



**GARWARE HI- TECH FILMS  
LIMITED**

**POLICY ON RELATED PARTY  
TRANSACTIONS**

## **PREAMBLE**

The Company may enter into transactions with related parties from time to time. Such transactions are considered appropriate only if they are in the best interest of the Company and the stakeholders.

The Board of Directors of the Company has adopted this policy with regard to Related Party Transactions. This Policy is intended to ensure proper approval, disclosure and reporting of the transactions between the Company and related parties. The Audit Committee of the Company will review this policy periodically and may recommend changes / amendments as deemed appropriate, to the Board for approval.

The Policy is in conformity with the various provisions of the Companies Act, 2013 (**“Act”**) and Rules there under and applicable regulations of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI LODR Regulations”**).

The policy covers the following:

- Definition of Related Party
- Transactions which are deemed as related party transactions
- Nature of approvals required
- Disclosure norms
- Exemptions / Non – applicability
- Consequences of non-compliance

## **DEFINITION OF RELATED PARTY UNDER THE ACT**

*(Refer Section 2(76) of the Companies Act, 2013)*

- A. *“Related Party”* with reference to a Company, means –
- i) a director or his relative;
  - ii) a 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 or his relative 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) any body corporate whose 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 on whose advice, directions or instructions a director or manager is accustomed to act:  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii) anybody corporate which is—
  - (A) a holding, subsidiary or an associate company of such company;
  - (B) a subsidiary of a holding company to which it is also a subsidiary; or
  - (C) an investing company or the venturer of the company;"

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix). A director other than an independent director or Key Managerial Personnel of the Holding Company or his relative, with reference to a company shall be deemed to be a related party.

*(Refer Section 2(77) of the Companies Act, 2013)*

“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; or
- (iii) one person is related to the other in such manner as may be prescribed;

**DEFINITION AS PER SEBI LODR REGULATIONS.**

- A. “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that: (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares: (i) of twenty per cent or more; or (ii) of ten per cent or more, with effect from April 1, 2023; 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:] Provided 19[*further*] that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

- B “Material Related Party Transaction”

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 or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

**TRANSACTIONS WHICH ARE DEEMED TO BE RELATED PARTY TRANSACTIONS**

Any transaction between the Company and a Related Party relating to :

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party’s appointment to any office or place of profit in

- the Company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the Company:

Explanation:

“Office or place of profit” 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;

#### **Related Party Transactions as per SEBI LODR**

“related party transaction” means a transaction involving a 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, with effect from April 1, 2023;

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:

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
- 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:

(d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

(e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:]

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);]

#### **NATURE OF APPROVALS REQUIRED**

- (1) All the transactions including modification of transaction with related parties, if any, shall require prior approval of the Audit Committee. Such transactions will require the approval of Board of Directors of the Company and in some cases by the Shareholders in the General Meeting.
- (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. maximum value of the transactions, in aggregate, which can be

- allowed under the omnibus route in a year;
- b. the maximum value per transaction which can be allowed;
  - c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - d. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - e. Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (3) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval namely:-
- a. Repetitiveness of the transactions (in past or in future) and
  - b. Justification for the need of omnibus approval, while specifying the criteria for making omnibus approval.
- (4) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (5) The omnibus approval shall contain or indicate the following: -
- a. name of the related parties;
  - b. nature and duration of the transaction;
  - c. maximum amount of transaction that can be entered into;
  - d. the indicative base price or current contracted price and the formula for variation in the price, if any; and
  - e. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding INR 1 crore per transaction.
- (6) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval in the first board meeting held immediately after the end of the financial year.
- (7) Omnibus approval shall not be made for transactions in respect of

selling or disposing of the undertaking of the company.

(8) Any other conditions as the Audit Committee may deem fit.

### **RATIFICATION OF RELATED PARTY TRANSACTIONS**

The members of the audit committee, who are independent directors, 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: Provided that 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 listed entity against any loss incurred by it

### **Approval of Audit Committee**

In accordance with Section 177 of the Companies Act, 2013, the Audit Committee shall review the transactions and any subsequent modification of transactions of the Company with Related Parties.

### **Approval of Board of Directors**

- a) Consequent to the approval of the Audit Committee, the Board of Directors shall approve the transactions with related parties to ensure that the transaction(s) are not in any way prejudicial to the interests of the Company.
- b) Approval of the Board should be sought at a duly convened meeting

of the Board and same cannot be obtained by passing of a resolution by circulation.

- c) Where any director is interested in any contract or arrangement with a Related Party, such director shall not be eligible to participate at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

**Approval of Members by means of an ordinary resolution**

(1) In the following situations, in addition to approval of the Audit Committee and the Board of Directors, approval of members by must also be sought before entering into any related party transaction where the transaction or transactions to be entered into are –

- (a) contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mentioned below :
- (i) Sale, purchase or supply of any goods or materials, directly or through appointment of agent, **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
  - (ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, **amounting to ten percent or more of net worth of the company**, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
  - (iii) Leasing of property of any kind **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (c) of sub-section (1) of section 188;
  - (iv) Availing or rendering of any services, directly or through appointment of agent **amounting to ten percent or more of the turnover of the company**, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation: - It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:- (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

- (2) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars namely:-
  - (a) name of the related party;
  - (b) name of the director or key managerial personnel who is related, if any;
  - (c) nature of relationship;
  - (d) nature, material terms, monetary value and particulars of the contract or arrangement;
  - (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

**TRANSACTION WHICH DOESNOT REQUIRE APPROVAL**

Remuneration and Sitting fees paid by the listed entity 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 in terms of the provisions of sub-regulation (1) of regulation 23

**Materiality of Related Party Transactions:**

The Company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds the limits stated above under approval of members by means of an ordinary resolution.

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 or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.]

There are no transactions such as which are said to be material related party transaction, the transactions with the subsidiary are above the limits as prescribed in the material related party transactions.

However, the SEBI LODR Regulations exempts the transactions entered into between a holding company and its wholly owned subsidiary whose

accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

### **DISCLOSURE NORMS**

#### **Disclosures to be made in notice calling Board Meeting :**

The necessary disclosures shall be placed before the Board.

#### **Disclosures to be made in the explanatory statement to be annexed to notice of general meeting:**

- (a) Name of the related party;
- (b) Name of the director or key managerial personnel who is related, if any;
- (c) Nature of relationship;
- (d) Nature, material terms, monetary value and particulars of the contract or arrangement;
- (e) Any other information relevant or important for the members to take a decision on the proposed resolution.

#### **Disclosures to be made in Board's Report / Corporate Governance Report :**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

#### **Disclosures to the Stock Exchanges:**

1. Details of all related party transactions with related parties shall be disclosed half yearly along with the compliance report on corporate governance.
2. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

### **EXEMPTIONS / NON-APPLICABILITY**

This Policy will not be applicable in case of transactions entered into by the company in its ordinary course of business, which are on an arm's length basis.

*“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.

### **CONSEQUENCES OF NON-COMPLIANCE**

If any related party transaction or contract is entered without seeking Board's and / or Members' approval and if the same is not ratified by the Board and / or Members as the case may be, within 3 months at a meeting, then the contract or transaction will be voidable at the option of the Board or as the case may be of the shareholders and if the transaction is between any Related Party and any director or is authorized by any other director, then the directors concerned are liable to indemnify any loss incurred by the company.

### **RECORDS / REGISTERS:**

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements. The Register(s) shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

The Register(s) shall be kept at the registered office of the Company and shall be open for inspection at such office during business hours and extracts may be taken therefrom, and copies thereof as may be required by any member of the Company shall be furnished by the Company to such extent, in such manner, and on payment of such fees as may be prescribed. The Register(s) shall also be produced at the commencement of every annual general meeting of the company and shall remain open

and accessible during the continuance of the meeting to any person having the right to attend the meeting.

**MISCELLANEOUS:**

Any changes notified in the regulatory frame work / law will be deemed have been incorporated in this policy from the date of coming into force of such amendments from time to time.

