

POLICY ON RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors of G. G. Dandekar Machine Works Limited (GGD) (hereinafter referred to as 'the Board') has adopted this Policy on Related Party Transactions ('the Policy') as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any amendments thereunder (Listing Regulations).

This Policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with the applicable Laws and Regulations.

II. DEFINITIONS

1. **"Related Party"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
2. **"Relative"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
3. **"Related Party Transaction"** shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.

Exemption:

- a. A related party transaction(s) entered into between GGD and its wholly-owned subsidiary whose accounts are consolidated with GGD and placed before the shareholders at the general meeting for approval.
- b. A related party transaction(s) entered into between two wholly-owned subsidiaries of GGD, whose accounts are consolidated with GGD and placed before the shareholders at the general meeting for approval.
- c. With effect from the date notified by SEBI or any other authorities, a related party transaction(s) to which the subsidiary of GGD is a party but GGD is not a party and the value of such transaction(s) whether entered into individually or taken together with previous transactions during a financial year does not exceed ten percent of the annual consolidated turnover, as per the last audited financial statements of GGD.
- d. With effect from the date notified by SEBI or any other authorities, a related party transaction(s) to which the subsidiary of GGD is a party but GGD is not a party and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year does not exceed ten percent of the annual standalone turnover, as per the last audited financial statements of GGD.

The Audit Committee may consider related party transactions, if any, falling under applicable Accounting Standards.

4. **“Material Related Party Transactions”** as defined under Listing Regulations, means any transaction/transactions to be entered into with the related party, individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
5. **“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.
6. **“Subsequent Material Modifications to approved Related Party Transaction”** means (+)/(-) 20% impact on the consideration due to any change/variation in the terms as compared to earlier approved related party transaction(s).
7. **“Subsidiary Company”** means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013 excluding the listed subsidiary, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

With the consent of the Chairman of the Company any further amendments to definitions as per provisions of the Companies Act, 2013 and SEBI Listing Regulation, are 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

1. Disclosure by Directors/Key Managerial Personnel (KMP)

Every Director/KMP of the Company shall at the beginning of the financial year provide information about his/her (including relatives) nature of interest or concern as prescribed under the Companies Act, 2013, to the Company. Thereafter, any changes therein need to be informed to the Company promptly.

2. Identification of transactions with Related Parties

The Company Secretary/Chief Financial Officer will circulate a list of identified Related Parties to the concerned employees which may include the Head of Business Units, Head of Functional Departments, etc. The concerned employees shall submit details of the proposed transaction(s) to the Company Secretary/Chief Financial Officer. Such details will include all relevant documents like comparable quotations, invoices, or other certificates and other factors justifying the transaction.

The Company Secretary/Chief Financial Officer will place the details of the proposed transaction before the Audit Committee.

3. Information to be placed before the Audit Committee and Board of Directors

- a. The name of the related party and nature of the relationship;
- b. the 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;
- h. Information as prescribed under SEBI circular no. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2022;
- i. any other information as may be prescribed by SEBI or other authorities from time to time; and
- j. any other information relevant or important for the Audit Committee/Board of Directors to decide on the proposed transaction.

4. Review and approval of Related Party Transactions

A. Audit Committee

Prior approval of the Audit Committee is required for all Related Party Transactions including subsequent material modifications thereof which may be granted by way of a Circular Resolution. The Audit Committee shall consider the following factors while deliberating Related Party Transactions for its approval:

- a) Whether proposed Related Party Transaction is in the ordinary course of business;
- b) Whether the terms of the Related Party Transaction are fair and on an arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- c) 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;
- d) the commercial reasonableness of the terms of the proposed Related Party Transaction;
- e) The materiality & significance of the Related Party Transaction;
- f) any other factor that the Audit Committee deems relevant.

Based on the above factors, the Audit Committee will approve or disapprove the Related Party Transaction and thereafter will inform its decision to the Board of Directors.

However, the Audit Committee may grant omnibus approval for related party transactions proposed to be entered into by the Company. While granting the omnibus approval, the Audit Committee shall consider the following:

- i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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:

In cases where the need for related party transaction cannot be foreseen and aforesaid details are not available, the audit committee may grant omnibus approval for such transactions subject to the limits specified and conditions to be complied as prescribed by the Listing Regulations and Company Act, 2013 & rules thereunder, including amendments thereof.

The audit committee shall review, at least quarterly, the details of related party transactions entered into by the listed entity under each of the omnibus approvals given.

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

Exemption:

Prior approval of the Audit Committee is not required in the following cases.

- a. A related party transaction(s) entered into between GGD and its wholly-owned subsidiary whose accounts are consolidated with GGD and placed before the shareholders at the general meeting for approval.
- b. A related party transaction(s) entered into between two wholly-owned subsidiaries of GGD, whose accounts are consolidated with GGD and placed before the shareholders at the general meeting for approval.
- c. With effect from the date notified by SEBI or any other authorities, a related party transaction(s) to which the subsidiary of GGD is a party but GGD is not a party and the value of such transaction(s) whether entered into individually or taken together with previous transactions during a financial year does not exceed ten percent of the annual consolidated turnover, as per the last audited financial statements of GGD.
- d. With effect from the date notified by SEBI or any other authorities, a related party transaction(s) to which the subsidiary of GGD is a party but GGD is not a party and the value of such transaction whether entered into individually or taken together with previous transactions during a financial year does not exceed ten percent of the annual standalone turnover, as per the last audited financial statements of GGD.

- e. Subsequent modification to the transaction(s) with related parties which are only covered under listing regulations and is not a material modification.

Prior approval of the Audit Committee will be required in case of any related party transaction(s) including any subsequent material modifications which exceed limits specified in points c and d above.

B. Board of Directors

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

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

- II. If the Audit Committee determines, the proposed Related Party Transaction is not in the ordinary course of business and/or not on an Arm's length basis, the Board shall consider the following factors while deliberating Related Party Transactions for its approval:
 - a) Whether proposed Related Party Transaction is within threshold as specified under Point no. III (4) (C) of this Policy.
 - b) Justification for entering into the 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.

C. Shareholders

a) Companies Act, 2013 and Rules thereof:

In case of the following type of Related Party Transactions which are not in the ordinary course of business and not on arm's length basis and which also exceed threshold limits as given under 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% or more of turnover |
| 2 | Selling or otherwise disposing of, or buying, property of any kind | 10% or more of net worth |
| 3 | Leasing of property of any kind | 10% or more of turnover |

| Sr. no. | Category of Transaction | Threshold |
|----------------|--|--|
| 4 | Availing or rendering of any services | 10% or more 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 | Exceeding 1% of net worth |

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

b) Listing Regulations:

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 of the listed entity as per the last audited financial statements of the listed entity.

All Material Related Party Transactions and subsequent material modifications will require prior approval of shareholders by special resolution as specified in the Listing Regulation.

5. Related Party Transactions that are not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision, or termination of the Related Party Transaction.

In connection with any review of a Related Party Transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this Policy.

6. Related Party Transactions of ongoing nature

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.

7. Interested Director / KMP / Shareholder not to participate

- a. 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.

- b. 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.
- c. Non-Independent Director of the Audit Committee shall not vote on the resolution, to approve any Related Party Transaction which may be entered into by the Company.

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 Material Related Party Transactions shall be disclosed quarterly along with the Compliance Report on Corporate Governance.
3. All other disclosures in respect of Related Party Transactions are to be complied as may be specified under the Companies Act, 2013, including rules thereof and Listing Regulations from time to time.

V. CONSEQUENCES OF CONTRAVENTION

Any director or any other employee of a Company, who had entered into or authorized the Related Party Transaction, in violation of the provisions of this Policy, shall be liable to punishments as prescribed under the provisions of Companies Act, 2013, including rules thereof and the provisions of Listing Regulations, including any amendment thereto.

VI. 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 as per any amendments to the applicable provisions of the Companies Act, 2013, including Rules thereof and/or the provisions of the Listing Regulations.

This amended policy will be effective from May 30, 2022 unless any other date is notified by SEBI or other authority.

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

Sd/-
Pawan Rathi
Independent Director
DIN: 06669485

Place: Pune
Date: 30.05.2022