

Policy on Related Party Transactions, Materiality of Related Party Transactions, Dealing with Related Party Transactions.

Title:

This policy shall be called as '**CHARMS INDUSTRIES LIMITED- Policy on Related Party Transactions**'.

Scope:

The policy will cover Related Party Transactions, Materiality of Related Party Transactions, Dealing with Related Party Transactions & Determination of Material Subsidiaries.

In the event of any provisions in this policy being contrary or different from the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') and the Companies Act, 2013 ('the Act'), as applicable on the date of such transactions, the respective provisions of SEBI LODR and the Act shall prevail.

Effective Date:

The policy shall be effective from the date of adoption by the Board of Directors / Audit Committee of the Board of Directors of the Company.

Background:

This Policy is framed in accordance with SEBI LODR (as amended from time to time) and intended to govern related party transactions.

As per the SEBI LODR, the Company is required to have policies on the following

- The Company shall formulate a policy for determining 'material subsidiaries and such policy shall be disclosed on the Company's website and weblink shall be provided in the Annual Report:
- The Company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party transactions.

Definitions

"Act" means the Companies Act, 2013 including the Rules framed thereunder.

"Audit Committee or Committee" means the Committee of the Board constituted from time to time under SEBI (LODR), 2015 and Section 177 of the Companies Act, 2013.

"Board or Board of Directors" means the Board of Directors as defined under the Companies Act, 2013.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

“Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

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

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

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

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

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);

“Material Related Party Transactions” means 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(if any) of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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

“Relative” means a relative as defined under the Companies Act, 2013

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

Policy

1. Approval for Related Party Transactions

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee.

Material Modifications means “if the value of related party transactions as approved by the Audit Committee is modified resulting in an upside revision of 10% of the originally approved value, the same will be considered a material modification”.

A related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity;

With effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party, but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;

Prior approval of the Audit Committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity 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) above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.”

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 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) The transactions, which are repetitive in nature.
- D) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- E) 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;
- F) If 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.
- G) Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- H) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- I) Where Board consent is required, the agenda of the Board meeting at which the resolution is proposed to be moved shall disclose all such details/ information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.
- J) Where Related Party Transactions require approval of the Board, any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement.

2. Approval for Material Related Party Transaction:-

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 entity is a related party to the particular transaction or not:

Provided that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

Shareholders approval will not be required for

- 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 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.
- D) 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 the event any Material Related Party Transaction is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Act and the Rules framed thereunder and obtain approval of the Board or its Members, as applicable, for such contract or arrangement.

Where Members' approval is required for a related party transaction, the explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.

Where RPTs require approval of the Board and the Members, the Board Members who is a related party shall abstain from voting on such resolution.

Disclosures

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified under the SEBI LODR from time to time, and publish the same on its website:

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

This Policy shall be disclosed on the website of the Company www.charmsindustries.co.in and a weblink thereto shall be provided in the Annual Report of the Company.