



## **Aarvi Encon Limited**

**CIN: U29290MH1987PLC045499**

### **RELATED PARTY TRANSACTION POLICY**

(Under Regulation 19(4) read with Part D of Schedule II of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015)

***# Amended and approved by the Board of Directors at their meeting held on May 29, 2023***

#### **1. Preamble:-**

The Board of Directors (the "Board") of Aarvi Encon Limited (the "Company"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

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 framed as per requirement of Regulation 23 of SEBI (LODR) Regulation, 2015 entered by the Company with the Stock Exchanges 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 SEBI (LODR) Regulation, 2015 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 (iv) Chief Executive Officer (v) Chief Operating Officer.

"**Policy**" means the Related Party Transaction Policy.

"**Related Party**" means related party as defined in SEBI Regulations, 2015 of the Listing Agreement which is as follows: A "related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the Accounting Standards – AS 18. A person or a close member of that person's family is related to a company if that person is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) Anybody corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act: Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is – (A) a holding, subsidiary or an associate company of such company; or (B) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to a company;

"**Relative**" means relative as defined under section 2(77) of the Companies Act, 2013 and Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014.

"**Related Party Transaction**" means a transfer of resources, services or obligations between a listed entity and a related party, 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.

**"Material Related Party Transaction"** means,

- A) a transaction with a related party if the 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 ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.**
- B) with respect to **brand usage or royalty**, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, **exceeds five percent of the annual consolidated turnover of the as per the last audited financial statements of the Company.**

**"Material Modification"** means any change in the value of transaction exceeding **15%** of the value of the existing **Material Related Party Transaction.**

#### **4. Policy:-**

All Related Party Transactions must be reported to the Audit Committee and require prior approval of the Audit Committee in accordance with this Policy.

The Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company. Audit committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, subject to the conditions specified in Sub Regulation 3 of Regulation 23 of SEBI (LODR) Regulations, 2015. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

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

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any 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. Audit Committee/Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

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

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through resolution and the Related Parties shall not vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

“Provided that the requirements specified above 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.”

#### **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 an interest in any Related Party Transaction will not be physically present and abstain himself or herself from the 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. 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:

- (i) Whether the terms of the Related Party Transaction are in the ordinary course of business and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- (ii) 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;
- (iii) Whether the Related Party Transaction would affect the independence of an independent director;
- (iv) Whether the proposed transaction includes any potential risk issues that may arise as a result of or in connection with the proposed transaction;
- (v) 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
- (vi) 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.

#### **4.4 Review and Approval of Material Related Party Transaction and Material Modification to Related Party Transactions:-**

All Material Related Party Transaction and subsequent Material Modifications shall be placed for prior approval of the shareholders in terms of Regulation 23(4) of the SEBI LODR.

#### **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.

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