



# INNOVA CAPTAB LIMITED

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

<i>Approving Authority</i>	<i>Board of Directors of the Company</i>
<i>Version</i>	<i>1.0</i>
<i>Adopted and Approved</i>	<i>19 June 2022</i>

## COMMENCEMENT

The Policy shall come into force with effect from the date of listing of the equity shares of face value of Rs 10 each of Innova Captab Limited (the “**Company**”) on BSE Limited and National Stock Exchange of India Limited. (the “**Stock Exchanges**”)

## OBJECTIVE

Related party transactions have been one of the major areas of focus for corporate governance reforms being initiated in India. The changes introduced in the corporate governance norms through Section 188 of the Companies Act, 2013, as amended and the rules framed thereunder (“**Companies Act**”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended (“**SEBI Listing Regulations**”) require the companies to have enhanced transparency and due process for approval of the related party transactions. Pursuant thereto, Section 188 of the Companies Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board. Thus, this policy is designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

Accordingly, the Board of Directors (“**Board**”) of the Company has adopted the following policy regarding materiality of related party transactions and dealing with related party transactions. The Audit Committee of the Company will review this policy at least once every three years and propose any modifications to the Board for approval.

## DEFINITIONS

- i. “**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.
- ii. “**Audit Committee**” means the audit committee of the board of directors of the Company.
- iii. “**Board**” means the Board of directors of the Company.
- iv. “**Company**” means Innova Captab Limited.
- v. “**Key Managerial Personnel**” or “**KMPs**” means Key Managerial Personnel as defined under the Act and includes:
  - (i) Managing Director, or Chief Executive Officer or Manager;
  - (ii) the Whole Time Director;
  - (iii) Company Secretary;
  - (iv) Chief Financial Officer;
  - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and such other officer as may be prescribed.

- vi. **“Material Related Party Transaction”** 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- vii. **“Material modification”** means and includes any modification to an existing related party transaction having a variance of 20% of the existing limit as sanctioned by the Audit Committee / Board of Directors / Shareholders of the Company.
- viii. **“Ordinary Course of Business”** with reference to a transaction with a related party means a transaction which is:

- (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
- (ii) whether the activity is in furtherance of business
- (iii) whether the activity is repetitive and frequent
- (iv) historical practice with a pattern of frequency;
- (v) common commercial practice; or
- (vi) meets any other parameters / criteria as decided by the Board/ Audit Committee, from time to time.

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

- x. **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or under applicable accounting standards.

Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party

- xi. **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

Provided that the following shall not be a related party transaction:

- (a) 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;
  - (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
    - i. payment of dividend;
    - ii. subdivision or consolidation of securities;
    - iii. issuance of securities by way of a rights issue or a bonus issue; and
    - iv. buy - back of securities.
  - (c) acceptance of fixed deposits by banks/Non - Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.
- xii. **“Relative”** means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Regulations as amended from time to time, includes anyone who is related to another, if
- (i) They are members of a Hindu Undivided Family; or
  - (ii) They are husband or wife; or
  - (iii) One person is related to the another in the following manner, namely:
    - (A) Father, includes step-father
    - (B) Mother, includes step-mother
    - (C) Son includes step-son
    - (D) Son’s wife
    - (E) Daughter
    - (F) Daughter’s husband
    - (G) Brother includes step-brother
    - (H) Sister includes step-sister

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Companies Act and rules and regulations made thereunder.

### **Interpretation**

Any words used in this Policy but not defined herein shall have the same meaning prescribed to it in the Companies Act, the Securities and Exchange Board of India Act, 1992, as amended, or rules and regulations made thereunder including the SEBI Listing Regulations, the applicable accounting standards, or any other relevant legislation/law applicable to the Company.

The reference to the masculine gender in the Policy shall be deemed to include a reference to feminine gender.

In case of any dispute or difference upon the meaning / interpretation of any word or provision in this policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee shall be final. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an external expert as it deems fit.

## **PROCEDURE**

### **DISCLOSURE BY DIRECTORS**

Every director shall at the beginning of the financial year provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.

Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this Policy.

### **IDENTIFICATION OF TRANSACTION WITH RELATED PARTIES**

Each director and Key Managerial Personnel is responsible for providing notice to the Company 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. Audit Committee will determine whether a transaction does constitute a Related Party Transaction requiring compliance with this Policy.

Each director and Key Managerial Personnel shall make an annual declaration as per the provisions of the Companies Act and the rules framed thereof with respect to Related Party transactions to the Company and this declaration shall be placed before the Audit Committee and the Board at their first meeting held at the succeeding financial year.

Any change in the list of Relatives shall be intimated by the Directors and KMPs by way of a fresh declaration to the Company.

### **APPROVAL OF RELATED PARTY**

#### **TRANSACTIONS AUDIT COMMITTEE**

Related party transactions will be referred to in the scheduled meetings of Audit Committee for review and approval. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

All the transactions which are identified as Related Party Transactions and subsequent material modifications should be pre-approved by the Audit Committee before entering into such transaction. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:

- (i) Name of party and details explaining nature of relationship;
- (ii) Duration of the contract and particulars of the contract and arrangement;
- (iii) Nature of transaction and material terms thereof including the value, if any;
- (iv) Manner of determining the pricing to ascertain whether the same is on arm's length;
- (v) Business rationale for entering into such transaction; and
- (vi) Any other information relevant or important for the Board to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (iii) Whether the Related Party Transaction would affect the independence of an independent director;
- (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- (vi) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant.

The Audit Committee after obtaining approval of the Board of Directors, may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval inline with the Policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, maximum value per transaction (ii) the indicative base price / current contracted price and the formula for variation in the price if any and 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 Rs.1 crore per transaction;

- d. 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; and
- 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.

## **BOARD OF DIRECTORS**

In case of Related Party Transaction which is not in the ordinary course of business or not at arm's length transaction, whether or not it is a material Related Party Transaction, prior approval of the Board through a resolution passed at the meeting of the Board shall be necessary.

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.

The policy shall be reviewed by the Board on a yearly basis.

## **SHAREHOLDER APPROVAL**

All material related party transactions shall require approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

If a related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under Section 188 of the Companies Act & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as set out under Schedule I it shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.

However, the shareholders' approval is not required for the following cases:

- a. transactions entered between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval; and
- b. transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## **MAINTENANCE OF DATABASE**

The Company Secretary / Compliance Officer / Chief Financial Officer shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of

- a. All Directors and Key Managerial Personnel;
- b. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
- c. Company's holding company, subsidiary companies and associate companies;
- d. Subsidiaries of holding company;
- e. Director or Key Managerial Personnel of the holding company or their Relatives;
- f. All group entities; and
- g. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Listing Obligation or the relevant Accounting Standard.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary / Compliance Officer. The functional / business heads / Chief Financial Officer / Company Secretary shall have access to the updated database.

## **PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS**

A list of all the related parties in relation to the Company received from the Board shall be updated from time to time.



Basis the above-mentioned list of related parties, every department shall, prior to entering any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.

The contract / arrangement shall not be entered in to without the necessary approval from the AuditCommittee / Board / shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

## **REPORTING OF RELATED PARTY TRANSACTIONS**

Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The details of material transactions with related parties will be included in the corporate governancereports which are required to be submitted to the stock exchanges on a quarterly basis.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and aweb link thereto shall be provided in the Annual Report of the Company.

The company shall submit within fifteen days from the date of publication of its standalone and consolidated financial results for the half year to the stock exchanges, disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website.

With effect from April 1, 2023, the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

## **AMENDMENTS**

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the Listing Regulations and / or any other laws inthis regard shall automatically apply to this Policy.

## **COMMUNICATION OF THIS POLICY**

This Policy shall be posted on the website of the Company.

**SCHEDULE I**  
**RELATED PARTY TRANSACTIONS**

<b>Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013 &amp; SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)</b>		
	<b>Approval of the Board</b>	<b>Threshold</b>
a)	sale, purchase or supply of any goods or material, directly or through appointment of agent	Amounting to 10% or more of the consolidated turnover of the Company
b)	selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	Amounting to 10% or more of the consolidated net worth of the Company
c)	leasing of property of any kind	Amounting to 10% or more of the consolidated turnover of the Company
d)	availing or rendering of any services, directly or through appointment of agent	Amounting to 10% or more of the consolidated turnover of the Company
e)	Such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	At an annual remuneration exceeding Rs.30,00,000 for appointment in India.
f)	underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the consolidated net worth

