

INNOVA CAPTAB LIMITED

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

Approving Authority	Board of Directors of the Company
Version & Adopted Date	(Version 1.0) & 19 th June 2022
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1. 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**”).

2. OBJECTIVE

The 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 from time to time (“**SEBI Listing Regulations/ SEBI LODR**”) 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.

3. DEFINITIONS

- (i) “**Act**” means Companies Act, 2013, Rules framed thereunder and any amendments thereto.
- (ii) “**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.
- (iii) “**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 as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of this, "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement.

- (iv) “**Audit Committee**” means the audit committee of the board of directors of the Company under Section 177 of the Act and Regulation 18 of the SEBI Listing Regulations.
- (v) “**Board**” means the collective body of the directors of the Company.
- (vi) “**Company**” means Innova Captab Limited.
- (vii) “**Key Managerial Personnel**” or “**KMPs**” means Key Managerial Personnel as defined under sub-section (51) of Section 2 of 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
- (vi) such other officer as may be prescribed.

(viii) **“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 Company as per the last audited financial statements of the Company, 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.

(ix) **“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.

(x) **“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.

(xi) **“Policy”** means this policy, as amended from time to time.

(xii) **“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 and Regulation 2(zb) of the SEBI Listing Regulations including modifications or amendments made thereto.

(xiii) **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- a. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- b. the Company 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 Company or any of its subsidiaries;

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 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:
- (d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:
- (e) retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.
- (xiv) **“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 SEBI Listing Regulations as amended from time to time.

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. 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.

4. 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.

5. 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. The 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 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.

6. APPROVAL FOR TRANSACTIONS BY AUDIT COMMITTEE

Related party transactions will be referred to in the scheduled meetings of the 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 of the Company before entering into such transaction. Provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

Provided that:

- (a) the audit committee of the Company shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) A related party transaction to which the subsidiary of a Company is a party but the Company itself is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company;
- (c) A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

However, prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in above, the prior approval of the audit committee of the listed subsidiary shall suffice.

Further, remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of the promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of regulation 23 of SEBI LODR including any modifications or amendments made thereto.

Post-Facto Ratification of Related Party Transactions:

The members of the Audit Committee, who are independent directors, may ratify Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material as defined in this Policy or in terms of Regulation 23 of SEBI LODR including modifications or amendments thereto;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of Related Party Transactions in the format as specified by the SEBI from time to time and the Company’s website;

- (v) any other condition as specified by the Audit Committee:

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

OMNIBUS APPROVAL BY THE AUDIT COMMITTEE

The Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions, namely-

- (a) the audit committee shall lay down the criteria for granting the omnibus approval in line with this policy on related party transactions 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 Company;
- (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, atleast on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary 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:

All material related party transactions and subsequent material modifications as defined by the audit committee, shall require prior 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.

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI LODR 2015 are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice

The Audit Committee approval shall not be applicable in the following cases:

- (a) 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.
- (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.

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

7. APPROVAL OF 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.

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the policy determined by the Board from time to time require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval; and
- Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

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 at least once every three years and updated accordingly.

8. SHAREHOLDERS' APPROVAL

All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the Company is a Related Party to the particular transaction or not.

However, the prior approval of the shareholders shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of regulation 15 of SEBI Listing regulations are applicable to such listed subsidiaries. Further, 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** then 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.

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

9. 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 in the Policy.

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.

10. 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.

On the basis of 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 into without the necessary approval from the Audit Committee / Board / shareholders, as the case may be. Compliance with this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

11. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

Any transaction carried out without appropriate approval in accordance with this policy will be reviewed by the Audit Committee. The Audit Committee shall examine the facts and circumstances pertaining to failure to report and any failure of the system, and take such action as it deems appropriate, including ratification, revision, or termination of such Related Party Transaction. The Audit Committee may require further approval of the Board or Shareholders, if necessary.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the transaction becomes voidable at the Audit Committee's discretion. If the transaction is with a related party to any director or authorized by another director, the concerned director must indemnify the company against any losses.

12. 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 Governance Report 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 a web link thereto shall be provided in the Annual Report of the Company.

The Company shall submit to the stock exchanges, disclosures of related party transactions every six months on the date of publication of its standalone and consolidated financial results, in the format as specified by the SEBI from time to time and publish the same on its website.

The remuneration and sitting fees paid by the Company or its subsidiary to its directors, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure to the stock exchanges as stated above, provided that the same is not material as defined in this policy or under Regulation 23 of the SEBI Listing Regulations, including modifications or amendments made thereto.

13. 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 in this regard shall automatically apply to this Policy.

14. DISCLOSURE OF THIS POLICY

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

SCHEDULE I
RELATED PARTY TRANSACTIONS

	Specified Related Party Transaction(s) u/s 188(1) of the Companies Act, 2013 & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)	
	Related Party Transactions u/s 188 which requires prior approval of the Board of Directors	Limits of Transactions exceeding which approval from the shareholders is required
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)	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the consolidated net worth