

**GHCL Limited**

**Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions**



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## GHCL Limited

### Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions

[Regulation 23 of SEBI Listing Regulations, 2015 & Section 188 of the Companies Act, 2013]

#### 1. Title

This policy shall be called 'Policy on Materiality of Related Party Transactions and on dealing with related party transactions.'

#### 2. Statutory Provisions

This policy is formulated in line with the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (known as Listing Regulations) read with Section 188 of the Companies Act, 2013.

The code of conduct for independent directors as stipulated in Schedule IV of the Companies Act, 2013 provides that it is one of the duties of the Independent Directors to pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company. Further, regulation 34(3) of the listing regulations requires disclosure in annual report on materially significant related party transactions that may have potential conflict with the interests of listed entity at large. According to Para 2A of Schedule V of the Listing Regulations, 2015, it is mandatory for the listed company to give disclosures of transactions of the listed entity with any person or entity belonging to the promoter or promoter group which hold(s) 10% or more of shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.

In order to prevent abuse in related party transactions, one of the key functions of the Board of directors as stipulated in Regulation 4(2)(f)(ii)(6) of the Listing Regulations, 2015 is to monitor and manage potential conflicts of interest of management, members of the Board of Directors and shareholders, including misuse of corporate assets and abuse in related party transactions. Further, according to Section 164(1) (g) of the Companies Act, 2013, a person shall not be eligible for appointment as a director of a company, if he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years.





3. **Scope of this Policy:** GHCL Limited shall engage with Related Parties in the ordinary course of business and on an arm's length basis to leverage scale, size, and drive potential synergies while ensuring that transactions with related parties are fully compliant with applicable law and regulations, as outlined in Regulation 23 of the SEBI Listing Regulations concerning related party transactions.

#### 4. Objective of the Policy

The objective of this policy is to provide guidance for identification of related parties and the proper conduct and documentation of all related party transactions. The policy provides the guidance on deciding the materiality thresholds for related party transactions and the manner of dealing with the transactions between the company and its related parties.

The policy has been adopted by the Board and empowered management to update the policy from time to time keeping in view the amendment of the statutory provisions, which have impact on the related party transactions.

#### 4. DEFINITIONS

- 4.1 **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.
- 4.2 **Audit & Compliance Committee** means the Audit & Compliance Committee of the Board of directors of GHCL Limited.
- 4.3 **Board** means the Board of directors of GHCL Limited
- 4.4 **Company** means GHCL Limited
- 4.5 **Material Related Party Transaction:**

- (a) In accordance with the provisions of Regulation 23(1), the expression "material related party transaction" in relation to the company means 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 rupees one thousand crore (Rs. 1000 Cr) or ten percent (10%) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the company, whichever is lower or any other limit as may be prescribed from time to time by amending listing





regulations and Section 188 of Companies Act, 2013 and related rules thereon.

(b) 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, exceed 5% of the annual consolidated turnover of the company as per the last audited financial statements of the company [Reg. 23(1A)]

4.6. **Material Modifications:** The material modifications in relation to the Related Party Transaction(s) shall mean any change / variation/ modification in the existing Related Party Transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant Related Party Transaction / contract / arrangement by 20% or Rs. 50 Cr whichever is higher. [Reg. 23 (2) (a)]

4.7. **Ordinary Course of Business means** any activity, which is routine in nature and in accordance with the usual customs and practices of company's business. Any transaction, which falls in any of the following category, will amount to the transaction in the ordinary course of business.

- i carried out in the normal course of business as mentioned in the Memorandum of Association of the Company as amended from time to time or
- ii historical practice with a pattern of frequency or
- iii in connection with the normal business carried on by the company or
- iv the income, if any, earned from such activity or transactions is assessed as business income in the company's books of accounts and hence is a business activity or
- v common commercial practice or
- vi meets any other criteria as decided by the Board / Audit & Compliance Committee

4.7. **Policy** means this policy, as amended from time-to-time.

4.8 **Related Party** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of Listing Regulations. In particular, the following category of person shall also be treated as a related party ;





(a) any person or entity forming a part of the promoter or promoter group of GHCL Limited or

(b) any person or entity, holding equity shares of 10% or more in GHCL Limited either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year

**4.9 Related Party Transaction (RPT)** in relation to the Company means a transaction involving a transfer of resources, services or obligations, 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 **between**

(a) GHCL Limited or any of its subsidiary on one hand and a related party of GHCL Limited or its subsidiary on the other hand or

(b) GHCL Limited or its subsidiary

#### **5. Dealing with Related Party Transactions:**

- All Related Party Transactions shall require prior approval of the Audit & Compliance Committee.
- All Material Related Party Transactions and Material Modifications shall require prior approval of the shareholders of the Company in accordance with this Policy.
- In dealing with Related Party Transactions, the Company will follow the below mentioned approach.

#### **5.1. Identification of Related Party Transactions:**

(a) All RPT and subsequent Material Modifications shall be identified and brought to the notice of the Audit & Compliance Committee.

(b) Any employee of the company who is aware of any transaction that is or may be perceived to be a RPT is required to bring the same to the attention of the Audit & Compliance Committee of the Company through Company Secretary.

(c) All Directors, Functional heads and Key Managerial Personnel (KMPs) are responsible for informing the company of their





interest, (including the interest of their Relatives), in other companies, firm or concerns at the beginning of every financial year and any change in such interest during the year.

- (d) In addition to the above, All Directors, Functional heads and Key Managerial Personnel (KMPs) are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/ her or his or her relative, including any additional information about the transaction that the Audit & Compliance Committee may request. The Board shall record the disclosure of interest and the Audit & Compliance Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.
- (e) Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit & Compliance Committee.

## 5.2. Approval and Review of Related Party Transactions

- (a) **Prior approval of Audit & Compliance Committee is mandatory in all related party transactions irrespective of any quantum or time period:** As per Regulation 23 of the Listing Regulations, 2015, all related party transactions shall require prior approval of the audit committee. The approval of the Audit & Compliance Committee may be granted by way of circular resolution.

### **Criteria for making the omnibus approval:**

The Audit & Compliance Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following:

- i. Maximum value of transactions, in aggregate, which can be allowed under the omnibus route in a year;
- ii. Maximum value per transaction which can be allowed;
- iii. Extent and manner of disclosures to be made to the Audit & Compliance Committee at the time of seeking omnibus approval;





- iv. Review of RPTs at such intervals as the Audit & Compliance Committee may deem fit, entered into by the company pursuant to each of the omnibus approval made;
- v. Transaction which cannot be subject to omnibus approval by the Audit & Compliance Committee

Based on the aforesaid criteria, the Audit & Compliance Committee may, in the interest of the conduct of affairs of the company, grant omnibus approval to RPTs that are repetitive in nature.

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also fulfil the following conditions:

- (a) The proposed transaction is necessary to be executed in the interest of the company;
- (b) The Audit & Compliance Committee must be satisfied that the proposed transaction is at arm's length basis and in the ordinary course of business.
- (c) The omnibus approval shall specify the following
  - i. the name of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - ii. the indicative value and the formula for variation in the value, if any and
  - iii. such other conditions as the Audit & Compliance Committee may deem fit in the interest of the company and for the good corporate governance.

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit & Compliance Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction or any other value as may be prescribed by the SEBI Listing Regulations read with Companies Act, 2013.





Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

#### **Quarterly review by the Audit Committee.**

- The audit committee shall, on quarterly basis, review the details of the RPTs entered into by the company pursuant to the omnibus approval.
- The Audit & Compliance Committee shall also review the status of long term (more than one year) or recurring RPTs on an annual basis.

RPT due to business exigencies can be possible by way of Circular Resolution:

In an unforeseen event where a RPT, for which omnibus approval has not been given by the Audit & Compliance Committee, needs to be entered due to business exigencies, between two meetings of Audit & Compliance Committee, then such approval can be given by passing Circular Resolution by the members of Audit & Compliance Committee.

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

Any member of the Audit & Compliance Committee, who has a potential interest in any RPT, will rescue himself or herself and abstain from voting on the approval or ratification of such RPT. Such member may, however, participate in discussion with respect to other RPTs placed for approval or ratification of the Audit & Compliance Committee.





RPT not in ordinary course of business or not on arms length basis require Board and Shareholders Approval:

- All RPTs that are not in the ordinary course of business or not on arms length basis shall be referred to the Board of Directors for their approval.
- Any member of the Board who has a potential interest in such RPT will rescue himself or herself and abstain from voting on the approval of such RPT. Such member may, however, participate in discussions with respect to other RPTs placed before the Board.

Any such RPTs shall also be placed for prior approval of the Shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed thereunder and the SEBI Listing Regulations, 2015.

All entities falling under the definition of Related Parties shall not vote to approve the RPT irrespective of whether the entity is a party to the particular transaction or not.

### **5.3. RPTs of Subsidiary Companies:**

RPTs to which the subsidiary (listed or unlisted) of the company is a party but company (i.e. GHCL) is not a party, shall require prior approval of Audit & Compliance Committee of GHCL, if the value of such transaction, whether entered into individually or taken together with previous transactions during the financial year, exceeds the 10% of annual standalone turnover, as per the last audited financial statement of the subsidiary [Reg. 23(2)(c)]

RPTs to which the listed subsidiary of the company is a party but the company (i.e. GHCL) is not a party, no prior approval of Audit & Compliance Committee of GHCL would be required if the provisions related to Regulation 23 (RPT) and Regulation 15 (2) (i.e. provisions related to Corporate Governance as mentioned in SEBI Listing Regulations) are applicable to such listed subsidiary of the Company [Reg. 23(2)(d)]





RPTs to which only unlisted subsidiary of the Company is a party shall require prior approval of the Audit & Compliance Committee of the Company if the total transaction exceeds the turnover thresholds as prescribed by the SEBI Listing Regulations from time to time [ Explanation of Regulation 23(2)].

5.4. Exemption: Pursuant to the provision of Regulation 23(5), provisions of sub-regulation (2, 3, &4) of Regulation 23 of the SEBI Listing Regulations shall not be applicable in the following cases:

- (a) Transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval;
- (b) Transactions entered into between two wholly owned subsidiaries of the company whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

Related Party Transactions that shall not require approval: Following transactions shall not require separate approval under this Policy

- (a) Any transaction w.r.t. appointment and remuneration of directors and KMPs that has already been approved by the Nomination & Remuneration Committee;
- (b) Transactions that has been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiary 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 and carried out in accordance with the specific provisions of the Companies Act, 2013 or the SEBI Listing Regulations, 2015;
- (e) Contribution to Corporate Social Responsibility (CSR) Obligations, subject to approval of CSR committee and within the overall limit approved by the Board of Directors of the Company.





**6. Material Related Party Transaction and Subsequent Material Modification require Shareholders approval by Ordinary Resolution:**

All Material Related Party Transactions and Subsequent Material Modification shall be placed before the shareholders for seeking their prior approval by way of passing Ordinary Resolution by non-related entities.

The following materiality threshold shall apply to the Material Related Party Transactions and Subsequent Material Modification for the purpose of Companies Act, 2013 and SEBI Listing Regulations:

(a) Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014 read with Section 188 of the Companies Act, 2013, shall be governed by the respective limit provided under the said rules. For example

Sl. No.	Nature of Transaction	Limit
1.	Sale, purchase or supply of any good or material directly or through agent	10% or more of the turnover of the company i.e. GHCL
2.	Availing or rendering of any services directly or through agents	10% or more of the turnover of the company i.e. GHCL
3.	Leasing of property of any kind	10% or more of the turnover of the company i.e. GHCL
4.	Selling or otherwise disposing of or buying property directly or through agent;	10% or more of Net worth of GHCL
5.	Appointment to any office or place of profit in the company or its subsidiary or its associate company;	Exceeding a monthly remuneration of Rs. 2.50 lacs.
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth of GHCL

(b) Transaction with a Related Party as defined under the SEBI Listing Regulations, materiality threshold shall be as per limits specified under the SEBI Listing Regulations, 2015 as amended from time to time. At present, the threshold limit





as prescribed in Regulation 23(1) is Rs. 1000 Cr or 10% of the Annual Consolidated Turnover of the Company, whichever is lower;

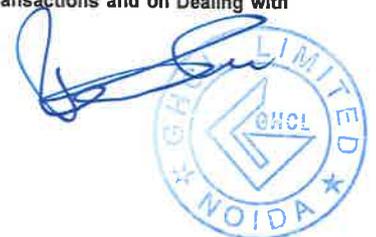
- (c) For payment to a Related Party with respect to brand usage or royalty, materiality threshold shall be as per limits specified under the SEBI Listing Regulations as amended from time to time. At present the threshold is any amount exceeding 5% o the annual consolidated turnover of the company;
- (d) Modification of a Related Party Transaction shall be considered as 'Material Modification' if there is a major variation in the terms of agreement with existing Related Parties or change in regulatory framework affecting the pricing guidelines of Related Party Transactions or change to the extent of 20% of the contract value or Rs. 50 Cr which ever is higher. The Audit & Compliance Committee of the Company shall have the final authority in deciding the materiality of the modification to Related Party Transactions and also enhancing the materiality limit subject to Board approval.

## 7. Disclosure(s)

- Details of all Related Party Transactions on a consolidated basis shall be submitted to the Stock Exchanges on the date of publication of the results and disseminated on the website of the Company, on a half yearly basis, along with the half yearly standalone and consolidated financial statements.
- The Company shall disclose this Policy on its website and provide weblink in the Annual Report. In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.
- The yearly threshold limits for the Related Party Transactions as approved by the Audit & Compliance Committee shall be considered and read to be a part of this Policy.

## 8. Governance of this Policy:

- This policy shall be administered by the Managing Director along with Chief Finance Officer (CFO) and the Company Secretary.





- They shall be responsible to ensure that the actions agreed with the Audit & Compliance Committee and the Board w.r.t Related Party Transactions has been duly implemented.
- They shall also ensure that the system and processes are in place for identification and approval of RPT as per this Policy.

### 9. Adoption & Amendment to the Policy:

The Board of Directors based on recommendation of the Audit & Compliance Committee shall review this policy at least once in three years.

Any or all provisions of this Policy would be subject to revision/ amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s) clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

### 10. CHANGE LOG

1.	Type of Document	Policy
2.	Recommended by Audit & Compliance Committee	January 28, 2016
3.	Approved by Board of Directors	January 28, 2016
4.	Recommended by Audit & Compliance Committee	August 7, 2023
5.	Approved by Board of Directors	November 7, 2023
6.	Reviewed by Managing Director	April 1, 2024
7.	Document Control	Corporate Secretarial

For GHCL Limited

R S Jalan  
Managing Director

