

## **Related Party Transaction Policy**

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## 1. **Introduction:**

The Board of Directors (the “Board”) of R Systems International Limited (the “Company” or “RSIL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This Policy was initially adopted by the Board pursuant to the provisions of the Listing Agreement entered into with the stock exchanges and was effective from October 01, 2014.

## 2. **Objective:**

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 (“Listing Regulations”), RSIL 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 the 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 the recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

## 3. **Definitions:**

- **“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
- **Audit Committee or Committee:** means Audit Committee as constituted by the Board of Directors of the Company under provisions of Listing Regulations and Companies Act, 2013, from time to time.
- **Board of Directors or Board:** means the Board of Directors of R Systems International Limited, as constituted from time to time.
- **Key Managerial Personnel:** means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder
- **“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.
- **Policy:** means Related Party Transaction Policy.

- **“Related Party”** means an entity which
  - a) is a related party under Section 2(76) of the Companies Act, 2013; or
  - b) is a related party under the applicable Accounting Standard
  - c) Any Person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity.
- **“Related Party Transaction”** means transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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.
- **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “

#### 4. **Policy:**

All Related Party Transactions must be reported to the Audit Committee for its pre-approval in accordance with this Policy.

##### 4.1 Identification of Related Party Transactions

- Any Related Party as per this Policy, before entering into any transaction with the Company, shall give a notice to the Company (through Chief Financial Officer/ Company Secretary) along with all relevant details and documents.
- Notice of any related party transactions, referred above shall be given well in advance (a minimum notice of 15 days) so that the Company has adequate time to obtain additional information or documents about the proposed related party transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions in advance.
- Transactions being entered into with the related parties even though being in the ordinary course of business of the company shall satisfy the criteria of arm's length pricing. Requisite evidence and documentation should be made available to the Auditors/Audit Committee/Board, as may be required by them, to demonstrate that the transactions are conducted on arm's length basis.

##### 4.2 Approval process

###### I. Audit Committee

- All Related Party Transactions and subsequent modifications thereof shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself regarding the requirement for such omnibus approval and that such approval is in the interest of the company.
- Such omnibus approval shall specify:
  - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - the indicative base price / current contracted price and the formula for variation in the price if any; and
  - 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 Rs. 1 crore per transaction.

- Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## II. Board of Directors

- Board's approval is required for the following related party transactions except transactions which are in the ordinary course of business and on arm's length basis and pertains 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.
- The Board shall, in respect of all the related party transactions referred to them for approval, understand the rationale for the transaction not being in the ordinary course of business and at arm's length price.
- Approval of the Board must be obtained at the meeting of Board of Directors not by circular resolution.

## III. Shareholders' Approval

- The Audit Committee shall report all Material Related Party Transactions to the Board of Directors. The Company will seek shareholders' prior approval through requisite majority for all material Related Party Transactions exceeding the undermentioned thresholds:

S. No.	Prescribed Transaction Category	Thresholds - Companies Act, 2013	Regulation 23 of Listing Regulations.
		(Lower of the two thresholds)	
1	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Amounting to ten percent or more 10% of the turnover of the Company (standalone) or INR 100 Crores whichever is lower.*	During a financial year <b><u>exceeding 10% of the annual Consolidated Turnover of the Company</u></b> as per its last audited financial statements i.e. Material Related Party Transaction as Per Listing Regulations
2	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Amounting to ten percent or more 10% of the turnover of the Company (standalone) or INR 100 Crores, whichever is lower.*	
3	Leasing of property of any kind	Amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the company or rupees one hundred crore, whichever is lower.*	
4	Availing or rendering of any services directly or through appointment of agents	Amounting to ten percent or more 10% of the turnover of the Company (standalone) or INR 50 Crores, whichever is lower*	
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakhs p.m.	
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth (standalone)	

*\*Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

***Note: Shareholders approval shall not be required for aforesaid transactions entered between a company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.***

- The Related Party(ies) shall abstain from voting, irrespective of whether the entity is a party to the particular transaction, on such resolution in terms of the provision of the Listing Regulations.

#### 4.3 Related Party Transactions not approved under this Policy

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 commencement, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of 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 as per this Policy, and shall take any such action it deems appropriate.

#### 4.4 Factors to be considered in approving Related Party Transactions

In determining whether to approve a Related Party Transaction, following factors will be considered:

- i. Whether the terms of the Related Party Transaction are on an arm's length basis.
- ii. Whether the transaction is in the ordinary course of business.
- iii. Are there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iv. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any director or key managerial personnel or their relatives or any other Related Party of the Company, taking into account the size of the transaction, the overall financial position of such Related Party(ies), direct or indirect nature of the director's, key managerial personnel's, relative's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship;
- vii. Loan to a director and to any other person in whom the director is interested is a prohibited related party transaction unless it is given to a managing or whole-time director as a part of the conditions of service extended by the Company to its employees or pursuant to any scheme approved by the members by a special resolution.

## 5. **Disclosure Requirements:**

### **Under Company Act 2013**

- Disclosure in the Board Report and under the financial statements.
- The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.
- Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained from the date on which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

### **Under Listing Regulations**

- The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.
- To disclose Policy on related party transactions on the website of the Company.
- Disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large.

## 6. **Policy Review:**

- In case of any subsequent changes in the provisions of the Companies Act 2013 or Listing Regulations or Ind AS 24 or any other regulations which makes any of the provisions in the policy inconsistent with the 2013 Act or Listing Regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- This policy shall be reviewed by the Audit Committee and the Board of Directors as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification on the policy would be approved by the Audit Committee and the Board of Directors.