

OSWAL AGRO MILLS LIMITED **POLICY ON RELATED PARTY TRANSACTIONS**

SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") **OSWAL AGRO MILLS LIMITED** ("the Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Regulation 23 of the Listing Regulations also requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company.

OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company.

DEFINITION

- a) **Related Party:** A Related Party shall have the same meaning as defined under the Act and the Listing Regulations, as may be amended / modified from time to time.
- b) **Related Party Transaction (RPT):** A Related Party Transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract/arrangement.
- c) **Materiality:** The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower:

- (i) **Materiality threshold under the Act**

- A transaction with a related party shall be considered material if it exceeds threshold as prescribed under section 188 of the Act read with Rules made thereunder or any subsequent amendment thereto.

- (ii) **Materiality threshold under Listing Regulations**

- Pursuant to the provisions of Regulation 23 of the Listing Regulations, a 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 the thresholds specified in Schedule XII of the Listing Regulations.

Pursuant to the provisions of Regulation 23(1A) of the 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, exceeds 5% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company.

d) Related Party Transactions of Subsidiary companies:

RPTs of subsidiary companies to which the Company is not a party, and the value of RPT is above ₹ 1 crore, whether entered into individually or taken together with previous transactions during a financial year, shall require prior approval of the Audit Committee of the Company if the value of such transaction, exceeds the lower of the following:

- (i) 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
- (ii) the threshold for material RPTs of the Company as specified in Schedule XII of the Listing Regulations.

Provided that, if the subsidiary of the Company does not have audited financial statements for a period of at least one year, prior approval of the Committee of the Company shall be required if the value of RPTs exceeds the lower of the following:

- (i) 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
- (ii) the threshold for material related party transactions of the Company as specified in Schedule XII of Listing Regulations.

e) Materiality Modification: "Material Modification" shall mean any modification made in the terms and conditions of any RPT, as originally approved by the Audit Committee and/or shareholders, as the case may be which, individually or taken together with previous modifications during a financial year, results in variation in the value of the RPT, by at least 35%, or has significant impact on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.

Provided that a modification shall be material, if by such modification, the terms of the contract cease to be arm's length. Provided further that the following shall not be considered as material modification:

- modifications which may be mandated pursuant to change in law;
- modifications pursuant to and in accordance with the terms of the approved transaction/ contract, with mutual consent of parties;
- modifications resulting from change in constitution of either of parties pursuant to scheme of arrangement (e.g. merger, amalgamation, demerger, etc.);
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties;

- modifications uniformly affected for similar transactions with unrelated parties;
 - unexhausted limits of approved transaction shall not be considered as modification in the transaction.
- f) **Ratification of Related Party Transaction:** The Audit Committee may ratify the related party transactions subject to the following conditions:
- Only independent members of the Committee can vote;
 - Ratify the related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier;
 - Value of the ratified transaction with a related party, entered into individually or taken together, during a FY $\leq$ INR 1 crore;
 - Transactions is not material in terms of this policy;
 - Rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - Ratification shall be disclosed along with RPT that is submitted to the stock exchanges;
- g) **Arm's Length Basis:** Terms will be treated as on 'Arm's Length Basis' if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions such as quality, realizations, other terms of the contract, etc. In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'. Other methods prescribed for this purpose under any law can also be considered for establishing this principle.
- h) **Ordinary Course of Business:** Transactions with related parties will be considered in ordinary course if they are entered in pursuance of the business objective of the Company and necessary for Company's operations or related financial activities, including the fixed assets transactions and pursuant to the objects of the Company.

POLICY

- a) The RPTs should be in conformity with the prevailing rules and regulations prescribed bylaw.
- b) All RPTs and subsequent material modifications thereto shall be placed before Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Act and the Listing Regulations.
- c) The Audit Committee may grant omnibus approval for RPTs which are repetitive in nature, provided that such approval shall remain valid for period not exceeding one year, during which period the commercial terms of approved RPTs may change, provided that arm's length criterion shall be ensured at the time of each such change. Further, where the need for RPTs cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions *provided that* value of each such transaction shall not exceed ₹ 1 crore.

- d) Further the committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- e) All RPTs specified u/s 188 of the Act which are not in the ordinary course of business of the Company or not at arm's length basis shall be effected only with prior approval of the Board of Directors of the Company, on recommendation of the Audit Committee.
- f) All RPTs specified in the Act which are not in the ordinary course of business of the Company or not at arms' length basis and exceed the thresholds laid down in the Act shall be placed before the shareholders' for their approval.
- g) Notwithstanding, the RPTs which cross the materiality threshold as defined under the Listing Regulations shall be entered by the Company only with the prior approval of the shareholders of the Company.
- h) Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the RPTs, which are not in accordance with this Policy.
- i) Any transaction that is specifically excluded from applicability of the related party provisions under the Act and / or the Listing Regulations shall not require a separate approval under this policy.

Administrative Measures

- j) The Company's management shall institute appropriate administrative measures to ensure that all RPTs entered into by the Company are in compliance with applicable laws and this Policy. All persons dealing with the related parties shall, irrespective of their level, be responsible for compliance with this Policy. The detailed processes relating to implementation of this Policy, as may be approved by the Audit Committee from time to time, shall be followed by all concerned. The Internal Auditors of the Company shall review the RPTs entered into by the Company on a periodic basis and report their observations to the Audit Committee. The Company Secretary shall be responsible to maintain/update the list of related parties (as required by applicable laws) and provide the same to all concerned. It is the duty of all employees of the Company to ensure that they do not deal with related parties under any kind of influence or coercion. The cases involving any unwarranted pressure should be promptly reported as per mechanism provided under the Whistle Blower Policy of the Company.

Interpretation

- k) In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.

Disclosure

- l) The Policy is available on the website of the Company and a web link shall be provided in the Company's Annual Report.

POLICY REVIEW

The Board may subject to applicable laws is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy. This Policy shall be reviewed by the Board of Directors at least once every three years.

In the event of any conflict between the provisions of this Policy and of the applicable law, such applicable law in force from time to time shall prevail over this Policy.

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