

ADARSH MERCANTILE LIMITED

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

INTRODUCTION

This policy on materiality of related party transactions and on dealing with related party transactions (**“the policy”**) is framed by M/s Adarsh Mercantile Limited (**“the Company”**), pursuant to the provisions of Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and in terms of Section 188 of the Companies Act, 2013 read with the rules framed thereunder, including any amendment(s)/ modification (s)/ re-enactment(s) thereof.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

OBJECTIVE

This Policy is designed to govern the transparency of approval process and disclosure requirements to ensure fairness in conduct of related party transactions.

The objective of this Policy is to set out : -

- (a) Materiality thresholds for related party transactions; and
- (b) Manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013, Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 and any other laws and regulations as may be applicable to the Company, from time to time.

DEFINITIONS

“Arms 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.

“Audit Committee” means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of Listing Regulations.

“Board” means the Board of Directors of the Company.

“Key Managerial Personnel” (“KMP”) includes

- i. the Chief Executive Officer or the Managing Director or the Manager;
- ii. any Whole-time Director(s);
- iii. the Company Secretary;
- iv. the Chief Financial Officer

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

“Related Party Transaction” means

- i) for the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188;
- ii) for the purpose of Regulation 23 and defined under Regulation 2(zc) of Listing Regulations, any transaction involving a transfer of resources, services or obligations between:
 - (i) Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand w.e.f. 1st April 2022; or
 - (ii) Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged.

Provided that the following shall not be a Related Party Transaction:

(a) 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;

(b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. sub-division or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

A “**transaction**” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

MATERIALITY THRESHOLDS

Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution. The SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 has fixed its materiality threshold for the transaction at Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company, whichever is lower. However, payments for brand usage/royalty to related party exceeding 5% of consolidated turnover will also be considered as Material Related Party Transaction.

In case of any change in the materiality thresholds by way of amendment in the Listing Regulations the revised thresholds will be applicable automatically.

MATERIAL MODIFICATION

“Material Modification” means a subsequent modification of 5% (five) or more in value of transactions with a related party which is already approved as per the Policy, or where it exceeds the materiality threshold under this policy.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Approval of the Audit Committee

1. All Related Party Transactions between the Company and its Related Party or the Related Party of its Subsidiary and subsequent Material Modifications will be placed for prior approval of the Audit Committee of the Company.
2. All Related Party Transactions between the Subsidiary of the Company and the Related Party of the Company or Related Party of its Subsidiary and subsequent modifications will be placed for prior approval of the Audit Committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the Subsidiary.
3. Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.
4. Prior approval of the audit committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary. Further, the Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in

the Regulation 23(2)(c), the prior approval of the Audit Committee of the listed subsidiary shall suffice.

5. The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions proposed to be entered into by the Company based on the criteria as approved by the Board of Directors, from time to time, subject to the following conditions:
 - i. The Audit Committee shall satisfy itself that the transactions are repetitive in nature and that such approval is in the interest of the Company;
 - ii. The omnibus approval shall provide:-
 - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b) the indicative base price/current contracted price and any probable variation thereto;
 - c) 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 rupees one crore per transaction.
 - iii. The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given; and
 - iv. such omnibus approval shall be valid for a maximum period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

Approval of the Board of Directors of the Company

All transactions specified under Section 188 of the Act and which are not in the ordinary course of business or not at an arm's length basis, will be placed before the Board for its approval.

Approval of the Shareholders of the Company

- i. All Material related party transactions and subsequent Material Modification as defined in this policy, meeting the materiality thresholds shall be placed before the shareholders for prior approval.
- ii. The prior approval of the shareholders of Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI

(Listing Obligations and Disclosure Requirements) Regulation, 2015 are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

- iii. For this purpose, all entities falling under the definition of related parties shall not vote to approve irrespective of whether the entity is a party to the particular transaction or not.
- iv. As provided in Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 the requirement for seeking shareholders' approval shall not be applicable to :
 - transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company and placed before the shareholders for approval.
 - transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval.

DISCLOSURES

- i. The Company shall also disclose, in the Board's Report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not on an arm's length basis along with the justification for entering into such transaction.
- ii. In addition to the above, the Company shall also provide details of all Related Party Transactions meeting the Materiality threshold, on a quarterly basis along with the compliance report on Corporate Governance to the stock exchanges.
- iii. The Company shall on half yearly basis submit to Stock exchanges disclosures of Related Party Transactions, within the time and format as may be specified by SEBI from time to time and publish the same on its website.
- iv. The Company shall disclose in the Corporate Governance report, transactions with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results effective from April 01, 2019.
- v. The Company shall disclose in the Corporate Governance report 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount' by the Company and its Subsidiaries.

NON-COMPLIANCE OF POLICY

If a Related Party Transaction is entered into by the Company without being approved under the policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and all options available to the Company including ratification, revision or termination of the transaction. The Audit Committee shall also examine the facts

and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under the Policy, and take such action as it may deem appropriate.

AMENDMENTS

This Policy may be amended, modified or substituted by the Audit Committee subject to the approval of the Board. In case of any amendment to the provisions relating to related parties in the Act and the Rules made thereunder or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, this Policy shall stand amended/modified accordingly. However the policy has to be reviewed at least once in every three years.

-----*****-----