



**AARVI ENCON LIMITED**  
**CIN: L29290MH1987PLC045499**

**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*

**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 Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulation, 2015 ("SEBI 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 Regulation 18 provisions of SEBI Listing (LODR) Regulations, 2015 and Section 177 of the Companies Act, 2013.

"**Company**" means Aarvi Encon Limited.

"**Board**" means Board of Directors of the Company.

"**Act**" means Companies Act, 2013.

"**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 under Section 2(76) of the Companies Act and rules framed thereunder or under applicable accounting standards.

The following shall also be treated as the Related Party for the Company:

- (a) All person or entity forming a part of the Promoter or Promoter Group of the Company; or
- (b) Any person or any entity, holding equity shares to the extent of 10% or more, in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediately preceding financial year Shall be deemed to be Related Party.

"**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**" (RPT) means transaction covered under section 188 of the Act and includes any transaction involving a transfer of resources, services or obligations between:

- i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- ii. the Company 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 Company 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.

The following will not be considered as RPTs and hence, will not require approvals and disclosures under SEBI Listing Regulations:

- 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;
- Corporate actions (viz. dividend, subdivision or consolidation of securities, rights issue, bonus issue, buy-back, etc.) which are uniformly applicable/offered to all shareholders in proportion to their shareholding;
- Retail purchases from the Company or its subsidiary by its directors/ employees, without establishing a business relationship and at the terms which are uniformly applicable to all directors and employees

"**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 Company as per the last audited financial statements of the Company.

- 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 Company 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 and subsequent material modifications must be reported to the Audit Committee and require prior approval of the Audit Committee of the Company 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 Regulation 23(3) of SEBI Listing Regulations. 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 on Related Party Transactions:**

All Related Party Transactions shall require prior approval of Audit Committee and only those members of the audit committee, who are independent directors, shall approve related party transactions.

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. The notice along with explanatory statement being sent to the shareholders seeking approval for any proposed RPT's shall, in addition to the requirements as mentioned under the Companies Act, 2013.



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

Related Party Transactions entered by the Company or its subsidiaries 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 Remuneration and sitting fees:**

Remuneration and sitting fees paid by the Company or its subsidiary to its directors, KMPs or senior management (excluding promoters/promoter group) is now exempt from the requirement of prior approval of audit committee provided the transaction is not material. Further, no disclosure is required to be made to the stock exchanges for the same.

#### **4.5 Post facto ratification of RPTs:**



In case if RPT is not approved (prior / omnibus) by the audit committee, then independent directors of the audit committee can ratify RPTs within 3 months from entering into the transaction or in the immediate next meeting, 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 taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material related party transaction;
- 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 to stock exchange;
- v. any other condition as specified by the audit committee.

In case RPT is not ratified, then such transaction will be 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 concerned shall indemnify the Company against any loss incurred by it.

#### **4.6 Omnibus Approval for RPTs of subsidiaries:**

- For RPTs entered into by subsidiaries where Company is not a party, omnibus approval of audit committee can be taken in line with omnibus approval undertaken by the Company.
- Audit committee need to set criteria for granting the omnibus approval.
- In addition to existing requirement of review of RPTs entered into by the Company on a quarterly basis, audit committee shall also review the RPTs of subsidiaries that were approved under omnibus route.
- Omnibus approval of audit committee of Company can be taken for unforeseen RPTs of subsidiaries (where Company is not a party).

Note: As per SEBI Listing Regulations, for RPTs entered into by subsidiaries of Company, where Company is not a party, approval of audit committee of Company is required if the transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary.

However, prior approval of the audit committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party, but the Company is not a party, if Regulation 23 and 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

#### **4.7 Exempt RPTs:**

Following RPTs are exempt from the requirement of obtaining approval of audit committee or shareholders:

- 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.



- 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.
- Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and Central Government or State Government or any combination thereof on the other hand.

#### **4.8 Amendments in Law:**

The Board of Directors as per the recommendations of Audit Committee can amend this policy, as and when deemed fit. Any or all provisions of this Policy would be subject to review/revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail under the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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**\*NOTE:**

1. *Approved by the Board of Directors at their meeting held on 14<sup>th</sup> November, 2017.*
2. *Amended and approved by the Board of Directors at their meeting held on 29<sup>th</sup> May 29, 2023.*
3. *Amended and approved by the Board of Directors at their meeting held on 8<sup>th</sup> February, 2025.*