



ARDEE ENGINEERING LIMITED

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

1. Purpose of this Policy:

Ardee Engineering Limited ("**Company**") is governed, amongst others, by the Companies Act, 2013 and the rules framed thereunder, as amended ("**Act**"), and in pursuance of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**") which has mandated every listed company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions ("**Policy**"). Accordingly, the Company has formulated this Policy vide its Board meeting held on August 12, 2024. This Policy regulates all transactions between the Company and its Related Parties.

2. Definitions:

a. "Arm's Length Transaction" as per the Explanation (b) to Section 188 (1) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

b. "Associate Company" means associate company as defined in Section 2(6) of the Companies Act, 2013. Accordingly, "associate company", in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company. Explanation— for the purposes of this clause, "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement.

c. "Control" shall have the same meaning as defined in Section 2(27) of Companies Act, 2013. Accordingly, control shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner. Further as per Para 7 of Ind AS 110, an investor controls an investee if and only if the investor has all the following:

- (i) Power over the investee;
- (ii) Exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) The ability to use its power over the investee to affect the amount of investor's returns.

d. "Holding Company" means holding company as defined in Section 2(46) of the Companies Act, 2013. Accordingly, "holding company", in relation to one or more other companies, means a company of which such companies are subsidiary companies

e. "Joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

f. "Key Managerial Personnel" (KMP) means as defined in Section 2(51) of the Companies Act, 2013. Accordingly, "key managerial personnel", in relation to a company, means:

- (i) The Chief Executive Officer or the Managing Director or the Manager;
- (ii) The Company Secretary;
- (iii) The Whole-time Director;
- (iv) The Chief Financial Officer;
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) Such other officer as may be prescribed;

g. "Material Related Party Transaction" (Material RPT) as per SEBI (LODR) Regulations 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 as per the last audited financial statements of the company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

h. "Office or Place of Profit" as per the Explanation (a) to Section 188 (1) of the Companies Act, 2013 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;

i. "Ordinary Course of Business" with reference to a transaction with a related party means a transaction which is:

(i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association ("MOA") of the Company as amended from time to time;

(ii) Historical practice with a pattern of frequency;

(iii) Common commercial practice; or

(iv) Meets any other parameters/criteria as decided by the Board/Audit Committee from time to time. Ordinary Course of Business includes but not limited to activities that are necessary, normal, and incidental to the business.

i. "Policy" means this Related Party Transaction Policy, as amended from time-to-time.

j. "Related Party" in relation to the company means a party related to the company in any of the ways as laid down in Section 2(76) of the Companies Act, 2013 or Regulation 2(1)(zb) of the SEBI (LODR), 2015 as amended from time to time and includes the following:

(i) A director or his relative;

(ii) 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 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) Anybody corporate who's 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 under whose advice, directions or instructions a director or manager is accustomed to act:

(viii) Any company which is –

- A holding, subsidiary or an associate company of such company;
- A subsidiary of a holding company to which it is also a subsidiary; or

- An investing company or the venture of the company

(ix) Such other person as may be prescribed.

In addition to the above, an entity will be considered as a related party if it satisfies the conditions laid down as per Ind AS 24 Provided that any person or entity forming a part of the promoter or promoter group of the listed entity or holding 20% or more [or 10% or more (w.e.f. 01/04/2023)] of shareholding in the listed entity 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 shall be deemed to be a related party.

k. "Related Party Transactions" (RPT) means as per SEBI (LODR) Regulations, transfer of resources, services or obligations between:

- (i) A listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) A listed entity 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 listed entity or any of its subsidiaries, regardless of whether a price is charged.

l. "Transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract. 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 listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (i) Payment of dividend;
 - (ii) Subdivision or consolidation of securities;
 - (iii) Issuance of securities by way of a rights issue or a bonus issue; and buy-back of securities. n. "Relative" means relative as defined in Section 2(77) of the Companies Act, 2013.

m. "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;
- (iii) one person is related to the other in such manner as may be prescribed As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 includes a person who shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -
 - (i) Father (including step-father)
 - (ii) Mother (including step-mother)
 - (iii) Son (including step-son)
 - (iv) Son's wife
 - (v) Daughter
 - (vi) Daughter's husband
 - (vii) Brother (including step-brother)
 - (viii) Sister (including step-sister)

n. "Subsequent material modifications" means any variation(s) on cumulative basis in the terms or value of original approved contract by Rs. 1 Crore or more than 10% of overall contract value, whichever is Higher. Provided that change in the value of RPT on account of following shall not be considered as Material Modification:

- Change in the quantity or rate of the existing RPT due to the reasons beyond the control of the Related Parties for instance variation due to volatility in International crude/product prices or external factors resulting in fluctuating patterns of demand and supply levels for petroleum products
- Change due to revision / imposition of statutory levies like taxes, duties, etc.

o. "Subsidiary Company" means subsidiary company as defined in Section 2(87) of the Companies Act, 2013. Accordingly, "subsidiary company" or "subsidiary", in relation to any other company (that is to say the holding company), means a company in which the holding company:

- (i) Controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies: Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

p. "Specified Related Party Transactions" (Specified RPT), in accordance with Section 188 (1) (a) to (g) of the Companies Act, 2013, means 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.

q. "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.

r. "Material modification" means any subsequent change to an existing Related Party Transaction, having variance of 10% of the existing limit or Rs.5 crores whichever is lower.

s. "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 Memorandum & Articles of Association.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Listing Regulations, as amended from time to time.

3. Identification of Related Party Transactions:

Each Related Party shall promptly notify of any interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential RPT involving them or their Relative together with additional information about the RPT that the Board or Audit Committee reasonably request.

The Company prefers that notice of any RPT is given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed RPT.

The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a RPT requiring compliance with this Policy.

4. Approval Mechanism for entering into Related Party Transaction:

4.1. Audit Committee

Every Related Party Transaction and subsequent modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by a resolution by circulation. Further, only those members of the Audit Committee who are independent directors shall approve related party transactions.

Every related party transaction to be entered into by the subsidiary of the Company to which the Company is not a party, shall require 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:

(a) 10% of the annual consolidated turnover, as per the last audited financial statements of the Company; or

(b) With effect from April 1, 2023, 10% of standalone turnover, as per the last audited financial statements of the subsidiary. However, prior approval of the audit committee shall not be required for a related party transaction to which 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;

Remuneration and sitting fees paid by the company or its subsidiary to its director, key managerial personnel or senior management except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material.

The members of the audit committee may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
- v. any other condition as specified by the audit committee:

Further failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to above, the prior approval of the audit committee of the listed subsidiary shall suffice.

The Audit Committee shall be provided such details as may be required to assess the RPTs including the information required to be provided as per the Companies Act, 2013 and Listing Regulations. All Related Party Transactions and subsequent modifications shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transaction(s) proposed to be entered into by the company subject to the following conditions:

- (i) The Related Party Transaction proposed to be entered into with the Company or its subsidiary must be repetitive in nature and in ordinary course of business and at Arm's Length basis.
- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval is in the interest of the company;

(iii) Such omnibus approval shall specify (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 the formula for variation in the price if any and (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 transaction(s) subject to their value not exceeding Rs.1 crore per transaction.

(iv) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company or its subsidiary pursuant to each of the omnibus approval given.

(v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

(vi) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company. Transaction(s), other than transactions referred to under Section 188 of the Companies Act, 2013 entered into between holding company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Holding Company and placed before the shareholders at General Meetings for approval shall not require approval of the Audit Committee.

Notwithstanding the foregoing the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

- (i) Any transaction that involves the providing of compensation to a director or KMP in connection with his or her duties to the Company or any of its subsidiaries or associates including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.
- (ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

4.2. BOARD

If the Committee determines that a Related Party Transaction should be brought before the Board, or where Committee does not approve the transaction shall make its recommendation to the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be appropriate under the circumstances. A Director, if interested in any Related Party Transaction, shall not be present at the meeting, whether physically or through electronic mode, during discussions and shall not vote on such item.

4.3. Shareholders

i. If a Related Party Transaction is a material transaction as per Regulation 23 of the Listing Regulations, or not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Act, then such Related Party Transaction and any subsequent Material modification thereto, shall require shareholders' approval by a resolution. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

ii. The provisions of Regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

iii. In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would seek post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations.

4.4. MATERIALITY THRESHOLDS:

Regulation 23 of Listing Regulations requires the Company to provide clear threshold limits duly approved by the Board of Directors for related party transactions. Materiality Thresholds for related party transactions: The RPTs which crosses the Materiality thresholds as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the Listing Regulations, as may be amended from time to time.

The Company has fixed its materiality threshold of Rs.1000 crore or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the company for the purpose of Regulation 23 (4) of SEBI (LODR) Regulations, 2015, whichever is lower.

Any other Related Party Transaction shall be placed before the Shareholders for approval, as per the threshold limits mentioned and in terms of the provisions of Section 188 of the Companies Act, 2013 read with relevant Rules.

5. RPTs NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a RPT with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction(s) and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s).

The Committee may examine the facts and circumstances of the case and take any such actions it deems appropriate. An RPT involving amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the RPT, such transaction shall be voidable at the option of the Committee and if the transaction is with the Related Party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

6. DISCLOSURES

Details of all material transactions with Related Parties shall be disclosed as part of the Report on Corporate Governance, included in the Annual Report of the Company. The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

7. AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other legal requirement (“**Applicable Law**”), the provisions of Applicable Law shall prevail over this Policy.

Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy. The Board may review this Policy periodically (and at least once every three years) and make amendments from time to time, as may be deemed necessary (including based on recommendation(s) of the Audit Committee).