 9.3.7 above, the Company Secretary shall prepare a statement with the following details so as to enable the Board / Audit Committee to decide on further procedures:

Sr No	Particulars	Details
a.	Name of Counter party (ies)	
b.	Nature of relationship with the Company, if any (Financial or otherwise)	
c.	In case the company is a wholly owned subsidiary, whether the shareholders of the holding company have passed a special resolution approving the transaction	
d.	Brief description of the proposed contract (nature, duration/Tenure)	
e.	Type, Material terms and particulars of the proposed contract	
f.	Value of the proposed contract (Rs)	

g.	Whether any advance payable/paid or receivable/received for the contract or arrangement	
h.	the manner of determining pricing and other commercial terms, both included as part of contract and not considered as part of the contract	
i.	whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors	
j.	The percentage of the Company's annual consolidated turnover , for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)	
k.	Justification as to why the RPT is in the interest of the listed entity	
l.	A copy of the valuation or other external party report, if any such report has been relied upon;	
m.	If the transaction relates to any loans, inter corporate deposits, advances or investments made or given by the listed entity or its subsidiary: i) details of the source of funds in connection with the proposed transaction ; ii) where any financial indebtedness is incurred to make or give loans, inter corporate deposits, advances or investments, • nature of indebtedness; • cost of funds; and • tenure; iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.	
n.	Any other information that may be relevant	
o.	Recommendation of the Audit Committee	
p.	Date of approval / recommendation by the Audit Committee	
q.	Whether shareholders' approval is required	

Transactions requiring Board approval shall be taken up at the ensuing Board meeting which shall be convened and conducted as per the provisions of the Act.

9.5 Shareholders' approval process

9.5.1 All (i) a material transaction and subsequent material modifications as defined by the audit Committee as per Regulation 23 or (ii) ordinary course non-arms' length transactions, (ii) non-ordinary course transactions; and (iii) transaction exceeding Materiality Thresholds as given in para above, between the Company and Related Party shall require prior approval of the shareholders (by non-interested shareholders only) in addition to the approval of the Audit committee and the Board as per paras 9.3 and 9.4 respectively.

9.5.2 The Shareholders' meeting shall be convened and conducted as per the

provisions of the Act.

9.5.3 All material related party transactions and subsequent modifications shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

9.5.4 All existing material related party contracts or arrangements entered into prior to date shall be placed for approval of the shareholders in the first General Meeting subsequent to effective date of this Policy.

10. Omnibus Approval

- a. In case of RPTs of a recurring nature, the details of the RPT shall be submitted to the Audit Committee in the prescribed format to obtain its omnibus approval.
- b. The proposal for omnibus approval would specify, to the extent possible: -
 - Names of the Related Party
 - Nature of the transaction/ categories of such transactions.
 - Period of the transaction/contract/ arrangement
 - Maximum value for which such a transaction can be cumulatively transacted.
 - Guidance on commercial consideration.
 - Any other conditions the Audit Committee deems fit
- c. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- d. The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the company;
- e. After reviewing the request and documents, the Audit Committee may grant omnibus approval by specifying details as mentioned at para 10.3 above and it shall be considered as prior approval for the respective/ classified RPTs. This will eliminate the need/ requirement for obtaining prior approval for such recurring RPT of similar nature.
- f. Such RPTs will continue to be evaluated for propriety of arm's length and ordinary course of business. The omnibus approval thus obtained shall remain valid for a period of one financial year. On expiry of the said term/period, fresh approval shall be obtained for the classified RPTs.
- g. On a quarterly basis, a report of RPTs carried out under the omnibus approval shall be presented to the Audit Committee for its review at the meeting.
- h. The maximum value of the transactions with a related party, in aggregate, which can be allowed under omnibus route in a year will be 10% of the annual consolidated turnover of the company as per the last audited financial statements of the Company.
- i. Transactions of following nature will not be subject to the omnibus approval of the Audit Committee:

- Transactions which are not at arm's length or not in the ordinary course of business;
 - Transactions which are not repetitive in nature;
 - Transactions exceeding materiality thresholds as laid down in Clause 3A of the Policy;
 - Transactions in respect of selling or disposing of the undertaking of the company;
 - Any other transaction the Audit Committee may deem not fit for omnibus approval;
- j. 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.
- k. the Audit Committee, in consultation with the Board of Directors of the Company has specified following criteria for granting omnibus approval:
- The maximum value of the transactions with a related party, in aggregate, which can be allowed under omnibus route in a year will be 10% of the annual consolidated turnover of the company as per last its audited financial statements.
 - The maximum value per transaction which can be approved under omnibus route will be the same as per the Materiality Threshold as defined in Para 7-C. of the Policy.
 - While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek inter alia 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, payment terms, financing arrangements;
 - 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:
 - o market analysis, research report, industry trends, business strategies, financial forecasts etc.;
 - o third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;

- o management assessment of pricing terms and business justification for the proposed transaction;
- o comparative analysis, if any, of other such transaction entered into by the company.

8.1.2 A list of transactions and contracts approved by the Board/Shareholders prior to this Policy coming into effect is attached at Appendix B.

11. RPTs with Wholly-Owned Subsidiary Company/ies (WoS)

- a. Any RPT covered under the Listing Regulations, but not covered under the Act shall not require approval of the Audit Committee, Board of Directors or Shareholders where such transactions are entered into between the Company (as holding company) and wholly owned subsidiary whose accounts are consolidated with the Company (with holding company) and placed before the shareholders at the general meeting for approval.

12. Interpretations:

Any words used in this Policy but not defined herein shall have the same meaning attributed to it under the Companies Act, 2013 or Rules made there under, SEBI Act or rules and regulations made thereunder.

13. Related Party Transactions that shall not require approval

Following transactions shall not require separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and Key Managerial Personnel (“KMP”) that has already been approved by the Nomination and Remuneration Committee of the Company or the Board or the shareholders as the case may be;
- b. Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- c. Payment of Dividend;
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act or SEBI Regulations,;
- e. Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.
- f. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- g. subdivision or consolidation of securities
- h. issuance of securities by way of a rights issue or a bonus issue;
- i. buy-back of securities.

14. Review and Amendments

The policy has been approved by the Board of Directors of the Company. The Board and/or Audit Committee may, as and when it deems appropriate, review this policy. This policy is being formulated keeping in mind the applicable laws, rules, regulations and standards in India. If there is an amendment in such laws, rules, regulations, governing Act(s) and standards, impacting the provisions of this policy then this Policy shall be deemed to have been automatically amended / modified to the extent of such amendment, even if not incorporated in this policy. Conversely, if due to subsequent amendment in the statutory provisions, this Policy or any part hereof becomes inconsistent, such amended statutory provisions shall prevail and this Policy shall be deemed to be amended to that extent. The policy will be reviewed as and when required but at least once in in three years. The Board has the power and authority to amend and modify this Policy in light of modifications and amendments in SEBI Listing Regulations and Act or otherwise.

Date:

Place: Aurangabad

CHAIRMAN OF AUDIT COMMITTEE

Appendix

Appendix A

FORM OF APPROVAL OF RELATED PARTY TRANSACTIONS

Transaction number <i>(to be filled by Related Party Monitoring Team)</i>								
Name of Contracting party (Company)								
Counter Party which is a related party								
Description of proposed transaction:								
Frequency of Transaction : One Time / Recurring / Non-recurring / Long Term								
Is the transaction in the ordinary course of business? Give Justification.							YES / NO	
Value of proposed transaction (Amount Rs.) : _____ as at date _____								
Financial sign-off								
Description of financial commitments of the Company:								
I hereby confirm that the commercial terms of proposed transaction are on arm's length basis.								

Signature of Chief Commercial Officer / Designated Employee <i>(Whichever is applicable)</i> Name : Designation :	
Legal sign-off	
I hereby confirm that I have vetted the Agreement/Contract/other documents and there are no terms adverse to the interests of the Company. Signature (Legal team member who has vetted the document) Name : Designation :	
Business sign-off	
Is the transaction in the ordinary course of business? YES / NO Justification:	
We request you to place this transaction for approval of Audit Committee/Board/Shareholders, as applicable, Signature of Head of Business Unit Name : Designation :	
Confirmation that the Policy has been complied with Related Party Monitoring Team	

Please submit the completed form to RPT Monitoring Team

Note : All supporting documents in support of and to justify the transaction at arm's length and in the Ordinary Course of Business as per Para 8.2 have to be attached with this form.

Indicative list of recommended documents

- (i) Comparative Quotes
- (ii) Justification for pricing
- (iii) Special Circumstances
- (iv) Third Party opinion
- (v) Historical Transaction details
- (vi) Comparative Contract details

Appendix B

TRANSACTIONS ALREADY APPROVED PRIOR TO THIS POLICY

Sr No.	Nature of transaction
1.	Further capital infusion in subsidiaries and issue of shares by subsidiaries within limits approved by the Board
2.	Inter corporate loans / deposits within Varroc Group
3.	Power Purchase / Sharing agreements
4.	Infrastructure Sharing agreements
5.	Agreement for Lease of Land / Building
6.	Approved management service contracts or outsourcing of Business Processes
7.	Payments under existing approved Brand fee agreement

Detailed list of transaction will be circulated separately.

Appendix C

MATTERS REQUIRED TO BE APPROVED BY THE BOARD /
COMMITTEE OF DIRECTORS / MANAGING DIRECTOR / WTD

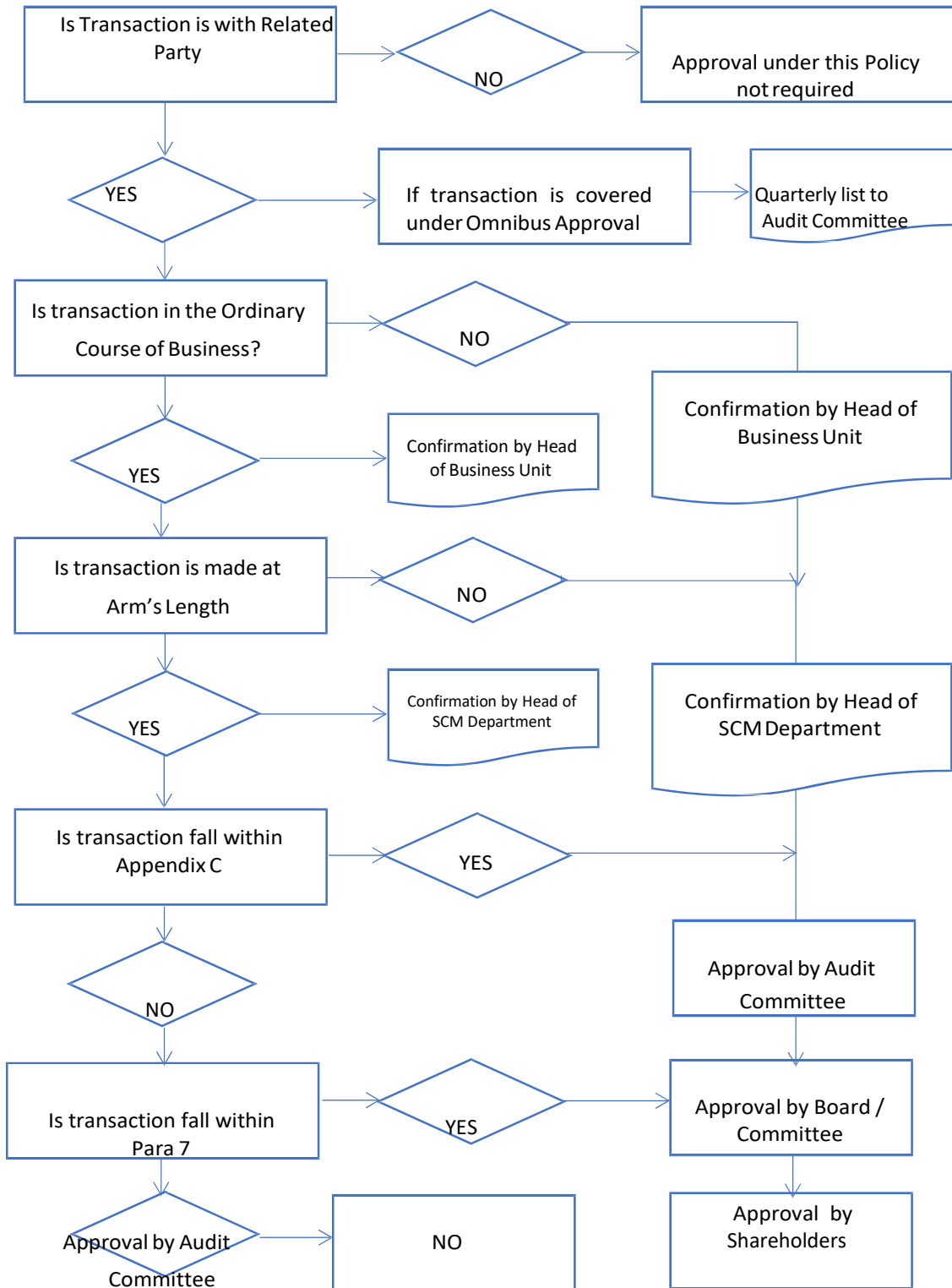
Section	Particulars
Section 179(3)(c)	To issue securities, including debentures, whether in or outside India
Section 179(3)(d)	To borrow monies
Section 179(3)(e)	To invest the funds of the company
Section 179(3)(f)	To grant loans or give guarantee or provide security in respect of loans
Section 179(3)(i)	To approve amalgamation, merger, demerger, acquisition, takeover or reconstruction
Section 179(3)(j)	To take over a company or acquire a controlling or substantial stake in another company
Section 186 (5)	Investment, loan, guarantee or security to be given by the company where any term loan default is subsisting (<i>unanimous Board consent</i>)
Section 196 (4)	Approval of terms of appointment and conditions of appointment of managing director, whole-time director or manager
Rule XII (8)	To buy, sell investments held by the company (other than trade investments), constituting 5% or more of the paid up share capital and free reserves of the investee company

Appendix D

LIST OF RELATED PARTIES

Separate Annexure attached. To be updated every month.

Appendix E
RELATED PARTY TRANSACTIONS APPROVAL MATRIX



Appendix F

Role and Responsibility:

The basic Role and Responsibility of functions involved in Related Party Transactions approval process will be as under.

1 Audit Committee:

The Audit Committee has been empowered for effective management and supervision over related party transactions, including:

- To provide oversight over the monitoring conducted by Related Party Monitoring Team
- To oversee that the Related Party Transaction Policy is implemented, in accordance with applicable rules and regulations; and
- To review, discuss and approve “related party transactions” in the best interest of shareholders of the Company and to ensure that there is no conflict of interest prevails.

2 Chief Financial Officer

- To provide support to the Related Party Monitoring Team in implementing the policy;
- To provide guidance address any queries related to the disclosure of related party transactions; and
- To ensure that all related party transactions are approved as per the authority matrix.

3 Related Party Monitoring Team:

- To create awareness and communicate the importance of complying with the related party transactions policy, through workshops and trainings;
- To review transactions and identify any potential RPT that would require an exceptional review, approval and disclosure;
- To report potential RPT to the Audit Committee for review and approval as per authority matrix; and
- To monitor adherence to the policy, and to report breaches or misuse of information to the Chief Financial Officer and Audit Committee.
- To provide opinion to the Audit Committee and the Chief Financial Officer on matters concerning RPTs, including the identification of RPT and to communicate the implications of a failure to disclose related party transactions.

- 4 Employees within business Units and supporting functions:
 - Strictly abide by the applicable policy, with regards to the identification and disclosure of RPTs;
 - Immediate reporting of any failure to report potential RPTs to the direct supervisor, Monitoring Team or to the Chief Financial Officer, if required; and

- 5 Directors & KMP:
 - All Directors and KMPs are required to disclose RPTs, in accordance with requirement of the Act.

- 6 Accounting & Technology Department:
 - Provisioning of system to ensure identification of RPTs;
 - Reporting and RPTs s as per the Company's Accounting Policy.

- 7 Internal Audit:
 - Providing independent assurance on the effectiveness of the implementation of the guidelines across Estill business Assets.

Appendix G

Statutory Provisions

Approval requirements

Section 177

- (4) Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, *inter alia*, include—
- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
 - (ii) review and monitor the auditor's independence and performance and effectiveness of audit process;
 - (iii) examination of the financial statement and the auditors' report thereon;
 - (iv) approval or any subsequent modification of transactions of the company with related parties;
 - (v) scrutiny of inter-corporate loans and investments;
 - (vi) valuation of undertakings or assets of the company, wherever it is necessary;
 - (vii) evaluation of internal financial controls and risk management systems;
 - (viii) monitoring the end use of funds raised through public offers and related matters.

Powers of Audit Committee

- (5) The Audit Committee may call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.
- (6) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in sub-section (4) or referred to it by the Board and for this purpose shall have power to obtain professional advice from external sources and have full access to information contained in the records of the company.
- (7) The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.
- (8) The Board's report under sub-section (3) of section 134 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.

Section 188

188. Related party transactions.

- (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—
- (a) sale, purchase 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 purchase 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:

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the company by a resolution:

Provided further that no member of the company shall vote on such [resolution]127, to approve any contract or arrangement which may be entered into by the company, if such member is a related party:

Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.

Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions 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.

Explanation.— In this sub-section,—

- (a) the expression “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;
 - (b) the expression “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.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in

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the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—
 - (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
 - (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

SEBI Listing Regulations

Related party transactions.

23. (1) The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions:

Explanation.- 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 listed entity as per the last audited financial statements of the listed entity.

Notwithstanding the above, 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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- (2) All related party transactions shall require prior approval of the audit committee.
- (3) Omnibus Approval
- (4) All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- (5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases:
 - (a) transactions entered into between two government companies;
 - (b) transactions 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.

Explanation.- For the purpose of clause (a), "government company(ies)" means Government company as defined in sub-section (45) of section 2 of the Companies Act, 2013.

- (6) The provisions of this regulation shall be applicable to all prospective transactions.
- (7) For the purpose of this regulation, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.
- (8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.
- (9) The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
Pursuant to the Amendment Regulations:

- i. with effect from April 1, 2022, the above 30-day period has been reduced to 15 days; and
- ii. with effect from April 1, 2023, disclosure of RPTs to the stock exchanges will be required to be made simultaneously with the release of financial results.

Further with effect from April 1, 2022, disclosures relating to "loans and advances in the nature of loans to firms/companies in which directors are interested by name and amounts" to be made by the Company and its subsidiaries in the corporate governance report

Rule 6A. Omnibus approval for related party transactions on annual basis.-

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:-

- (1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) the maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.

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- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: -
 - (a) name of the related parties;
 - (b) nature and duration of the transaction;
 - (c) maximum amount of transaction that can be entered into;
 - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Any other conditions as the Audit Committee may deem fit.]

Rule 23 of SEBI Listing Regulations – Omnibus Approval

- (3) Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-
 - (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
 - (c) the omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity 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:

Disclosure Requirements:

Section 188

- (1) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (2) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Companies (Meetings of Board and its Powers) Rules, 2014

15. Contract or arrangement with a related party.- A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

- (1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
 - (a) the name of the related party and nature of relationship;
 - (b) the nature, duration of the contract and particulars of the contract or arrangement;
 - (c) the material terms of the contract or arrangement including the value, if any;
 - (d) any advance paid or received for the contract or arrangement, if any;
 - (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
 - (g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- (2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement-
- (3) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-
 - (a) name of the related party ;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) any other information relevant or important for the members to take a decision on the proposed resolution.

16. Register of contracts or arrangements in which directors are interested.-

- (1) Every company shall maintain one or more registers in Form MBP 4, and shall enter therein the particulars of-
 - (c) contracts or arrangements with a related party with respect to transactions to which section 188 applies.

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Section 189

- (1) Every company shall keep one or more registers giving separately the particulars of all contracts or arrangements to which sub-section (2) of section 184 or section 188 applies, in such manner and containing such particulars as may be prescribed and after entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

Penal Provision relevant for Related Party Transactions Section 188 – Related Party Transactions

- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.
- (4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.
- (5) Any director or any other employee of a company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall,—
 - (i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
 - (ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Section 2

- (59) “officer” includes any director, manager or key managerial personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the directors is or are accustomed to act;
- (60) “officer who is in default”, for the purpose of any provision in this Act which enacts that an officer of the company who is in default shall be liable to any penalty or punishment by way of imprisonment, fine or otherwise, means any of the following officers of a company, namely:—
 - (i) whole-time director;
 - (ii) key managerial personnel;
 - (iii) where there is no key managerial personnel, such director or directors as specified by the Board in this behalf and who has or have given his or their consent in writing to the Board to such specification, or all the directors, if no director is so specified;

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- (iv) any person who, under the immediate authority of the Board or any key managerial personnel, is charged with any responsibility including maintenance, filing or distribution of accounts or records, authorises, actively participates in, knowingly permits, or knowingly fails to take active steps to prevent, any default;
 - (v) any person in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act, other than a person who gives advice to the Board in a professional capacity;
 - (vi) every director, in respect of a contravention of any of the provisions of this Act, who is aware of such contravention by virtue of the receipt by him of any proceedings of the Board or participation in such proceedings without objecting to the same, or where such contravention had taken place with his consent or connivance;
 - (vii) in respect of the issue or transfer of any shares of a company, the share transfer agents, registrars and merchant bankers to the issue or transfer;
-

Further guidance on the provisions of the Companies Act, 2013 relating to related party transactions is available on request from the Company Secretary, guidance on transfer pricing and accounting aspects from Gr. CFO.