

AXISCADES Engineering Technologies Limited

Policy on Materiality and dealing with Related Party Transactions

(effective from 1.04.2019)

1. INTRODUCTION The Companies Act, 2013 (Act), read together with the Rules framed there under along with the Accounting Standards and Regulation 23 of the SEBI (LODR) (Amendment) Regulations 2018, has devised the regulations governing related party transactions entered into by Indian companies. It defines related parties and related party transactions and prescribes certain restrictions and approval requirements with respect to such transactions.

The Regulation also requires a listed company to adopt a policy setting out the manner in which the company will deal with related party transactions.

In view of the above and to consolidate the procedural requirements under the Act and the Listing Regulations, the Company has developed/amended this '**Related Party Transaction Policy**' (Policy). The Board of Directors (the "Board") of AXISCADES Engineering Technologies Limited (the "Company") have originally developed and adopted this policy in its meeting held on 9th September 2014 and reviewed on 27th March 2019. All statutory amendments will be incorporated timely.

This policy, duly amended, will be effective from 1st April 2019. The Board will review and may amend this policy from time to time at least ones in every 3 (three) years.

This Policy is published on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

2. DEFINITIONS

"Audit Committee or Committee" means "Audit Committee" constituted by the Board of Directors of the Company from time to time under the provisions of Listing Agreement and the Companies Act, 2013.

"Board of Directors" or "Board" means collective body of the directors of the company in pursuance of Section 2(10) of the Companies Act, 2013"

"Key Managerial Personnel" (KMP) as per section 2(51) of the Companies Act 2013, means-

- i) the Chief Executive Officer or the managing director or the manager;
- ii) the company secretary;
- iii) the whole-time director;
- iv) the Chief Financial Officer;

- v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi) such other officer as may be prescribed;

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions 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.

“Policy” means this Policy on Related Party Transactions.

“Related Party” shall mean

- Persons and Entities as defined under section 2(76) of the Companies Act, 2013, and,
- Persons and Entities identified as per Regulation 2(1)(zb) of the Listing Regulations ,
- Such entity/ies as defined in applicable Accounting Standards. (AS 18)

The current definition of Related Party as per AS-18; Listing Agreement and the Companies Act, 2013 is reproduced herein below:

Related Party` as per Accounting Standard 18 (AS 18)

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Control –

- a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, or*
- b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in case of any other enterprise, or*
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of the enterprise.*

Significant influence - participation in the financial and/or operating policy decisions of an enterprise, but not in control of those policies.

Related Party` as per Regulation 2(1)(zb) of the Listing Regulations

For the purpose of Regulation 2(1)(zb) ,an entity shall be considered as related to the company if:

- (i) such entity is a related party under section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of the shareholding in the listed entity shall be deemed to be a related party.

Related Party` as per Section 2(76) of the Companies Act, 2013:

“Related party” with reference to a company, means-

- 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 or his relative is a member or director;
- v) a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
- vi) any body 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 on 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 body corporate 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; or
 - (C) an investing company or the venturer of the company.

Explanation- The investment company or the venturer of a company means a body corporate whose investment in the company would result in the company becoming an associate company of a body corporate.

- ix) such other persons as may be prescribed;

As per Rule 3 of Companies (Specification of definitions details) Rules, 2014-

a director (other than Independent Director) or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be related party.

“Related Party Transaction” as per Regulation 23 of SEBI (LODR), shall mean transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

“Related Party Transaction” as per Sec 188 of Companies Act, 2013, shall mean contracts and arrangements with a related party with respect to-

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;

- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods , materials, services or property;
- f) such related party`s appointment to any profit or place of profit in the Co., its subsidiary Co. or Associate Co.; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

This Policy on Related Party Transactions complements the existing legal framework and aims at avoiding a conflict of interest in relation to the Related Party Transactions.

“Relative”: As per Sec 2(77) of the Companies Act 2013

“Relative”, with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed;

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014-

- A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- 1) Father :
Provided that the term “Father” includes step-father.
- 2) Mother :
Provided that the term “Mother” includes step-mother.
- 3) Son :
Provided that the term “Son” includes step-son.
- 4) Son’s wife.
- 5) Daughter.
- 6) Daughter’s husband.
- 7) Brother :
Provided that the term “Brother” includes step-brother.
- 8) Sister :
Provided that the term “Sister” includes step-sister.

Transactions `in ordinary course of business` shall generally mean and include-

- Transactions that are entered in the normal and usual course of business and are incidental to the business/operations of the company.
- Transactions that are reasonable in the context of business/operations of the company.
- Transactions that are part of the standard industry/market practice.

- Nature:** Whether the scope of the transaction is generally consistent with the Company's business activities and whether the Company enters into, or can enter into, similar transactions with a third party.
- Frequency:** Whether the transaction is of a nature regularly carried out by the Company, is an important indication that classifies the transaction to be within the Company's ordinary course of business operations.
- Size of transaction:** Whether the transaction value is within the reasonable range for similar types of other transactions. An exceptionally large value transaction could invite explanation leading to further scrutiny, if required.

With particular reference to the company - AXISCADES, following transactions (illustrative) in the context of business of the company have been identified as **Transactions`in ordinary course of business`** of the company, unless otherwise mentioned elsewhere in this policy and subject to the provisions of the Companies Act, 2013

- Sale of Goods, Materials & rendering of any Services;
- Purchase of Goods, Materials & Services;
- Sale, purchase and leasing or mortgaging of property;
- Payment of loans/ICD to subsidiaries or Holding, including receipt towards repayment thereof
- Availing of loans/ICD from Subsidiaries or Holding Companies including repayment of the same
- Issuance of corporate guarantee towards the loan/facilities availed by the Holding/subsidiaries/joint ventures/associates;
- Payment of Royalty towards the brand/trademarks;
- Payment/receipt of security deposit and interest thereon;
- Investment by way of Equity contribution;
- Reimbursement of actual expenses incurred;

Transactions on an `Arm`s length basis` shall mean and include-

- a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- transactions with Related Parties, other than wholly owned subsidiary company, the transactions shall be considered to be on an arm`s length basis in the following circumstances:
 - clear specifications of the transaction are made available by the Company;
 - based on the specifications at least two quotations from different vendors (other than Related Parties) have been sought by the Company;
 - based on the specifications and quotations received the evaluation based on the above criteria/ consideration for granting approval (as set forth above) has been done in the best interest of the Company.
- any transaction with wholly owned subsidiary company, shall be considered to fulfil the arm`s length criteria and shall be deemed to be on an `Arm`s length basis as there is no conflict of interest.

This Policy on Related Party Transactions complements the existing legal framework and aims at avoiding a conflict of interest in relation to the Related Party Transactions.

Related Party Transactions Approval Matrix

- a) No transaction with a Related Party shall be entered into by the Company unless it is approved by the appropriate authority. The table below lists the approval matrix applicable to such transactions.

Nature of Transactions	Approving Authority (meeting or by Circulation)	Rationale
All transactions with Related Parties	Audit Committee	Requirement Under section 177 of the Companies act 2013 and the Listing Regulations
<p>Related Party Transactions as defined under Section 188 (1) of the Act, which are not in ordinary course of business <u>OR</u> not at arm's length and are within prescribed limits defined in Rule 15</p> <p>Related Party Transactions as defined under Section 188(1) of the Act, which exceeds the prescribed limits defined in Rule 15</p>	<p>Audit Committee & Board of Directors</p> <p>Audit Committee, Board of Directors & shareholders of the Company (Special Resolution) Exempted from shareholders approval- transactions between Holding Company and its WOS whose accounts are consolidated with Holding Co. and placed before the shareholders in GM for approval</p>	<p>Requirement under Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014</p> <p>In compliance with the provisions of the Companies Act, 2013 and SEBI(LODR)</p>

All Material Related Party Transactions (regardless of whether they are in the ordinary course and/or on arm's length terms) except the transaction between Holding Company and its WOS whose accounts are consolidated with Holding Co. and placed before the shareholders in GM for approval.	Audit Committee Board of Directors and shareholders of the Company (Special Resolution)	Requirement under the Listing Regulations
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Threshold limits

Category of Companies	Nature of Transactions	Threshold limits
Wholly Owned Subsidiaries	Service Contracts Cross charge* /reimbursable transactions	Unlimited Unlimited
CSTI & Mistral	Service Contracts Cross Charge	Rs. 50 lacs cumulative per entity p.a. subject to compliance of approval matrix
Other related parties		Specific approval required

* Cross charge transaction is a sharing, distribution or allocation of certain amount at actuals, expended by the holding company or the parent company or any other company within the Group, on behalf of its related parties.

- b) 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. POLICY & PROCEDURES

4.1. Identification of Related Party

Each Director and Key Managerial Personnel of the Company and Holding Company is responsible for providing notice (in the prescribed format) to the Board regarding persons and entities to be considered as `Related Parties` by virtue of his/her being Director/ KMP in the company/Holding Company. Such Notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

4.2. Identification of Related Party Transactions

On the basis of notices received from Directors and Key Managerial Personnel and the requirements of provisions of applicable laws, the Managerial personnel shall ensure providing notice to the Audit Committee or Board, as may be required, of any Related Party Transaction involving any Director/ KMP or their relatives, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Managerial personnel will:

- a) ensure identification of transactions with Related Parties;
- b) perform tests to determine whether the transaction is in the ordinary course of business operations or otherwise;
- c) review the commercial terms involved in the transaction and analyze whether the transaction is at 'arm's length' as if the party is unrelated;
- d) consider the value of the transaction to determine if it is a Material Related Party Transaction;
- e) determine the approval requirements applicable to the transaction in accordance with this Policy;
- f) prepare and maintain relevant documentation supporting the basis of its assessment (as per Rule 15 of Chapter XII);
- h) present the required details to the Audit Committee, Board or Shareholders for approvals as required; and
- i) in case of ratification of the Related Party Transaction within the prescribed period as allowed by the law, submit the reasons/business urgencies for not obtaining the prior approval, for necessary action to be taken by the Audit Committee subsequently.

4.3. Review and Approval of Related Party Transactions

All Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. The Committee shall review the transaction and report the same for approval of the Board and shareholders, if required, in accordance with this policy.

The approval of Audit Committee, Board or shareholders, as may be required under this Policy shall be taken prior to entering into the Related Party Transaction

Approval of Audit Committee: All Related Party Transactions shall require prior approval of Audit Committee either at a meeting or by resolutions by circulations. 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. Criteria for granting omnibus approval:

- repetitiveness of the transactions
- Justification for the need of omnibus approval.
- The approval is in the interest of the Company.
- Maximum value of transaction (buy/sale), in aggregate, with all the Related Parties taken together, which can be allowed under the omnibus route in the financial year, shall not exceed Rs. 200 million (with margin not less than 10% and credit period of 45-60 days).
- Maximum value per transaction (buy/sale), with an entity, which can be allowed under the omnibus route in the financial year, shall not exceed Rs. 20 million and in aggregate shall not exceed Rs. 50 million (with margin not less than 10% and credit period of 45-60 days).

b. 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 seen beforehand 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.

c. The 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.

Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company and any other transaction as may be specified by applicable law, from time to time.

Any member of the Committee / Board who has a potential interest in any Related Party Transaction shall abstain from discussion and voting, on the approval of the Related Party Transaction.

The approval of the Audit Committee shall also be required for any transaction with a Related Party, in case of any amendment or modification to such transaction(s). The relevant information will be provided to the Audit Committee with respect to each Related Party Transaction/Master Agreement, such as:

- a) Name of the Party
- b) Relationship with the Company
- c) Name of the director or key managerial personnel who is related, if any
- d) Type of transaction(s)
- e) Whether the transactions are in the ordinary course of business operations
- f) Whether the transaction is conducted on an arm's length basis
- g) Copy/ terms of the contract
- h) Expected annual contract value
- i) Any other relevant information

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 Audit Committee. The Committee shall consider all 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 accordance with the provisions of companies Act, 2013 and the Listing agreement.

6. REPORTING AND DISCLOSURES

6.1. Details of all material Related Party Transactions shall be disclosed quarterly to the Stock Exchanges (where shares of the company are listed) along with the compliance report on corporate governance.

6.2. The policy on dealing with related party Transactions shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.

6.3 Every Related party transaction shall be referred to in the Board`s Report to the shareholders along with the justification for entering into the transaction.

6.4 A Register pertaining to Related Party Transactions shall be maintained by the company in accordance with Section 189 of the Companies Act, 2013, which shall be placed before the Board / annual general meeting as per the requirements of Companies Act, 2013.

This Policy shall be communicated to all operational employees and other concerned persons of the Company.