

GUJARAT TOOLROOM LIMITED
Related Party Transactions Policy



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Related Party Transactions Policy

1) Scope and purpose of the Policy

1.1 This policy on Related Party Transactions (hereinafter referred to as “RPT Policy” or “Policy” of Gujarat Toolroom Limited is framed considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“SEBI LODR”) including SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulation 2021. Gujarat Toolroom has formulated the RPT policy and guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

1.2 Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of Related Party Transactions (“RPTs”) and dealing with RPTs. Regulation 23(2) of the SEBI LODR also requires defining material modifications of RPTs and disclose it as part of the RPT policy.

1.3 This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee of Directors (Audit Committee) of the Company. Going forward, the Audit Committee would review and amend the RPT Policy, as and when required, subject to the approval of the Board. In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

2) Objective of the Policy

2.1 The objective of this Policy is to set out (a) the manner of dealing with the transactions between the Company and its related parties and (b) the materiality thresholds for RPTs, based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

3) Definitions

3.1 “Act” means the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force.

3.2 “Applicable Law(s)” includes (a) the Act and the rules made thereunder; (b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, any other statute, law, standards, regulations or other governmental instruction relating to RPTs and amendments made thereto.

3.3 “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.

3.4 “Material Related Party Transaction(s)” means an RPT with thresholds as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

3.5 “Material Modifications” means and include any subsequent change to an existing related party transaction, having variance of above 30% of the existing limit as sanctioned by the Audit Committee /Board / Shareholders as the case may be.

3.6 “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 its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory

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requirements and other industry practices and guidelines

3.7 “Related Party” means a related party as defined under sub-section (76) of section 2 of the Act order the applicable accounting standards:

Provided that:

- any person or entity forming a part of the promoter or promoter group of the listed entity; or
- 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 Act, at any time, during the immediately preceding financial year; shall be deemed to be a related party:”

3.8 “Related Party Transaction(s)” shall have the same meaning as specified under the Act and Rules made thereunder and Regulation 2(1) (zc) of the SEBI LODR, as amended and shall mean a transaction involving a transfer of resources, services or obligations between:

- a. the Company or any of its subsidiaries on the one hand and a related party of the Company or any of its subsidiaries on the other hand;
- b. the Company 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 Company 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.

Following shall not be considered RPTs of the Company in terms of SEBI LODR:

- 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) payment of dividend by the Company;
- c) subdivision or consolidation of securities by the Company;
- d) issuance of securities by way of a rights issue or a bonus issue and
- e) buy-back of securities.

3.9 “SEBI LODR” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

1) Manner of dealing with Related Party Transactions and materiality thresholds

a) Identification of related parties & Identification of related party transactions

As a policy, Gujarat Toolroom will identify the RPTs as per the applicable laws, which require consent of the Audit Committee, Board of Directors and shareholders, as the case may be.

At the beginning of every financial year, a declaration will be opted from every Directors, KMPs and other Related Parties within the meaning of Section 2(76), 184 and 189 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR), 2015.

Apart from the above, such declaration will also be opted from above parties at the time of any change immediately.

The Company will take the note of the above declarations.

The Committee / Board will take into account, among other factors it deems appropriate, whether the

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Related Party Transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the Related Party's interest in the Related Party Transaction. Committee / Board will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

b) "Material Related Party Transactions or Material RPTs

A. As per SEBI LODR:

i. Any transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or ₹ 1,000 crore, whichever is lower.

ii. Notwithstanding the above, 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 Company as per the last audited financial statements of Company.

B. As per the Act:

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

c) Procedure for approval of Related Party transactions

1. Approval of the Audit Committee:

All the transactions which are identified as Related Party Transactions and subsequent modifications thereof shall be approved by the Audit Committee in the manner specified under the Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.

Provided that only those members of the Audit Committee, who are independent directors, shall only approve RPTs.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) the indicative base price / current contracted price and the formula for variation in the price if any;
and

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(iii) 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 rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

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

2. Approval of the Board of Directors of the Company

i) As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.

ii) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the Policy determined by the Board from time to time (i.e., value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

iii) Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

3. Approval of the Shareholders of the Company

Unless exempted under the Act/SEBI LODR, as the case may be, all Material Related Party Transactions and subsequent Material Modifications shall require PRIOR approval of the shareholders by way of an ordinary resolution. No Related Party(ies) shall vote to approve such resolutions whether the person/entity is a related party to the particular transaction or not.

4) Disclosure and Reporting

4.1 Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.

4.2 The Company shall disclose to the Stock Exchanges along with the compliance report on corporate

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governance on a quarterly basis, details of all material RPTs with related parties. In addition, the Company shall also submit to the stock exchanges disclosures of RPTs in the format as specified by the SEBI from time to time, and publish the same on its website in accordance with the SEBI LODR.

4.3 Board's Report shall contain details of RPTs as required under applicable law.

4.4 This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

5) Amendments

5.1 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.

5.2 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.

6) Policy Review

The Board shall have the power to review and amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy as and when they feel required.

