



# **RACL Geartech Limited**

## **RELATED PARTY TRANSACTION POLICY**

**(Amended in the Board Meeting held on 31.01.2025)**

## **RELATED PARTY TRANSACTION POLICY**

### **1. Preamble**

The Board of Directors (the “Board”) of RACL Geartech Limited (the “Company” or “RACL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee and the Board shall review the Policy once in every three years and may amend this policy as required.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

### **2. Purpose**

This policy is amended as per requirement of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

### **3. Definitions**

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.

**“Board”** means Board of Directors of the Company

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Material Related Party Transaction” would mean the following:**

- A) a transaction with a related party if the transaction/transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other limit in terms of the listing regulations in force from time to time.

- B) A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements.

Provided that 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 Company as per the last audited financial statements of the Company, whichever is lower (w.e.f. April 1, 2022).

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means, a person or an entity:

- (i) which is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time; or
- (ii) which is a related party under the applicable accounting standards.
- (iii) which is a related party under Regulation 2(1) (zb) of the Listing Regulations.

Provided that any person or entity forming a part of the promoter or promoter group of the Company or any person or entity, holding equity shares of 20% or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party (effective from 1<sup>st</sup> April 2022). The threshold is set to be lowered to 10% w.e.f. 1 April 2023.

Material modifications of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (w.e.f. April 1, 2022).

**“Related Party Transaction”** or RPTs means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, specifically including transactions under Section 177 and Section 188 of the Act including rules thereof, as defined in applicable accounting standards and as defined in Regulation 2(1) (zc) of the Listing Regulations.

**Further, w.e.f April 1, 2022** “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between 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;

**Further, w.e.f April 1, 2023** “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between 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. 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.

**“Relative”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife

- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

**"Office or Place of Profit"** means any office or place:

- a. where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- b. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise."

**"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 Audit Committee may lay down principles from time to time for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.

#### **4. Policy**

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

##### **4.1 Identification of Potential Related Party Transactions**

Every Director and Key Managerial Personnel will be responsible for providing a Disclosure of Interest pursuant to Section 184 of the Companies Act, 2013 in the prescribed format, to the Company Secretary on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

#### **B. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:**

##### **I. AUDIT COMMITTEE APPROVAL:**

Every Related Party Transaction and subsequent modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation.

Every related party transaction to be entered into by the subsidiary of the Company to which 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:

- (a) With effect from April 1, 2022, 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or
- (b) With effect from April 1, 2023, 10% of standalone turnover, as per the last audited financial statements of the subsidiary.

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

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 approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

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

- The Audit Committee shall be provided such details as may be required to assess the RPTs including the information required to be provided as per the Companies Act, 2013 and Listing Regulations.
- All Related Party Transactions and subsequent modifications shall require prior approval of the Audit Committee.

However, the Audit Committee may grant **omnibus approval for Related Party Transaction(s) proposed to be entered into by the company** subject to the following conditions:

- (i) The Related Party Transaction proposed to be entered into with the Company must be repetitive in nature and in ordinary course of business and at Arm's Length basis.
- (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 transaction(s) 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 RPTs entered into by the company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.
- (vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval shall not require approval of the Audit Committee.

*Notwithstanding the foregoing the following Related Party Transactions shall not require approval of Audit Committee or shareholders:*

*(i) Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.*

*(ii) 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.*

## **II. BOARD APPROVAL:**

If the Committee determines that a Related Party Transaction should be brought before the Board, or where Committee does not approve the transaction shall make its recommendation to the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate under the circumstances.

A Director, if interested in any Related Party Transaction, shall not be present at the meeting, whether physically or through Electronic mode, during discussions and shall not vote on such item.

### **III. SHAREHOLDERS APPROVAL:**

All Material Related Party Transactions and subsequent material modifications thereof shall require prior approval of the shareholders through resolution. 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 a 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 listing regulations are applicable to such listed subsidiary.

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.

All the transactions, other than the Material Related Party Transactions, with the Related Parties which are not in the ordinary course of business or at Arm's Length basis shall also require prior approval of the shareholders through resolution, if so required under any law, and the Related Parties shall abstain from voting on such resolution.

Any Related Party Transaction or Material Related Party Transaction if entered into with a Wholly Owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders of the Company at General Meetings for approval, shall not require approval of the Shareholders.

Any related party transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval, shall not require approval of the shareholders.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as required under Regulation.

### **Materiality Thresholds for Related Party Transactions:**

The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from time to time.

1. The Company has fixed its materiality threshold of Rs.1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the

company for the purpose of Regulation 23 (4) of SEBI (LODR) Regulations, 2015, whichever is lower.

2. Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

#### **4.2 Prohibitions related to Related Party Transactions**

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee 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 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.
- 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
  - (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. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and all entities falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

#### **4.3 Review and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse him or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in **Annexure 1** to this Policy.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or

opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

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

- Whether the terms of the Related Party Transaction are fair and on arms-length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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
- 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.

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii) 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.

#### **4.4 Disclosure and Reporting of Related Party Transactions**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

#### **5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

## **6. Scope Limitation**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations/ Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/ Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy

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