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*ADVIT JEWELS LIMITED*

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POLICY ON RELATED PARTY TRANSACTIONS

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## **POLICY ON RELATED PARTY TRANSACTIONS**

Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

### **1. SCOPE AND PURPOSE OF THE POLICY**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23"), "**ADVIT JEWELS LIMITED**" ("Company") has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of Audit Committee. Going forward, the Audit Committee will review and amend the policy, as and when required, subject to adoption by the Board of Directors.

### **2. OBJECTIVE OF THE POLICY**

The Objective of the Policy is to set out (a) the materiality thresholds for related party transactions; and (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

### **3. DEFINITIONS**

"**Act**" means the Companies Act, 2013;

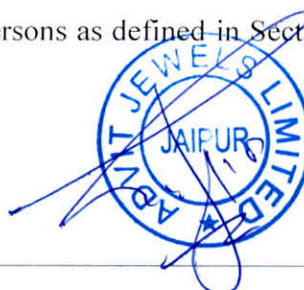
"**Regulation 23**" means the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

"**Arm's Length Transactions**" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest;

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

"**Company**" means ADVIT JEWELS LIMITED;

"**Relative**" with reference to a Director or KMP mean persons as defined in Section 2(77) of the Act and rules prescribed there under;



**“Related party”** have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

**“Related party Transactions”** have the meaning as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations including but not limited to the following:

- 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. Underwriting the subscription of any securities or derivatives thereof, of the Company.

**“Material Related Party Transactions”** means a transaction with a related party if 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 company as per the last audited financial statements of the company, whichever is lower;

**“Key Managerial Personnel”** or **“KMP”** shall have the meaning as defined in the Companies Act, 2013.

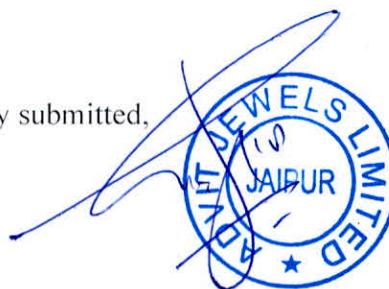
*Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.*

#### **4. MATERIALITY THRESHOLDS**

Regulation 23 of SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at one thousand crore or ten per cent of the annual consolidated turnover of the company as per the last audited financial statements of the company, whichever is lower for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

#### **5. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS**

- i. Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiaries/ Joint venture shall,
  - a. at the time of appointment;
  - b. periodically - as required by the Company
  - c. whenever there is any change in the information already submitted,





provide requisite information about his/her Relatives and all firms, entities, body corporates, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/Joint venture (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Boards/Audit Committee may reasonably request.

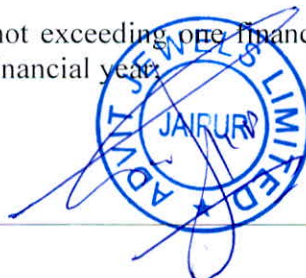
## **6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION**

### **A. Approval of the Audit Committee**

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
  - i. Maximum value of transaction, in aggregate, which can be allowed under the omnibus route in a year;
  - ii. The maximum value per transaction which can be allowed;
  - iii. Extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval;
  - iv. Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company or its subsidiary pursuant to each omnibus approval made;
  - v. Transactions which cannot be subject to the omnibus approval by the Audit Committee
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
  - i. Repetitiveness of the transactions (in past or in future);
  - ii. Justification for the need of omnibus approval
- c. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at the indicative base price/current contracted price and the formula for variation in the price, if any, and (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for related party transactions cannot be foreseen and above details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction.
- d. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
- e. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.



- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company;
- g. Any other conditions as the Audit Committee may deem fit.

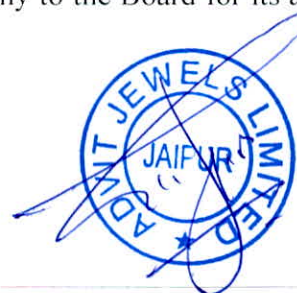
In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual consolidated turnover of the company as per last audited financial statements;
- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 4 of the Policy;
- c. While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee /Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not
  - i. Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed-including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
  - ii. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
  - iii. Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
  - iv. Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
  - v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as :
    - Market analysis, research report, industry trends, business strategies, financial forecasts, etc;
    - Third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
    - Management assessment of pricing terms and business justification for the proposed transaction;
    - Comparative analysis, if any, of other such transaction entered into by the Company.

#### **B. APPROVAL OF BOARD OF DIRECTORS OF THE COMPANY**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price,





the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

### **C. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY**

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 of the Policy, are placed before the shareholders for their approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and
- (b) exceed the thresholds laid down in Companies (Meeting of Board and its Power) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for 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.

### **7. DISCLOSURES**

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 the ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 4 of the Policy above) to the stock exchanges.

### **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

- In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party 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 this policy and the failure of internal control systems, and shall take any such action it deems appropriate.
- 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, as per Regulation 23(2) of the SEBI Listing Regulations.



- In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

#### **9. AMENDMENTS**

- The Board may subject to applicable laws, amend any provisions(s) or substitute any of the provisions(s) with the new provision(s) or replace the RPT Policy entirely with a new policy. The RPT Policy is subject to review from time to time.
- In the event of any conflict between the provisions of this RPT Policy and applicable laws, the provisions of such applicable laws shall prevail over this Policy.

#### **10. COMPLIANCE RESPONSIBILITY**

Compliance of this policy shall be the responsibility of the Officers of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

