

GARWARE HI- TECH FILMS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

PREAMBLE

The Company may enter into transactions with related parties from time to time. Such transactions are considered appropriate only if they are in the best interest of the Company and the stakeholders.

The Board of Directors of the Company has adopted this policy with regard to Related Party Transactions. This Policy is intended to ensure proper approval, disclosure and reporting of the transactions between the Company and related parties. The Audit Committee of the Company will review this policy periodically and may recommend changes / amendments as deemed appropriate, to the Board for approval.

The Policy is in conformity with the various provisions of the Companies Act, 2013 (**“Act”**) and Rules there under and applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI LODR Regulations”**).

The policy covers the following:

- Definition of Related Party
- Transactions which are deemed as related party transactions
- Nature of approvals required
- Disclosure norms
- Exemptions / Non – applicability
- Consequences of non-compliance

DEFINITION OF RELATED PARTY UNDER THE ACT

(Refer Section 2(76) of the Companies Act, 2013)

- A. *“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 (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii) anybody corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (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.

- B. A director other than an independent director or Key Managerial Personnel of the Holding Company or his relative, with reference to a company shall be deemed to be a related party.
- C. “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;

DEFINITION AS PER SEBI LODR REGULATIONS.

- A. “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or 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 shareholding in the listed entity shall be deemed to be a related party.
- B. “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- C. Material modification will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

TRANSACTIONS WHICH ARE DEEMED TO BE RELATED PARTY TRANSACTIONS

Any transaction between the Company and a Related Party relating 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 office or place of profit in the Company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the Company:

Explanation:

“Office or place of profit” means any office or place:

- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

NATURE OF APPROVALS REQUIRED

- (1) All the transactions including modification of transaction with related parties, if any, shall require prior approval of the Audit Committee. Such transactions will require the approval of Board of Directors of the Company and in some cases by the Shareholders in the General Meeting.
- (2) 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. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - b. the maximum value per transaction which can be allowed;
 - c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - d. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - e. Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (3) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval namely:-
 - a. Repetitiveness of the transactions (in past or in future) and
 - b. Justification for the need of omnibus approval, while specifying the criteria for making omnibus approval.
- (4) The Audit Committee shall satisfy itself on the need for omnibus approval

for transactions of repetitive nature and that such approval is in the interest of the company.

- (5) The omnibus approval shall contain or indicate the following: -
- a. name of the related parties;
 - b. nature and duration of the transaction;
 - c. maximum amount of transaction that can be entered into;
 - d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.
- (6) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval in the first board meeting held immediately after the end of the financial year.
- (7) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (8) Any other conditions as the Audit Committee may deem fit.

Approval of Audit Committee

In accordance with Section 177 of the Companies Act, 2013, the Audit Committee shall review the transactions and any subsequent modification of transactions of the Company with Related Parties.

Approval of Board of Directors

- a) Consequent to the approval of the Audit Committee, the Board of Directors shall approve the transactions with related parties to ensure that the transaction(s) are not in any way prejudicial to the interests of the Company.
- b) Approval of the Board should be sought at a duly convened meeting of the

Board and same cannot be obtained by passing of a resolution by circulation.

- c) Where any director is interested in any contract or arrangement with a Related Party, such director shall not be eligible to participate at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

Approval of Members by means of an ordinary resolution

(1) In the following situations, in addition to approval of the Audit Committee and the Board of Directors, approval of members by must also be sought before entering into any related party transaction where the transaction or transactions to be entered into are –

- (a) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below :
 - (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, **amounting to ten percent or more of net worth of the company**, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - (iii) Leasing of property of any kind **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (c) of sub-section (1) of section 188;
 - (iv) Availing or rendering of any services, directly or through appointment of agent **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

Explanation: - It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

- (2) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-
 - (a) name of the related party;
 - (b) name of the director or key managerial personnel who is related, if any;
 - (c) nature of relationship;
 - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
 - (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

Materiality of Related Party Transactions:

The Company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the limits stated above under approval of members by means of an ordinary resolution.

DISCLOSURE NORMS

Disclosures to be made in notice calling Board Meeting :

The necessary disclosures shall be placed before the Board.

Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:

- (a) Name of the related party;
- (b) Name of the director or key managerial personnel who is related, if any;
- (c) Nature of relationship;
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

Disclosures to be made in Board's Report / Corporate Governance Report :

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

Disclosures to the Stock Exchanges:

1. Details of all related party transactions with related parties shall be disclosed half yearly along with the compliance report on corporate governance.
2. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

EXEMPTIONS / NON-APPLICABILITY

This Policy will not be applicable in case of transactions entered into by the company in its ordinary course of business, which are on an arm's length basis.

“Arm’s length transaction” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

CONSEQUENCES OF NON-COMPLIANCE

If any related party transaction or contract is entered without seeking Board’s and / or Members’ approval and if the same is not ratified by the Board and / or Members as the case may be, within 3 months at a meeting, then the contract or transaction will be voidable at the option of the Board or as the case may be of the shareholders and if the transaction is between any Related Party and any director or is authorized by any other director, then the directors concerned are liable to indemnify any loss incurred by the company.

RECORDS / REGISTERS:

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements. The Register(s) shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

The Register(s) shall be kept at the registered office of the Company and shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the Company shall be furnished by the Company to such extent, in such manner, and on payment of such fees as may be prescribed. The Register(s) shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

MISCELLANEOUS:

Any changes notified in the regulatory frame work / law will be deemed have been incorporated in this policy from the date of coming into force of such amendments from time to time.