



Commercial Engineers Body Builders Co Limited

Policy for Consideration and Approval of Related Party Transactions



1. Introduction

This policy deals with Related Party Transactions, in line with the requirements of the Companies Act, 2013 and the Equity Listing Agreement.

2. Scope and purpose of the policy

The Board of Directors of the Company has adopted the policy with regard to Related Party Transactions.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This policy specifically deals with the approval of Material Related Party Transactions.

The Company does not have any subsidiary company.

3. Definitions

- i.** "Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated.
- ii.** "Company" shall mean Commercial Engineers Body Builders Company Limited.
- iii.** "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.
- iv.** Related Party transaction refers to a contract or arrangement with a related party with respect to –
 - (i) sale, purchase or supply of any goods or materials;
 - (ii) selling or otherwise disposing of, or buying, property of any kind;
 - (iii) leasing of property of any kind;
 - (iv) availing or rendering of any services;
 - (v) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (vi) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
 - (vii) underwriting the subscription of any securities or derivatives thereof, of the Company
- v.** 'Related party' is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions.

For this purpose, the term 'Related Party' shall mean persons as defined in section 2(76) read with section 2(77) of the Companies Act 2013 and Clause 49(VII) (B) of the Equity Listing Agreement.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Equity Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation and the Accounting Standards, applicable under the provisions of the Companies Act 2013 or Rules made there under.

4. Material Related Party Transaction-

Clause 49 of the Equity Listing Agreement, lays down that any transaction with a Related Party shall be considered 'Material Related Party transaction' if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5. Approval of Related Party Transactions-

5.1 All Related Party Transactions or subsequent modifications, shall require prior approval of the Audit Committee.

5.2 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) The Audit Committee shall lay down the criteria for granting the omnibus approval for transactions with related party 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 and 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;
- d) Where the need for transactions with related party could not be foreseen and details as per (c) above are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.5 Lakh per transaction.
- e) The Audit Committee shall review, at least on a quarterly basis, the details of transactions entered into by the Company pursuant to each of the omnibus approval given.
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

5.3 In an unforeseen event, where a transaction with related party for which the omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies, the Audit Committee may approve such transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

5.4 Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.

5.5 A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

5.6 Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

5.7 Approval by the Board of Directors –

All Related Party Transactions that are either not in the ordinary course of business or which are not on arm's length transactions, shall be referred to the Board of Directors for their prior approval.

Any member of the Board who has a potential interest in such Related Party Transaction will abstain from voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

5.8 Approval by the Shareholders -

a) All transactions with Related Party which meet the materiality threshold as per Clause 49 of the Equity Listing agreement (as per Clause 4 of this policy), shall be placed for approval of the shareholders through special resolution..

b) In addition to the above, all transactions specified under section 188 of the Companies Act 2013, which are either not in the ordinary course of business or which are not on arm's length transactions, and which exceed the threshold limit laid down in the Companies (Meetings of Boards and its Powers) Rules 2014, shall be placed before the shareholders for approval.

All persons/ entities falling under the definition of 'Related Party' shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

5.9 Related Party Transactions that shall not require approval -

The following transactions shall not require separate approval under this policy -

- a) Any transaction pertaining to appointment and remuneration of Directors and Key Management Personnel, which has already been approved by the Nomination and Remuneration Committee of the Company or the Board Directors;
- b) Transactions that have been approved by the Board of Directors under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend;

- d) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board of Directors and carried out in accordance with the specific provisions of the Companies Act, 2013 and/or the Equity Listing Agreement and
- e) Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

5.10 The Company will set up a process for identification of potential Related Party Transactions , prior approval of the Audit Committee, approval of the Board and/or Shareholders, if applicable and disclosure in accordance with the Companies Act 2013 and Rules made there under, Equity Listing agreement and applicable Accounting Standards.

6. Interpretation

In case of any dispute or difference regarding the meaning/ interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final.

7. Review of the policy –

The Audit Committee will review and may amend the policy as and when required, and place it for the approval by the Board.