



# **RELATED PARTY TRANSACTIONS POLICY**

*[Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time]*



## RELATED PARTY TRANSACTIONS POLICY

### 1. Introduction:

The Board of Directors (the "Board") of Deep Industries Limited (the "Company"), has adopted the following policy and procedure with regard to Related Party Transactions as mentioned below. This Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company. The Audit Committee will review and amend this policy from time to time.

### 2. Applicability:

The Policy shall be applicable to all Related Party Transactions to be entered into or modification of any Related Party Transactions w.e.f. 1<sup>st</sup> October, 2014.

### 3. Scope:

The policy is not only to be in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act and other applicable laws of the country. Further, as per Regulation 23(1) of the Securities And Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 ('SEBI LODR'), a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transaction.

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

### 4. Definitions:

In this Policy, unless the context otherwise requires:

- (a) "**Act**" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.
- (b) "**SEBI Listing Regulation**" means SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, as amended
- (c) "**Arm's length basis**" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm's length basis, guidance may be taken from provisions of Domestic Transfer Pricing under Income Tax Act, 1961.



- (d) **“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of -Listing Regulations and Companies Act, 2013, from time to time.
- (e) **“Board of Directors” or “Board”** means the Board of Directors of the Company, as constituted from time to time.
- (f) **“Key Managerial Personnel”** means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- (g) **“Material Related Party Transaction”** means transaction/ transactions with the related party 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 Company, as per the last audited financial statements of the Company.
- (h) **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- (i) **“Policy”** means Related Transaction Policy.
- (k) **“Regulation 23”** means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.
- (l) **“Related Party”** means an entity in which -  
I. is a related party under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder;  
II. is a related party under the applicable accounting standards.
- (m) **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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, including but not limited to the following –



- 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 to any office or place of profit in the company;
- g. underwriting the subscription of any securities or derivatives thereof, of the company.

(n) **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction /transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 2% (two percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.”

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

## 5. Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations require a Company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. Non of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is related party to the particular transaction or not (RPs can cast only negative vote to reject the shareholders resolution on material RPT).

Provided that approval of shareholders will not be require for material related party transactions in respect of resolution plan approved under section 31 of the Insolvency and Bankruptcy code (IBC) 2016, subject to the event being disclosed to the recognized Stock Exchange within one day of the resolution plan being approved.

Deep Industries Limited has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Pursuant to a Related Party with respect to the brand usage or royalty - 2% of the annual consolidated turnover of the Company as per last audited financial statements.
- Other transactions with Related Party – 10 % of the annual consolidated turnover of the Company as per last audited financial statements.



## **6. Policy and Procedure**

### **- Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

### **- Procedure**

#### **a. Identification of Related Party Transactions:**

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 financial year which may be regarded as related party according to this policy.

The Company will identify potential transactions with Related Party based on written notice of concerns or interests received from its Directors /Key Managerial Personnel in the manner prescribed in the Companies Act, 2013 and the rules made thereunder.

#### **b. Review and approval of Related Party Transaction**

##### **> Audit Committee**

- ⚡ Every Related Party Transaction shall be subject to the prior approval of the Audit Committee.

Provided that the transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

Further, as per the Act, the related party transaction shall not require approval of the Audit Committee where the transactions are on the ordinary course of business and also on arm's length basis.

- ⚡ The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature subject to compliance of the conditions contained in -SEBI Regulations as amended from time to time.



The Committee shall also specify itself the need for such omnibus approval and that such approval is in the interest of the Company.

If any additional Related Party Transaction is to be entered by the Company post omnibus approval granted by the Audit Committee, then the Company shall present such transaction before the Audit Committee in its next meeting for its prior approval.

- ⚡ The Audit Committee shall also review the statement of significant related party transactions submitted by management as per its terms of reference.
- ⚡ Any member of the 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.
- ⚡ To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
- ⚡ The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

➤ Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b) 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;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval.
- d) Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.



➤ Approval of the Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. (RP's can cast only negative vote to reject the shareholders resolution on material RPT). In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following cases:

- (a) transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- (b) transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

**7. Transactions which do not require approval**

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

**8. Disclosures**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

The Company 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.



In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **9. Related party transactions not approved under this policy:**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc.

In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

#### **10. Policy Review**

This Policy is framed based on the provisions of Companies Act, 2013 and rules framed thereunder and the requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

In case of any subsequent changes in the provisions of the Companies Act, 2013, - Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.





The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be presented for approval of the Board of Directors.

Related Party Transaction Policy on materiality and its threshold limits shall be reviewed by the Audit Committee and thereafter Board of Directors of the Company once in every three years and updated accordingly.

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