



RELATED PARTY TRANSACTION POLICY



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1. INTRODUCTION

DCW LIMITED (the "Company") recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with the requirements of Section 188 of the Companies Act, 2013 and Rules made thereunder (the "Act") and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations") and any amendments thereto.

The Company must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Company's Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

2. APPLICABILITY AND EFFECTIVE DATE

This Policy will be applicable to the Company with effect from October 1, 2014 revised Policy will come into effect from April 1, 2022 and shall be in supersession of the earlier policy to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

3. PURPOSE

The changes carried out through Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, pose many requirements on the Company. One such requirement is that the Company is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

The objectives of this Policy are to set out:

- (a) Identification of the Related Parties.
- (b) The materiality threshold for related party transactions.
- (c) The manner of dealing with the transaction between the Company and its related parties based on the Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.



4. DEFINITIONS

“Act” shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

“Arm’s Length basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“Associate Company” means any other company, in which the Company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation—For the purposes of this clause, “significant influence” means Control of at least twenty per cent of total share capital, or of business decisions under an agreement.

“Audit Committee” or **“Committee”** shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Board of Directors” or **“Board”** means the Board of Directors of the Company.

“Company” means DCW LIMITED.

“Control” is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

“Key Managerial Personnel” means Key Managerial Personnel of the Company in terms of the Section 2(51) of the Companies Act, 2013 and any amendments thereto.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

“Policy” means Related Party Transaction Policy of the Company.

“Related Party” will have the same meaning as defined under Section 2(76) of the Act and/or Regulation 2(zb) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendments thereto, if any.

Any person or entity or any entity belonging to the promoter or promoter group of the



Company and holding equity shares of the Company of twenty per cent or more, either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediate preceding financial year, shall be deemed to be a related party.

“Related Party Transaction” means all transaction(s) between the Company on one hand and one or more related party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Regulation 2(zc) and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto.

“Significant Influence” 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.

“Material Related Party Transaction” means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party 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.

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 five per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such other thresholds as may be prescribed in the Listing Regulations from time to time..

“Material Modifications” shall mean any modification with respect to the following: -
Modification which results in an increase of 10% or more in the original value/ consideration which was approved by the Audit Committee/Board/Shareholders for a financial year;
- Modification in terms and conditions of the contract with a related party such as modifications in the credit period, changes in scope of deliverables under a contract, etc.;;
- Any other modification which as per the directions of the Audit Committee may be determined as material on case to case basis.

“Materiality Threshold” means limits for related party transactions beyond which the shareholders' approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto read with Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Relatives” under Regulation 2(zd) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Companies Act, 2013 and any amendments thereto.

5. POLICY

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. All Related Party Transactions and subsequent material modifications shall require prior approval of Audit Committee.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Further, all Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders through special resolution.

Provided further that a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the [annual consolidated turnover, as per the last audited financial statements of the Company]¹;

[¹ annual standalone turnover, as per the last audited financial statements of the subsidiary; with effect from April 1, 2023]

Provided further that prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

5.1 Identification of potential Related Party Transactions

Every Director will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

- i. Names of his / her Relatives;
- ii. Partnership firms in which he / she or his / her Relative is a partner;
- iii. Private Companies in which he / she or his / her Relative is a member or a Director;
- iv. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- v. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions (other than advice, directions or instructions obtained in professional capacity);

- and
- vi. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company (“KMP”) will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

- i. Names of his / her Relatives;
- ii. Partnership firms in which he / she or his / her Relative is a partner;

Every Director, KMP, or senior officer authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Besides the above, the Company will also identify other Related Parties as required under the Act and the Listing Regulations.

Any transaction by the Company with a Related Party will be regulated as per this Policy

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding equity shares of the Company of [20%]² or more, 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.

[²10%; with effect from April 1, 2023]

The Company will identify the potential transactions with the Related Parties as required under the Companies Act, 2013 and SEBI Listing Regulations.

5.2. Review and approval of related party transactions

Standards for Review:

A RPT or any material modification reviewed under this Policy will be considered approved or ratified if it is authorised by the Audit Committee or the Board or the shareholders in the General Meeting, as applicable, in accordance with the standards set-forth in this Policy after full disclosure of the Related Party’s interests in the transaction.

To review a Related Party Transaction, the Board/ Audit Committee/Shareholders will be provided with all the relevant information pertaining to the Related Party Transaction, including but not limited to:

1. Information to be provided to the Audit Committee for consideration of Related party Transactions:

- A. Type, material terms and particulars of the proposed transaction;
- B. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- C. Tenure of the proposed transaction (particular tenure shall be specified);
- D. Value of the proposed transaction;
- E. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- F. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- G. Justification as to why the RPT is in the interest of the Company;
- H. A copy of the valuation or other external party report, if any such report has been relied upon;
- I. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- J. Any other information that may be relevant.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

2. Information to be provided to shareholders for consideration of Related Party Transactions:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- A. A summary of the information provided by the management of the Company to the audit committee as specified in point 1 above;
- B. Justification for why the proposed transaction is in the interest of the Company;
- C. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 1(F) above; (The requirement of disclosing source of funds and cost

- of funds shall not be applicable to listed banks/NBFCs.);
- D. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - E. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - F. Any other information that may be relevant.
3. Factors to be considered for considering the approval of a Related Party Transaction are as follows:
- i. the Related Party's interest in the RPT;
 - ii. the amount involved in the RPT;
 - iii. whether the RPT was undertaken in the ordinary course of business of the Company;
 - iv. whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
 - v. the purpose of and the potential benefits to the Company from the RPT;
 - vi. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transaction, if any;
 - vii. Whether the RPT includes any potential reputational risk issues that may arise as a result of or in connection with the RPT;
 - viii. Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
 - ix. Required public disclosure, if any; and
 - x. Any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/ shareholders, as applicable in light of the circumstances of the particular transaction.

The Audit Committee/Board will review all relevant information available to it about the RPT. The Audit Committee or the Board, as applicable, may approve or ratify or recommend to the shareholders, the RPT only if the Audit Committee and/or the Board, as applicable, determine that, under all of the circumstances, the transaction is fair and reasonable to the Company.

Audit Committee:

Every Related Party Transaction and every material modification thereto, shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at Arm's Length basis, subject to compliance of the conditions contained in Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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:

- 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 company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- c. Audit Committee shall ensure that minimum information as is required by the Policy and SEBI Circular dated November 22, 2021 is placed before the audit committee.
- d. Such omnibus approval shall specify:-
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - (ii) 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 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.

- e. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- g. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions or any subsequent material modifications and/or prescribed under the Companies Act, 2013 and Rules thereunder, and the Listing Agreement with the Stock Exchanges.

Transactions entered into between a holding company and its wholly owned subsidiary or transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

Board:

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 rescue himself and abstain from discussion and voting on the approval of the related party transaction.

In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are 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;
- ii. 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;

At the time of determining the arms' length nature of price charged for the Related Party Transaction, permissible method of arms' length pricing as per applicable law would be considered.

In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'.

- iii. 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.
- iv. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

Shareholders:

If a related party transaction is

(i) a material transaction or any material modification to the transaction, as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or

(ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution and all the Related Parties shall abstain from voting on such resolution(s).

Shareholders shall ensure that minimum information as is required by the Policy and SEBI Circular dated November 22, 2021 is placed before the Shareholders.

All the related parties shall not vote to approve the relevant transactions irrespective of whether such related party is a party to the particular transaction or not.

Ordinary Course of Business:

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:
 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

2. third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
3. management assessment of pricing terms and business justification for the proposed transaction;
4. comparative analysis, if any, of other such transaction entered into by the company.

6. RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL

Following transactions shall not require separate approval under this policy: -

- a. Payment of Dividend;
- b. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, amalgamation, hive-off, etc duly approved by the Board and carries out in accordance with the specific provisions of the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

7. 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 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 may examine the facts and circumstances of the case and take any such action it deems appropriate.

8. GENERAL PRINCIPLES

- i. It shall be the responsibility of the Board to monitor and manage potential conflicts of interest of management, board members and shareholders, including abuse in Related Party Transactions.
- ii. The Independent Directors of the Company shall pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company.
- iii. The Audit Committee shall have the following powers with respect to Related Party Transactions:
 - a. To seek information from any employee.
 - b. To obtain outside legal or other professional advice.

- c. To secure attendance of outsiders with relevant expertise, if it considers necessary
 - d. To investigate any Related Party Transaction.
- iv. The CFO of the Company is authorised to issue necessary guidelines/instructions for implementation of this Policy.
- v. The Company while entering into any Related Party Transaction shall ensure that such Related Party Transaction is in the best interest of the Company and adheres to this Policy.

9. DISCLOSURES & REGISTERS

- i. The Company is required to disclose RPTs in the Company's Board's Report to shareholders of the Company at the Annual General Meeting in accordance with the Act and Rules made thereunder.
- ii. Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under the Regulations and the same shall be placed/taken note of before the meeting of the Board of Directors.
- iii. The Company shall submit within fifteen days from the date of publication of its standalone and consolidated financial results for the half year or within such time as may be prescribed in the SEBI Listing Regulations; 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.
- iv. The Company shall also be required to disclose this Policy on its website and web link thereto shall be provided in the Annual Report of the Company.
- v. The Company shall keep and maintain a register either 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.
- vi. Every director or Key Managerial Personnel shall, within a period of 30 (thirty) days of this appointment, or relinquishment of his office in other companies, as the case may be, shall disclose the Company the particulars relating to his/her concern or interest in the other association which are required to be included in the register maintained.

10. AMENDMENTS IN LAW

Any subsequent amendment/modification in the Act and the Regulations and/or other applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company.