
AAR COMMERCIAL COMPANY LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

**[Pursuant to Regulation 23(1) of the SEBI (Listing Obligations
and Disclosure Requirements) Regulations, 2015]**

INTRODUCTION

The Board of Directors of AAR Commercial Company Limited (hereinafter referred to as the 'Company'), acting upon the recommendation of its Audit Committee of Directors, has approved the policy on Related Party Transactions for reviewing, approving and ratifying Related Party transactions and in providing disclosures with respect to the above transactions, as required under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and other applicable provisions, rules and regulations made there under. The policy is also in terms with Indian Accounting Standard – 24 issued by the ICAI (Institute of Chartered Accountants of India) and any subsequent amendments thereto.

This Policy specifically deals with the review and approval of material Related Party Transactions, keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

APPLICABILITY

This Policy as approved by the Board of Directors shall be applicable to transactions entered into with:-

- a) Board of Directors & their Relatives;
- b) Key Managerial Personnel (KMP) of the Company & their Relatives;
and
- c) Related Parties, as defined hereinafter.

OBJECTIVE

This Policy is framed to ensure due and proper compliance of the provisions of SEBI LODR and Companies Act, 2013 and proper reporting of transactions between the Company and its Related Parties. The objective of this Policy is to govern the transparency of approval process and disclosure requirements and to accord fairness in the treatment of related party transactions.

DEFINITIONS AND INTERPRETATIONS

“Act” means the Companies Act, 2013, and rules made there under as amended from time to time.

"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 and as definition amended from time to time.

Explanation — *"significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.*

"Audit Committee" means a committee constituted by the Board of Directors of the Company under provisions of SEBI LODR and Companies Act, 2013, from time to time.

"Board of Directors" means the Board of Directors of the Company, as constituted from time to time.

"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.

"Key Managerial Personnel" as defined under Section 2(51) of the Companies Act, 2013 includes:-

1. the Chief Executive Officer or the Managing Director or the Manager (as defined in Section 2(53) of the Companies Act, 2013);
2. the Company Secretary;
3. the Whole-time Director;
4. the Chief Financial Officer.
5. such other officer as may be prescribed under the Companies Act, 2013 and Rules thereunder.

"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.

"Material Related Party Transaction" –

A related party transaction shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds –

- i. ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company; or
- ii. two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.

“Related Party” shall have the meaning ascribed to it in Regulation 2(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Act, including all amendments and modifications thereof from time to time.

“Policy” means Policy on Related Party Transactions.

“Related Party(ies)”

Related Party under Section 2(76) of the Act and Rule 4 of Companies (specification of definitions details) Rules, 2014 means:

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a director (other than independent director) or KMP of holding Company or his relative
- iv. a firm, in which a director, manager or his relative is a partner;
- v. a private company in which a director or manager or his relative is a member or director;
- vi. a public company in which a director or manager is a director and holds with his relatives, more than two per cent of its paid-up share capital;
- vii. 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
- viii. any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vii) and (viii) shall apply to the advice, directions or instructions given in a professional capacity.
- ix. any body corporate which is —
 - (A) a holding, subsidiary or an associate company of such company; or
 - (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.

- x. Such other person, as may be prescribed by MCA/SEBI.

Related Party under Regulation 2 (1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

Under this Regulation, an entity shall be considered as related to the company if -

1. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
2. such person or entity is forming part of promoter or promoter group and is holding 20% or more of shareholding in the Company.
3. such entity is a related party under the applicable accounting standards (given below)

Related Party under Ind-AS 24:

Applicable for listed companies and for disclosures under the Standard to person or entity that is related to the company. A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity'):

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- i. has control or joint control of the reporting entity;
- ii. has significant influence over the reporting entity; or
- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- iii. Both entities are joint ventures of the same third party.
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the

- reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Further, under Ind-AS 24, in the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

“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, which is as follows:
 - (a) Father (including step-father)
 - (b) Mother (including step-mother)
 - (c) Son (including step-son)
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother (including step-brother)
 - (h) Sister (including step-sister)

“Significant Influence” is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Agreement, Regulations or any other applicable law or regulation to the extent applicable to the Company.

DETAILS REQUIRED FOR ASCERTAINING RELATED PARTY

1. Declaration/Disclosure of interest by all the Directors and KMPs’ in form MBP-1.
2. Declaration of relatives by all Directors and KMPs’.

3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager or his relative is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.
7. Declaration by Holding Company regarding its Directors/ KMPs' and their relatives.
8. Details of 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 of the Company.
9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of any Company which is
 - (a) a holding, subsidiary or an associate company of such company; or
 - (b) a subsidiary of a holding company to which it is also a subsidiary.
11. Persons/entities identified under Ind-AS 24.

TYPE OF TRANSACTIONS COVERED

- A. Under Section 188 of the Companies Act, 2013 , following transactions will be covered –
 - 1) Sale, purchase or supply of any goods or materials;
 - 2) selling or otherwise disposing of, or buying, property of any kind;
 - 3) leasing of property of any kind;
 - 4) availing or rendering of any services;
 - 5) appointment of any agent for purchase or sale of goods, materials, services or property etc.
 - 6) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;
 - 7) underwriting the subscription of any securities or

8) derivatives thereof, of the company.

B. Under Regulation 2 (1)(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, following shall be covered –

1) Transfer of resources, services or obligations between a Company and a related party, 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.

C. Under Indian Accounting Standard 24, all transactions involving transfer of resources or obligations between the Company and its related parties, regardless of whether or not a price is charged. To name a few, following will covered –

- 1) purchases or sales of goods;
- 2) purchases or sales of property and other assets;
- 3) rendering or receiving of services;
- 4) leases
- 5) transfer of research and development;
- 6) Transfer under license agreements;
- 7) Transfer under finance (including loans and equity contributions in cash or in kind);
- 8) guarantees and collaterals;
- 9) Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised);
- 10) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party; and
- 11) management contracts including for deputation of employees.

APPROVAL OF TRANSACTIONS

(A) Approval of transactions through Audit Committee

Prior approval of Audit Committee for all Related Party Transactions. However, the Audit Committee may grant an omnibus approval for a period of maximum one year for those proposed related party transactions, which are in ordinary course of business and at arms' length and are repetitive in nature (for e.g. sale/purchase of securities etc), subject to the following conditions –

The proposal to be placed before the Audit Committee should contain following information –

- a) The name(s) of related party, nature of transactions, period/duration of transactions, maximum amount of per transaction that can be entered into and maximum value of the transactions in aggregate which can be allowed under the omnibus route in a financial year;
- b) The indicative base price/current contracted price and the formula for variation in the price, if any; and
- c) 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, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

All transactions entered into above omnibus approval, be put up to the Audit Committee on quarterly basis for its review. All the related party transactions entered under omnibus route be certified by the Internal Auditors on quarterly basis.

In case of non-repetitive transactions, the agenda of the Audit Committee at which the item is proposed to be moved shall disclose –

- a. the name of the related party and nature of relationship;
- b. the nature, duration/period of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;
- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

- g. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- h. statement of transactions as per the contracts/arrangements.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement. The MD and ED & CFO should certify whether the contracts/transactions are at arm's length. Similarly the internal auditors should examine the entire documentation and certify the same.

(B) Approval of transactions through Board of Directors

Approval of the Board is required:

- a. for all contracts/arrangements/transactions which are not on arm's length basis or are not in ordinary course of business;
- b. For all "material" related party transactions. These have to be approved by the shareholders through Ordinary Resolution; therefore they should first be approved by the Board.

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose –

- a) the name of the related party and nature of relationship;
- b) the nature, duration of the contract and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- g) any other information relevant or important for the Board to take a decision on the proposed transaction.
- h) statement of transactions as per the contracts /arrangements.

Where any director is interested in any contract or arrangement with a related party, such director should not be present at the meeting during discussions on the agenda item relating to such contract or arrangement.

(C) Approval of transactions through shareholders

Except with prior approval of shareholders, the company shall not enter into transaction(s), where the transaction(s) to be entered into as contracts or

arrangements with respect to Section 188(1)(a) to (e) of the Companies Act, 2013, with the criteria as mentioned below –

- i. sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower, 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, exceeding ten percent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- iii. leasing of property of any kind exceeding ten percent of the net worth of the company or ten percent of turnover of the company or rupees one hundred crore, whichever is lower, 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, exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

DEVIATIONS

By Audit Committee

In the event the Company becomes aware of a Transaction 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, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 for the loss suffered by the related party etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

By Board of Directors and shareholders

If any related party transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be, the same need to be get ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate. If the related party transaction has not been ratified by Board or Shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board or, as the case may be, of the Shareholders and if the related party transaction is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

DISCLOSURE

The Company shall disclose the Policy on dealing with Related Party Transactions on its website and provide web link in the Annual Report. In addition to the disclosures required under Accounting Standards, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

The listed entity 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.

AMENDMENTS AND UPDATES

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to 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. The policy

shall be reviewed by the board of directors at least once every three years and updated accordingly.

GENERAL

The Policy would be subject to revision/amendment in accordance with the Laws. The Audit Committee shall review the Policy at least once in three years for making suitable amendments for better implementation of the Policy. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. The power to interpret and administer the Policy shall rest with the Chairman of the Audit Committee whose decision shall be final and binding. The Chairman is also empowered to make any supplementary rules/orders to ensure effective implementation of the Policy. These will, however, be reported to or tabled before the Audit Committee, from time to time, to ensure the Committee's oversight on these issues.

Note: This Policy is revised and adopted by the Board of Directors of the Company at their meeting held on 13-08-2019 and shall be effective from this date.