



***BELIEVE IN THE POWER OF US***

**POLICY ON RELATED PARTY TRANSACTIONS**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. PREAMBLE**

- 1.1 The Board of Directors of TVS Supply Chain Solutions Limited (“**Company**”) has adopted this Policy upon recommendation of the Audit Committee and it includes the materiality threshold and the manner of dealing with Related Party Transactions (“**Policy**”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

### **2. OBJECTIVE**

- 2.1 This Policy is intended as follows:
- A. To ensure due and timely identification, approval, disclosure and reporting of Related Party Transactions in compliance with the applicable laws and regulations as may be amended from time to time;
- B. To ensure high standards of corporate governance while dealing with Related Parties.
- 2.2. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.
- 2.3. The Policy seeks to achieve this objective by describing procedures to be followed by the Company in relation to Related Party Transactions, including taking steps for adequate disclosure and compliance under the Act and Listing Regulation.

### **3. DEFINITIONS**

- 3.1 “**Act**” shall mean the Companies Act, 2013 and includes any amendment thereof.
- 3.2 “**Audit Committee**” or “**Committee**” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of Listing Regulation and Section 177 of the Act .
- 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 “**Board**” means the Board of Directors of the Company as defined under the Companies Act, 2013.
- 3.5 “**Insolvency Code**” means the Insolvency and Bankruptcy Code, 2016.
- 3.6 “**Key Managerial Personnel**” means Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.

- 3.7 **“Listing Regulation”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3.8 **“Material Modification”** means any modification in the original contract or arrangement with a Related Party that would result in an increase of 25% or more on the originally approved transaction value or any modification of other material terms including non-financial terms like credit period, scope of contract etc. which were determined during approval of the contract or arrangement, specifically defined as such by the Audit Committee.
- 3.9 **“Material Related Party Transaction”** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds the lower of (a) INR 1000,00,00,000 (Indian Rupees Thousand Crores); or (b) 10% (ten) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Act or Listing Regulation as amended from time to time.
- 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 (five) percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 3.10 **“Ordinary Course of Business”** means the course of business in which Transactions are entered in pursuance of the business objectives of the Company and necessary for Company’s operations or related financial activities, including but not limited to the fixed assets transactions.
- 3.11 **“Related Party”** means a related party as defined under the Act read with the Listing Regulation and Indian Accounting Standards, as amended from time to time.
- 3.12 **“Related Party Transaction/ Related Party Transactions”** means transaction as defined under Section 188(1) of the Act and Regulation 2(zc) of Listing Regulation, as amended from time to time.
- 3.13 **“Relative”** means a relative as defined under the Act, and includes anyone who is related in any of the following manner –
- A. Members of a Hindu undivided family;
  - B. Husband or wife;
  - C. Father (including step-father);
  - D. Mother (including step-mother);
  - E. Son (including step-son);
  - F. Son’s wife;
  - G. Daughter;
  - H. Daughter’s husband;
  - I. Brother (including step-brother); or
  - J. Sister (including step-sister).
- 3.14 **“Transaction”** with a Related Party shall be construed to include a single transaction or a group of transactions.
- 3.15 The terms Director and Key Managerial Personnel shall have the same meaning as assigned under the Act.

- 3.16 Any other term not defined herein shall have the same meaning as defined under the Act and Listing Regulation including amendments thereof, Indian Accounting Standards; and or any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

#### **4. POLICY**

- 4.1 The Audit Committee shall review all Related Party Transactions based on this Policy.
- 4.2 All proposed Related Party Transactions and subsequent Material Modifications must be reported to the Audit Committee for its prior approval in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre –approval/ omnibus approval, details whereof are given in a separate section of this Policy.
- 4.3 In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

#### **5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS:**

- 5.1 Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per *Annexure 1* containing the following information to the Company Secretary on an annual basis along with any other information as required under Section 184 of the Act:
- A. Names of his / her Relatives;
  - B. Partnership firms in which he / she or his / her Relative is a partner;
  - C. Private Companies in which he / she is a member or Director;
  - D. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
  - E. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
  - F. 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).
- 5.2 Every Director and Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.
- 5.3 The Company Secretary / Compliance Officer/ Chief Financial Officer shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –
- A. All Directors and Key Managerial Personnel;
  - B. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
  - C. Company's holding company, subsidiary companies and associate companies;
  - D. Subsidiaries of holding company;
  - E. Director or Key Managerial Personnel of the holding company or their Relatives;
  - F. All group entities;
  - G. All entities which are associate or joint venture of the Company (including subsidiaries of such associate or joint venture);
  - H. All entities for which the company is an associate or joint venture including the holding company, subsidiaries and fellow subsidiaries of such entities;
  - I. Any person or close member of that person's family if that person

- Has control or joint control of the company
- Has significant influence over the company
- Is a member of the Key Managerial Personnel of the company or of a parent of the company

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner. Any entity that is controlled or jointly controlled by person identified in 5.3 (I) above;

- J. Any entity in which a person identified in 5.3 (I) (a) has significant influence or is a member of the Key Managerial Personnel (including subsidiaries of such entities) and
- K. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Listing Regulation or the Indian Accounting Standard.

5.4 The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary / Compliance Officer. The functional / business heads / Chief Financial Officer / Company Secretary shall have access to the updated database.

5.5 Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer 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.

5.6 The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 to this Policy.

## **6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

6.1 All Related Party Transactions and subsequent Material Modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction may remain present in the meeting but shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not and shall not be counted in determining the presence of a quorum when such transaction is considered.

6.2 Only those members of the Audit Committee who are independent directors shall approve Related Party Transactions.

6.3 All related party transactions to which a subsidiary of the Company is a party to, but the Company is not a party, shall require prior approval of the Audit Committee of the Company, if (a) prior to 01 April 2023, 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; and (b) on and from 1 April 2023, 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 standalone turnover, as per the last audited financial statements of the subsidiary.

- 6.4 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 the Listing Regulations are applicable to such listed subsidiary and the prior approval of the audit committee of the listed subsidiary shall suffice.

## **7. CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS**

- 7.1 The senior management of the Company shall provide all relevant documents and reports to the Audit Committee in relation to the Related Party Transaction for which the approval of the Audit Committee is being sought. The Audit Committee shall review the terms of the proposed transaction and ask the senior management for additional information and documents, if required.
- 7.2 While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.
- 7.3 Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:
- A. Whether the terms of the Related Party Transaction are in the Ordinary Course of Business and are on an Arm's Length Basis;
  - B. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
  - C. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
  - D. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.
- 7.4 While considering the Arm's Length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise Arm's Length nature of the transaction.

## **8. APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE**

- 8.1 In the event the management of the Company determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved

by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

## **9. APPROVAL BY THE BOARD**

- 9.1 If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting or through circular resolution and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- 9.2 In addition to the above, pursuant to Section 188 of the Act, all transactions specified under the said Section which are not in the Ordinary Course of Business or are not Arms-Length Transactions and all Material Related Party Transactions shall be placed before the Board for its approval, besides approval of the Audit Committee.
- 9.3 A register of contracts pursuant to Act, shall be maintained and placed before the next meeting of the Board, held after such transaction has taken place and signed by all the directors present at the meeting.

## **10. STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE**

- 10.1. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval, the Audit Committee shall satisfy itself of the need for the prior omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:
- A. Name of the related party;
  - B. Nature of the transaction/s;
  - C. Period of the transaction/s;
  - D. Maximum value of the transaction/s that can be entered into;
  - E. Indicative base price / current contracted price and formula for variation in price, if any; and
  - F. Such other conditions as the Audit Committee may deem fit.
- 10.2. Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee. The 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, if any.
- 10.3. Further, where the need of the Related Party Transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs. 1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such Transactions including the limits to ensure that they are in compliance with this Policy.

- 10.4. The omnibus approval shall be valid for a period of one year and any Transactions of a similar nature after the expiry of one year.

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

- 11.1 All Material Related Party Transactions and subsequent Material Modifications shall require the prior approval of the shareholders through special resolution and the Related Parties shall not vote to approve the relevant transaction irrespective of whether the Company is a party to the particular transaction or not.
- 11.2 Additionally, transactions specified under Section 188 of the Companies Act, 2013 which are not in the Ordinary Course of Business or are not Arms-Length Transactions and which exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, also need the approval of the shareholders.
- 11.3 Transactions which do not require prior approval of shareholders:
- (a) A related party transaction, to which the listed subsidiary is a party, but the listed entity is not a party, as long as regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary. In such cases, the prior approval of the shareholders of the listed subsidiary shall suffice.
  - (b) A resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

## **12. TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL**

- 12.1 Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:
- A. Any transactions with wholly owned subsidiaries or between two wholly owned subsidiaries whose accounts are consolidated with the Company and approved by the shareholders at the general meeting. Such transactions are also exempt from the requirement of omnibus approval or Board approval or shareholders' approval.
  - B. Any transaction involving the providing of compensation to a director or Key Managerial Personnel in connection with his duties to the Company including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business.
  - C. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

## **13. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

- 13.1. In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.
- 13.2. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances with respect to such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee may deem appropriate under the circumstances.



**14. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

- 14.1 Every Related Party Transaction entered into by the Company, which is not in the Ordinary Course of Business or not an Arm's Length Transaction shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Chief Financial Officer shall be, responsible for such disclosure.
- 14.2 The Company Secretary / Compliance Officer shall also make necessary entries in the Register of Contracts required to be maintained under the Act.
- 14.3 The details of all transactions with related parties shall be submitted, in the format specified, half yearly to the stock exchanges, as per the manner and timelines set-out in the Listing Regulation and the same shall be published on the Company's website.
- 14.4 The annual report of the Company shall contain the related party disclosures as prescribed under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 14.5 Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**15. LIMITATION**

In the event of any conflict between the provisions of this Policy and of the Listing Regulation / Act or any other statutory enactments, rules, the provisions of such Listing Regulations / Act or statutory enactments, rules shall prevail over this Policy.

**16. REVIEW AND AMENDMENT OF THE POLICY**

In case of any subsequent changes in the provisions of Act and the Listing Regulation , or any other regulations which makes any of the provisions of the Policy inconsistent with them, then such provisions would prevail over the Policy. The Board of Directors of the Company shall review and update the Policy including threshold limits once in every 3 (three) Years or within such period as mandated by any regulatory amendments.

## ANNEXURE 1

### NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL

To,  
The Company Secretary/Compliance Officer  
**[●] Limited**  
Address

Dear Sir,

- A. I, ....., son/ daughter/ spouse of ....., resident of ....., holding ..... Shares (equity or preference) of Rs. 1/- each (..... percent of the paid- up capital) in the Company in my name, being a ..... in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

Sr. No.	Name of the Companies/Bodies Corporate/Firms/ Association of Individuals	Nature of Interest Or / Change in Interest or Concern	Shareholding (No. & %)	Date on which Interest or Concern arose/changed

- B. The Following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions:

Sr. No.	Name of the Body Corporate

- C. I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity):

Sr. No.	Name of person	Relation

D. **List of relatives**

<b>Relationship</b>	<b>Full Name</b>	<b>Address</b>	<b>Shareholding in the Company</b>
1. Spouse			
2. Father (including Step-Father)			
3. Son (including Step-son)			
4. Daughter			
5. Daughter's Husband			
6. Brother (Including Step-Brother)			
7. Sister (Including Step-Sister)			
8. Mother (including Step-Mother)			
9. Son's Wife			
10. Members of HUF			

Signature :

Name :

Designation:

Place:

Date:

## **ANNEXURE 2**

### **INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):**

- A. Name of the Related Party and nature of relationship;
- B. Nature and duration of the contract/Transaction and particulars thereof
- C. Material terms of the contract or arrangement or Transaction including the value, if any;
- D. In case of existing or approved contracts, Transactions, details of proposed variations to the duration, current price / value and / or material terms of the contract or arrangement including a justification to the proposed variations;
- E. Manner of determining the pricing and other commercial terms, whether or not included as part of contract, including the valuation report;
- F. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
- G. Justification as to the arm's length nature of the proposed Transaction;
- H. Declaration whether the Transaction is in the ordinary course of business;
- I. Any other information relevant or important for the Committee / Board to take a decision on the proposed Transaction.