

# **ASHOKA BUILDCON LIMITED**

## **Related Party Transactions Policy (RPT Policy)**

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### **Introduction:**

Ashoka Buildcon Limited (“**the Company**”) and Ashoka Group recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stakeholders best interests. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (the “Committee), has adopted the following policy and procedures with respect to Related Party Transactions of the Company.

### **Purpose:**

The policy is not only in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act, 2013 and the Listing Regulations. Pursuant to Regulation 23 of the Listing Regulations, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions.

### **Definitions:**

All the terms used and defined herein are in addition to those defined in the Act, Listing Regulations or any other applicable law or regulations. For the purposes of this policy, the following definitions apply:

#### **“Act”**

means the Companies Act, 2013 (‘Act’) read with the Rules thereto including any subsequent amendments thereof.

#### **“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.

Pricing may not be the only determinant of a transaction being at arm’s length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm’s length basis.

The following has been considered to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price / pricing policy / market price / at the same margin at which entered into with independent third parties;
- The transaction is in line with quotations from third party / bids, whenever required;
- The transaction is at a price / rate in line with Government guidelines like State PWDs, NHA Policy / industry specifications where ever relevant;
- Taking assistance of an expert – Valuation Report by Registered Valuer, wherever required; and
- Principles under the transfer pricing guidelines, wherever required / applicable.

**“Audit Committee”**

means Audit Committee of the Board of Directors of the Company.

**“Board”**

means Board of Directors of the Company.

**“Group Company” of “Group Companies”**

means Ashoka Buildcon Limited, being Flagship Company of Ashoka Group as the Holding Company, its Subsidiaries, Associate - Joint Venture Companies and/or entities where Promoters/directors are interested.

**“Listing Regulations”**

means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

**“Material modifications”**

means any modifications to the related party transactions which were approved by the Audit Committee or Shareholders during the year which will significantly / materially change the nature of the transaction and in case of monetary thresholds which is in excess of 25% of the originally approved transaction, in case of exigencies only.

**“Material Related Party Transactions” –**

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 Rs.1,000 Crore or 10% of the annual consolidated turnover of the Company whichever is lower as per the last audited financial statements as defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Companies Act, 2013.

provided that in case of any amendment to the Act or Listing Regulations, definition of Material Related Party Transactions will be deemed to be changed without any further approval of Audit Committee or Board.

Further a transaction involving payment made to related party with respect to brand usage or royalty, exceeding 2% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

### **“Ordinary course of business”**

The term ordinary course of business is not defined under the Act or the Rules thereunder. Therefore, it would depend on facts and circumstances of each case.

The Audit Committee would therefore exercise judgment to conclude whether a transaction can be considered to be in the ordinary course of business of the Company.

Examples of transactions that the Company would consider to be in the ordinary course of business would include but not limited to:

- ✓ The transaction is covered under Object Clause of Memorandum of Association;
- ✓ The Company had entered into such transactions over the years in the past for furtherance of its business and is undertaken on arm’s length basis;
- ✓ The transaction is carried out at sufficient frequency;
- ✓ The transaction was in furtherance of the business of the Company and is consistent with its business objective of augmenting and acquiring newer capabilities;

Although these are not conclusive, they will be considered as guidance to be used, based on facts and circumstances, to conclude as to whether a transaction can be considered to be in the ordinary course of business.

### **“Related Party”**

is a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations.

### **“Related Party Transaction (RPT)”**

means transactions as given under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the Listing Regulations.

- Sale / purchase of goods;
- Availing or rendering of services;
- Buying / selling / leasing of property;
- Appointment of agent for purchase or sale of goods, materials, services or property;
- Appointment to any office or place of profit in the company, its subsidiary company or associate company;
- Remuneration for underwriting the subscription of any securities or derivatives thereof of the company: and
- transfer of resources, services or obligations between the Company and its related party/ies, regardless of whether a price is charged or not.

provided that the following shall not be a related party transaction:

- the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - payment of dividend;
  - subdivision or consolidation of securities;
  - issuance of securities by way of a rights issue or a bonus issue; and
  - buy-back of securities.

Further the Related Party Transactions, if any, approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee, CSR Committee, Risk Management Committee and Stakeholders Relationship Committee, shall be deemed to have approval of the Audit Committee from the RPT perspective and the same need not be approved by the Audit Committee once again. For example: Allotment of Shares to KMP by the NRC shall be deemed to have approval of the Audit Committee from RPT perspective.

## **Policy:**

### **I. Audit Committee**

All RPTs shall be referred to the Audit Committee for prior approval, irrespective of its materiality. The Audit Committee shall also approve any subsequent material modification of RPTs.

Chief Financial Officer will refer RPTs to audit committee for approval. Only members of the Audit Committee who are independent members shall approve all Related Party Transactions. Any member of the Audit Committee who has a potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.

#### **A. In summary, prior approval of Audit Committee is required for the following Related Party Transactions:**

- Where Company is a party;
- Where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent (10%) of the annual consolidated turnover, as per the last audited financial statements of the Company;
- With effect from April 1, 2023, Where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent (10%) of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the related parties of the Company or any of its subsidiaries.

**B. The Audit Committee will take into account following considerations while dealing with the RPTs:-**

- Nature of relationship with the related party;
- Nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm's length; and
- Any other information relevant or important for the Audit Committee/ Board to take a decision on the proposed transaction.
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- Tenure of the proposed transaction (particular tenure shall be specified);
- Value of the proposed transaction The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)

**If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:**

- details of the source of funds in connection with the proposed transaction;
- where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
- nature of indebtedness
- cost of funds; and
- tenure;
- applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- Justification as to why the RPT is in the interest of the listed entity;
- A copy of the valuation or other external party report, if any such report has been relied upon;
- Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

**II. Omnibus Approval**

i. The Audit Committee shall take into account following while granting omnibus approval for RPTs, of repetitive nature:

- ✓ Criteria specified by the Audit Committee under Rule 6A of the Companies (Meetings of Board & Its Powers) Rules, 2014 after approval of the Board;
- ✓ Nature of relationship with the related party;
- ✓ Nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
- ✓ Method and manner of determining the pricing and other commercial terms;
- ✓ Justification for need of omnibus approval;
- ✓ Whether the transaction is at arm's length and in ordinary course of business; and
- ✓ Any other information relevant or important to take a decision on the proposed transaction.

ii. Pursuant to Regulation 23 of Listing Regulations, the Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under Listing Regulations and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Additionally, the Committee may also grant omnibus approval for RPTs of unforeseen nature not exceeding Rupees One Crore.

iii. The Audit Committee shall review on a quarterly basis the details of RPTs entered into by the Company pursuant to omnibus approval.

iv. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

### **III. Board Approval**

The Board shall approve RPTs, which are not in ordinary course of business and/or not at arm's length. Where the Audit Committee does not approve the RPTs, it shall make its recommendations to the Board for approval.

If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

### **IV. Shareholders' Approval**

All material RPTs defined under Regulation 23 of Listing Regulations, whether in ordinary course of business and/or arm's length basis or not, shall require approval of the Board and shareholders, and the related parties shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

RPTs exceeding the limits prescribed under the Act and not in ordinary course of business and/or arm's length basis, shall require prior approval of the Board and shareholders, respectively.

Contracts/ arrangements with Company's subsidiaries and Ashoka Group Companies would result in RPTs. Generally, such contracts/ arrangements would be in the ordinary course of business.

Once such contracts/ arrangements are approved by the Audit Committee, transactions arising out of same would not be subject to evaluation when they are executed. The RPTs will be monitored by reviewed by the Committee at quarterly meetings of the Committee.

### **Disclosure:**

Appropriate disclosures as required under the Act and the Listing Regulations shall be made in the Annual Return, Directors Report and to the Stock Exchanges on half year / annual basis.

**Applicability & Amendment:**

Any Changes to the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee or the Board or Chief Financial Officer of the Company subject to approval of Audit Committee. The Audit Committee/ Board will give suitable directions/ guidelines to implement the same.

The Policy shall be reviewed by the Audit Committee and the Board every three years.

In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the Listing Regulations, the Companies Act, 2013 or Accounting Standards, etc. or any amendments thereto, (Laws), the provisions contained in the Laws will prevail.

**This RPT Policy has been revised and approved by Board of Directors at its meeting held on March 21, 2022 and effective from April 01, 2022.**