TECHNOCRAFT VENTURES LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

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

CIN: U70101DL1998PLC096763
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For Technocraft Ventures Limited
K Tyagi
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1. **Applicability and Effective date**

The Company has formulated a Policy on **Materiality of Related Party Transactions and on Dealing with Related Party Transactions** (the "**Policy**").

The Policy is formulated to regulate the Related Party Transactions based on the applicable laws, rules and regulations, as amended from time to time.

In the event of any conflict between the provisions of this Policy and of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other legal requirement ("**Applicable Law**"), the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment/modification to the Applicable Law shall automatically apply to this Policy.

2. **Purpose**

The Policy is framed as per the requirement under Regulation 23(1) of the SEBI Listing Regulations, as amended from time to time and intended to ensure the proper reporting, approval and disclosure of the Related Party Transactions.

This Policy shall supplement Company's other policies & practices/ delegation of authorities / manual of authorities etc. which require approval of the contracts or arrangement in specified manner and by specified authority. If there exists more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principle, which would meet the higher governance standards.

3. **Definitions**

i. **"Arm's Length Transaction"** shall be as defined in explanation (b) to Section 188 (1) of the Companies Act, 2013.

ii. **"Associate Company"** shall be as defined in Section 2(6) of the Companies Act.

iii. **"Audit Committee"** means Audit Committee constituted by the Board of Directors of the Company under the provisions of SEBI Listing Regulations, and Companies Act, as may be amended from time to time.

iv. **"Board of Directors"** means the Board of Directors of Technocraft Ventures Limited (TVL).

v. **"Companies Act, 2013"** means the Companies Act, 2013 as amended from time to time.

vi. **"Key Managerial Personnel"** shall be as defined in Section 2(51) of the Companies Act, 2013.

vii. **"Material Modifications"** shall mean any modification made in the terms and conditions of any Related Party Transactions, which are existing as on the date of adoption of this Policy or entered subsequently as originally approved by the Audit Committee and/or shareholders, the case may be , having significant impact, including the criterial illustrated below, on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time;

Inclusive list of rebuttable presumption that a modification is material, if such modification , together with previous modifications during a financial year, results into any of the following;

a. A variation in the value of the transaction/ contract as originally approved, by 25% or more;
b. The terms of the contract cease to be arm's length Granting of wavier, abatement or any other relief to other party, which results into a financial implication equal to 25% or more of the value of the contract;
c. Extension of tenure of contract by 25% or more of original tenure, except for completion of any residual performances;
d. Any modification which results into the claims of either party being subordinated, or relaxation of security interest;
e. Provided that giving any consent for cessation of pari passu charge or any other security interests

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provided there is adequate asset cover, shall not be deemed as modification of contract;

f. Any novation of the contract or arrangement to a third party

viii. **"Material Related Party Transaction"** means

A. Under Listing Regulations:

i. In terms of Regulation 23 of SEBI LODR Regulations, 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 the thresholds specified in Schedule XII of SEBI LODR Regulations.

ii. In terms of Regulation 23(1A) of SEBI LODR Regulations, 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 5%" (five percent) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

B. Under Companies Act, 2013

A transaction(s) as specified under Section 188(1) of the Companies Act, 2013, entered into by the Company with the Related Parties as defined under Section 2(76) of the Companies Act, 2013, where the aggregate value of the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the Companies Act, 2013, from time to time, read with rules made thereunder.

ix. **"Materiality Thresholds"** shall be as specified in Schedule XII of the SEBI LODR Regulations

x. **"Office or Place of Profit"** shall be as defined in explanation (a) to Section 188(1) of the Companies Act.

xi. **"Ordinary Course of Business"** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:

a) is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training, etc.);
b) is frequent and regular;
c) involves significant amounts of money;
d) is a source of income for your business;
e) involves significant allocation of resources; and
f) is involved in a service or product that is offered to customers.

xii. **"Related Party"** means a related party as defined under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards or under Regulation 2(1)(zb) of SEBI Listing Regulations, as amended from time to time.

xiii. **"Related Party Transaction"** shall be as per Regulation 2(1)(zc) of SEBI Listing Regulations.

xiv. **"Relative"** shall be as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014.

xv. **"SEBI LODR Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amended from time to time.

xvi. **"Subsidiary Company"** shall be as defined in Section 2(87) of the Companies Act, 2013.

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xvii. **"Transaction"** with a related party shall be construed to include a single transaction or a group of transactions.

All terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and SEBI Listing Regulations, as amended from time to time.

4. IDENTIFICATION OF RELATED PARTY AND RPTS

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

2. Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential RPTs 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 RPTs requiring compliance with this Policy.

3. The Management shall make disclosures to the Board relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large.

5. Approval and Review of Related Party Transaction

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee in accordance with this Policy. All other modifications shall also require approval of the Audit Committee. Further, only those members of the Audit Committee, who are independent directors, shall approve related party transactions under Regulation 23(2) of SEBI Listing Regulations.

Prior approval of the Audit committee will not be required for Related Party Transactions covered under Regulation 23(2)(d) and 23(2)(e) of SEBI LODR Regulations

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy, the Companies Act, 2013 or SEBI Listing Regulations.

5.1 Approval of the Audit Committee- Mechanism

5.1.1 Details to be provided to Audit Committee

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

a. Type, material terms and particulars of the proposed transaction, contract, or arrangement.
b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise).
c. Nature and Tenure of the proposed transaction (particular tenure shall be specified).
d. Value, maximum amount and any advance paid or received of the proposed transaction, contract, or arrangement.
e. Manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract.
f. 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 Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided).
g. If the transaction relates to any loans, inter-corporate deposits, advances, or investments made or given

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by the Company 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 Related Party Transaction.

h. Justification as to why the Related Party Transaction is in the interest of the Company.
i. A copy of the valuation or other external party report, if any such report has been relied upon.
j. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis.
k. 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
l. Any other information that may be relevant.

5.1.2 <u>Omnibus Approval</u>

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:

i. The Audit Committee shall lay down the criteria for granting the omnibus approval in line 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.
ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
iii. 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, (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 Rs. 1 Crore per transaction.

iv. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary pursuant to each of the omnibus approval given.
v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of 1 year.

5.2 <u>Approval of the Board and Shareholders – Mechanism</u>

5.2.1 Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all the transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, shall be 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

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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 the Policy, which are intended to be placed before the shareholders for approval.

d) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

5.2.2 Approval of the Shareholders of the Company

All the transactions with related parties exceeding the Materiality Thresholds, laid down in 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' resolutions irrespective of whether the entity is a related party to the particular a transaction or not

In addition to the above, all the 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 Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval.

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

i. 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.
ii. Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
iii. Related Party Transactions of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.
iv. 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.
v. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

5.2.3 Under SEBI LISTING REGULATIONS.

All Material Related Party Transactions and subsequent material modifications of related party transactions require the prior approval of the shareholders, by way of resolution. However, the same shall be put up to the Board of Directors for its approval at its meeting before the approval of shareholders.

5.2.4 Voting

No Related Party shall vote on such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

5.2.5 <u>Details to be provided to the Board and Shareholders</u>

- The information provided to the Audit Committee in 5.1.1 above shall also be provided to the Board of Directors for approval of Related Party Transaction(s).
- The following information shall be provided to the **Shareholders** for approval of Related Party Transaction(s):

a. A summary of the information provided by the management of the Company to the audit committee as specified in point 5.1.1 above including the name of the related party, nature of

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relationship, nature, material terms, monetary value and particulars of the contract or arrangement.

b. Justification for why the proposed transaction is in the interest of the Company.

c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 5.1.1 (g) above.

d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders.

e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis.

f. Name of the Director or Key Managerial Personnel who is related, if any.

g. Any other information that may be relevant.

5.3 <u>Summary of the approval mechanism under SEBI Listing Regulations and the Companies Act, 2013:</u>

Details of Transaction(s)	Approving Authority
All Related Party Transactions (other than those mentioned at para 5 below) and any subsequent material modifications	Prior approval of the Audit Committee of the Company. *(Including OmnibusApproval for a maximum period of one financial year)*
Related Party Transactions under Section 188 of the Companies Act, 2013 which are not in Ordinary Course of Business or not on arm's length basis or both and less than threshold limits of materiality.	Prior Approval of the Audit Committee and Board of Directors of the Company.
Related Party Transactions at 5.2.1 above which are in not in ordinary course of business or not on arm's length basis or both and beyond threshold limits.	Prior Approval of the Audit Committee, Board of Directors and Shareholders of the Company.
Material Related Party Transactions at 5.2.2 above	

6. Exemptions under the Companies Act, 2013 and under SEBI Listing Regulations and other exemptions:

a) Subject to the extant provisions, the following exemptions shall be applicable under the Companies Act, 2013 and the SEBI Listing Regulations:

Particulars	Exemption
The requirement of approval of the Audit Committee as per the Companies Act, 2013	• For a transaction, other than a transaction referred to in Section 188 of the Companies Act, 2013 between a holding company and its wholly owned subsidiary company.
The requirement of approval of the Audit Committee as per the SEBI Listing Regulations	• Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI Listing Regulations. • Transactions entered into between two public sector companies in terms of the provisions of clause (a) of sub-regulation (5) of Regulation 23 of the SEBI Listing Regulations. • Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are

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	consolidated with such holding company and placed before the shareholders at the general meeting for approval in terms of the provision of clause (b) of sub-regulation (5) of Regulation 23 of the SEBI Listing Regulations. • 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 in terms of clause (c) of sub-regulation (5) of Regulation 23 of the SEBI Listing Regulations. • Transactions which are in the nature of payment of statutory dues, statutory fees orstatutory charges entered into between an entity on one hand and the Central Governmentor any State Government or any combination thereof on the other hand in terms of clause (d) of sub-regulation (5) of Regulation 23 of the Listing Regulations. • Transactions entered into between a public sector company on one hand and the CentralGovernment or any State Government or any combination thereof on the other hand in terms of clause € of sub-regulation (5) of Regulation 23 of the SEBI Listing Regulations.
The requirement of the Board of Directors' approval	• If the transactions are at arms' length and in the ordinary course of business.
The requirement of passing the resolution by the shareholders as per the Companies Act, 2013	• 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. • To a government company in respect of contracts or arrangements entered into by it with any other government company.

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The requirement of approval of the Audit Committee and the Shareholders for Related Party Transactions requiring approval under the SEBI Listing Regulations	• 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. • In cases where the subsidiary is a listed entity and Regulations 23 and 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

b) Other Exemptions – The following Related Party Transactions are deemed to be approved by the Audit Committee and no separate approval shall be required:

(i) Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI Listing Regulations.

(ii) Transactions that require approval by the Board of Directors under any specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with its Related Parties;

(iii) Loans and advances to Directors / KMPs as a part of conditions of services extended by the Company to all its employees.

(iv) Investment(s) made in a related party

(v) Transfer/assignment of obligation under an existing contract/arrangement with a related party to some other person or related party;

(vi) Transfer of resources assigned to one related party contract/arrangement to another related party contract/arrangement

7. <u>Ratification of Related Party Transactions</u>

a) Subject to the provisions of the Companies Act, 2013 SEBI Listing Regulations and other applicable laws, 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 members of the Audit Committee, who are independent directors, may ratify Related Party Transactions within 3 (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

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taken together, during a financial year shall not exceed Rs. 1,00,00,000 (Rupees one crore);

ii. the transaction is not material in terms of the provisions of sub-regulation (1) of the Regulation 23 of the SEBI Listing Regulations;

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 terms of the provisions of sub-regulation (9) of the Regulation 23 of the SEBI Listing Regulations;

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 listed entity against any loss incurred by it.

8. Disclosures

a) Every contract or arrangement entered with Related Parties with the approval of Board of Directors/ Shareholders in line with Section 188 of the Companies Act, 2013 shall be referred in the Board of Directors' report to the shareholders along with the justification for entering into such contract or arrangements.

b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges. Also, the Company shall in every 6 (six) months on the date of publication of its standalone and consolidated financial results submit to the stock exchanges disclosures of related party transactions in the format as specified by the SEBI from time to time and publish the same on its website

c) The Company shall disclose the policy on its website and a web link thereto shall be provided in the Annual Report.

d) Disclosures on Material Related Party Transactions that may have potential conflict with the interests of the Company at large in the Corporate Governance Report.

e) The Related Party Transaction(s) entered into by the company during the Financial Year shall be disclosed in the Financial Statements as per Ind AS 24.

f) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party as required under the Companies Act, 2013.

g) However, the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require to be disclosed, provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation 23.

9. Transfer Pricing Regulations

All Related Party Transactions shall, wherever applicable, comply with Domestic/ International Transfer Pricing requirement of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing provision, as governed by Section 92 to Section 92F of the Income Tax Act, 1961 and as per Section 188(1)(b) of the Companies Act, 2013 that defines an "arm's length transaction" as one conducted "as if the two parties were unrelated, so that there is no conflict of interest and dealing with each other at arm's length under comparable circumstances. It will be the responsibility of the concerned department/management to ascertain that all the transactions are at arm's length as defined herewith before submitting the same for approval to the Audit Committee.

10. Disclaimer

In case of any discrepancy between this Policy, the Companies Act, 2013 and SEBI Listing Regulations or any rule or regulations made thereunder or under any other applicable statutory enactment of law, the enacted law/ rule/ regulation/ provision shall prevail over this Policy. Any subsequent amendment/ modification in the SEBI Listing Regulations, the Companies Act, 2013 and/ or applicable law in this regard shall automatically apply to this Policy.

11. Review of the Policy

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The Audit Committee shall periodically review this Policy and the Board shall at-least once in three (3) years and may recommend amendments to this Policy to the Board from time to time, as it deem appropriate. The Audit Committee may, as it deems appropriate and reasonable, establish from time-to-time guidelines regarding the review of RPTs.

This Policy would be subject to revision/amendment in accordance with the applicable laws. Any subsequent amendment, clarification, guidance, circular etc. in relation to the applicable laws shall prevail over this Policy and the Policy shall stand amended accordingly from the effective date as laid down by the relevant authority.

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