

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Board of Directors (the Board) of G. G. Dandekar Machine Works Limited (GGDMWL) has adopted this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (“the Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules thereunder and 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 16.05.2019 and earlier amended and approved on 27th January, 2017 effective from 1st February, 2017)

This Policy will be applicable to the Company with effect from 1 April 2019.

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 per cent. 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 (v/) 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 step-father);
 - iv. Mother (including step-mother);
 - v. Son {including step- -son);
 - vi. Son’s Wife;
 - vii. Daughter
 - viii. Daughter’ husband
 - ix. Brother (including step-brother);
 - x. Sister (including step-sister);
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. **"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 Financial Year exceeds 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company &

a transaction involving payments made to a related party with respect to brand usage or royalty to be entered into individually or taken together with previous transactions during a financial year which exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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. **Senior Leadership Team"** means an employee, one level below the Executive Director, which includes but is not limited to Heads of Business Units.

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. APPROVAL REQUIREMENTS

A. AUDIT COMMITTEE

1. All RPT shall require prior approval of Audit Committee of the Board of Directors of the Company. The approval of the Audit Committee may be granted by way of a Circular Resolution.
2. Provided that the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered in to by the company subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. 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 foreseen 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.

d. 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.

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

Provided further that a transaction with a wholly owned subsidiary of the Company shall not require prior approval of the Audit Committee.

B. Board of Directors:

I. If the Audit Committee determines, the proposed Related Party Transaction is in 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 the Board deems relevant.

II. If the Audit Committee determines that the proposed Related Party Transaction is not in ordinary course of business and / or not an Arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:

a) Whether proposed Related Party Transaction is within threshold as specified under Point no. (C) of this Policy.

b) Justification for entering into proposed Related Party Transaction.

c) Any other factor which the Board deems relevant.

C. Shareholders:

a. Companies Act, 2013 and Rules thereof:

In case of following type of Related Party Transactions which are not in 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 or Rs. 100 crore, whichever is lower
2	Selling or otherwise disposing of, or buying, property of any kind	10% of net worth or Rs. 100 crore, whichever is lower
3	Leasing of property of any kind	10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower
4	Availing or rendering of any services	10% of turnover or Rs 50 crore, whichever is lower
5	Such Related Party's appointment to any office or place of profit in the company, its 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	10% 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)

b. Listing Regulations:

All Material RPT shall require the approval of shareholders of the Company by special resolution.

IV. PROCEDURE

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 which shall include the shareholding along with his relatives, in excess of 2% of the paid up capital of that company where he/she is a director or where he/she is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director is a partner, owner or member, as the case may be.

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.
3. The director concerned shall not participate in the discussion on the RPT placed before the Audit Committee / Board, nor shall he / she vote on the resolution relating to the RPT.
4. 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 which shall include the shareholding along with his relatives, in excess of 2% of the paid up capital of that company where he/she is a director or where he/she is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director is a partner, owner or member, as the case may be.
5. The Company Secretary shall circulate list of identified Related Parties to the Senior Leadership Team members by the 2nd of the month following the end of a quarter and immediately after any change in the list of Related Parties already circulated.
6. Prior to entering into any type of transaction with a Related Party, such transaction will be reported to the Company Secretary by Senior Leadership Team member along with all relevant documents like comparable quotations, invoices or other certificates and other factors justifying the transaction.
7. The Company Secretary to analyze in consultation with the Management and with 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.
8. 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.

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) the business reasons for entering into the proposed RPT and nature of alternative transaction if any;
- b) the commercial reasonableness of the terms of the proposed RPT;
- c) Significance of the RPT to the Company;

- d) whether the terms of RPT are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;

The Audit Committee shall approve or disapprove the RPT based on its review of aforesaid factors of transaction and provisions of this Policy.

9. In the event a RPT 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 RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the said RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action as it deems appropriate.

V. DISCLOSURE

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

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 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: 16th May 2019