

POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors (the Board) of G. G. Dandekar Machine Works Limited (Company) has adopted this Policy on Related Party Transactions (the Policy) in compliance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereof (Listing Regulations) (As amended and approved by the Board of Directors of the Company on 15.06.2020 and earlier amended and approved on 16.05.2019 effective from 01.04.2019)

This Policy will apply to the Company with effect from 15.06.2020.

II. DEFINITIONS

1. **“Related Party”** means a party which is defined under the provisions of Section 2(76) of the Companies Act, 2013 and rules thereof and under Listing Regulations.

The definition of ‘Related Party’ as given under Section 2(76) is as under:

“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. —For the purpose of this clause, “the investing 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 the body corporate.

- ix. a director other than an Independent Director or key managerial personnel of the holding company or his relative.

The definition of ‘Related Party’ as given under Listing Regulations, is as under:

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.
- iii. any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity.

- 2. **“Relative”** as defined under the Companies Act, 2013, means a person who is related to another in any one of the following manner:
 - i. They are members of a Hindu undivided family; or
 - ii. They are husband and wife; or
 - iii. Father (including stepfather);
 - iv. Mother (including stepmother);
 - v. Son (including stepson);
 - vi. Son’s Wife;
 - vii. Daughter
 - viii. Daughter’ husband
 - ix. Brother (including stepbrother);
 - x. Sister (including stepsister);
- 3. **“Related Party Transaction”** as defined under the Companies Act, 2013, and Listing Regulations, means the following transaction or contract or arrangement:
 - 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 office or place of profit in the company, its subsidiary company or associate company;
 - g) underwriting the subscription of any securities or derivatives thereof, of the company

- h) any transaction for transfer of resources, services or obligations between a Company and Related Party, regardless of whether a price is charged Exemption: 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.
4. **“Arm’s length transaction”** as defined under Section 188 (1) of the Companies Act; 2013, shall mean a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.
 5. **“Senior Leadership Team”** means an employee, one level below the Executive Director, which includes but is not limited to Heads of Business Units.

With the consent of the Chairman of the Company any further amendment to definitions as per provisions of the Companies Act, 2013 and SEBI Listing Regulations, to be modified.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Listing Regulations, Securities Contract Regulation Act, or any other law or regulation as applicable to the Company.

III. PROCEDURE

Disclosures by Directors

1. Every director of the Company shall at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals as prescribed under the Companies Act, 2013, to the Company.
2. Where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

Disclosures by Key Managerial Personnel (KMP)

3. Every Key Managerial Personnel shall within 30 days of his / her appointment, disclose his/her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals as prescribed under the Companies Act, 2013, to the Company

Identification of transactions with Related Parties

4. The Company Secretary shall circulate a list of identified Related Parties to the Senior Leadership Team members after any change in the list of Related Parties already circulated.

5. Prior to entering into any type of transaction with a Related Party, such transaction will be reported to the Company Secretary and Chief Financial Officer by Senior Leadership Team member along with all relevant documents like comparable quotations, invoices, or other certificates and other factors justifying the transaction.
6. The Company Secretary and Chief Financial Officer to analyze in consultation with the Management and with an outside consultant as may be appropriate, to determine whether the proposed transaction or relationship constitutes a Related Party Transaction and if the same requires any compliance under this Policy.

Information to be placed before the Audit Committee

7. Once the transaction is identified as a Related Party Transaction, all relevant details of transactions will be placed before the Audit Committee for its prior approval.
 - a) the name of the related party and nature of the relationship;
 - b) nature, duration, and particulars of the transaction or contract or arrangement
 - c) the material terms of the transaction or contract or arrangement including the value, if any;
 - d) any advance paid or received for the contract or arrangement if any;
 - e) the manner of determining the pricing and other commercial terms;
 - f) whether all factors relevant to the transaction have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
 - g) evaluation certificate on ascertainment of Arm's length basis from an outside consultant if any and
 - h) any other information relevant or important for the Audit Committee to decide on the proposed transaction.

Review and approval of Related Party Transactions by Audit Committee

8. All Related Party Transactions shall require prior approval of the Audit Committee. The approval of the Audit Committee may be granted by way of a Circular Resolution. The Audit Committee shall review the proposed Related Party Transaction considering such factors as it deems appropriate; including but not limited to the following:
 - a) Whether the proposed Related Party Transaction is in the ordinary course of business;
 - b) Whether the terms of the Related Party Transaction are fair 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;
 - c) the business reasons for entering into the proposed Related Party Transaction and nature of alternative transaction if any;
 - d) the commercial reasonableness of the terms of the proposed Related Party Transaction;
 - e) Significance of the Related Party Transaction to the Company;

9. The Audit Committee shall approve or disapprove the Related Party Transaction based on its review of aforesaid factors of the transaction and thereafter will inform its decision to the Board of Directors.

Review and approval of Related Party Transactions by Board of Directors

10. If the Audit Committee determines, the proposed Related Party Transaction is in the ordinary course of business and on Arm’s length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:
- a) Review of factors considered by the Audit Committee for its approval to the proposed Related Party Transaction
 - b) any other factor which Board deems relevant

Based on the above factors, the Board will approve or disapprove the Related Party Transaction.

11. If the Audit Committee determines, the proposed Related Party Transaction is not in the ordinary course of business and/or not on Arm’s length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:
- a) Whether the proposed Related Party Transaction is within threshold as specified under Point no. III. 12. of this Policy.
 - b) Justification for entering into proposed Related Party Transaction
 - c) Any other factor which Board deems relevant

Based on the above factors, the Board will approve or disapprove the Related Party Transaction.

Review and approval of Related Party Transactions by Shareholders

12. In case of the following types of Related Party Transactions which are not in the ordinary course of business and not on arm's length basis and which also exceeds threshold limits as given hereunder will require the approval of shareholders by a special resolution.

Sr. no.	Category of Transaction	Threshold
1	Sale, purchase or supply of any goods or materials	10% of turnover
2	Selling or otherwise disposing of, or buying, property of any kind	10% of net worth
3	Leasing of property of any kind	10% of turnover
4	Availing or rendering of any services	10% of turnover
5	Such Related Party's appointment to any office or place of profit in the company, it's subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh
6	Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of net worth

(The Turnover or Net Worth referred above shall be computed on the basis of Audited Financial Statements of the preceding Financial Year)

Listing Regulations

13. As per Regulation 15 of SEBI (LODR) Regulations 2015, the compliance with the provisions as specified in Regulation 23 Related party transactions, shall not apply in case of a company having paid-up equity share capital not exceeding rupees ten crore and net worth not exceeding rupees twenty-five crore, as on the last day of the previous financial year.

At present, the paid-up share capital of the Company and its net worth is within the limit as mentioned above. Thus, provisions under Regulation 23 do not apply to the Company.

Where the provisions of Regulation 23 become applicable to the Company at a later date, then the Company shall comply with the requirements of Regulation 23 within six months from the date on which the provisions became applicable to the Company.

Related Party Transactions of ongoing nature

14. If Related Party Transaction is of an ongoing nature, the Audit Committee and/or the Board of Directors shall periodically review and assess the ongoing relationship with Related Party and terms of transactions to see that they are in compliance with this Policy. Any amendment, renewal, or extension of transaction or arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

Related Party Transactions which are not approved under this Policy

15. In the event a Related Party Transaction has not been previously approved under this Policy, the Company Secretary to promptly notify the Audit Committee and Board of Directors. The matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 said Related Party Transaction. The Audit 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 as it deems appropriate.

Interested Director / KMP / Shareholder not to participate

16. The Interested Director/KMP shall disclose the nature of his concern or interest at the meeting of the Board in which the Related Party Transaction is discussed and shall not participate in such meeting

17. No member of the Company shall vote on the special resolution, to approve any Related Party Transaction which may be entered into by the Company, if such member is a Related Party, nor shall he/she vote on the resolution relating to the Related Party Transaction.

IV. DISCLOSURE

1. Every Related Party Transaction entered into which is not in the ordinary course of business and/ or not on an arm's length basis, shall be disclosed in the Board's Report along with the justification for entering into such transaction.
2. All Related Party Transactions which are approved under Point no. III. 12. of this Policy shall be disclosed to the Stock Exchanges quarterly along with the Compliance Report on Corporate Governance.
3. All other disclosures in respect of Related Party Transactions to be complied as may be specified under the Companies Act, 2013, including rules thereof and Listing Regulations from time to time.

V. AMENDMENT

The Board reserves its right to amend or modify this policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendments to the applicable provisions of the Companies Act, 2013, including Rules thereof and / or the provisions of the Listing Regulations.

**For and on behalf of Board of Directors
of G. G. Dandekar Machine Works Limited**

Sd/-

Nihal Kulkarni
Chairman

DIN: 01139147

Place: Pune

Date: 15th June 2020