



## **POLICY ON MATERIALITY AND DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. Background:**

The Board of Directors (the “Board”) of Automobile Corporation of Goa Limited (the “Company” or “ACGL”), has adopted the following policy and procedures with regard to Materiality and dealing with Related Party Transactions as defined below.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations.

The Companies Act, 2013 (“the Act”) places a lot of emphasis on Related Party Transactions. Provisions of the Act along with the relevant Rules governing Related Party Transactions have come into effect from April 1, 2014.

Considering the requirements for approval of related party transactions as prescribed under the Act and on Companies (Amendment) Act, 2017 (“Amendment Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time (“SEBI Listing Regulations”), ACGL has reviewed and formulated this Policy as a guideline for identification of related parties and the proper conduct, approvals and documentation of all related party transactions.

### **2. Objective of the Policy:**

Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions including disclosure of clear threshold limits duly approved by the board of directors of the Company for related party transactions. The objective of this policy is to set out (i) the materiality thresholds for related party transactions; (ii) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company and; (c) lay down the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders..

### **3. Definitions**

- 3.1 “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 3.2 “Ordinary Course of Business” would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.
- 3.3 “Relative” shall have the same meaning assigned to in Section 2(77) of the Act and Rules prescribed thereunder.



## AUTOMOBILE CORORATION OF GOA LIMITED

- 3.4 “Related Party” means Related Party as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and Securities and Exchange Board of India and other Authorities from time to time on the interpretation of the term “Related Party”.

- 3.5 “Related Party Transaction” (RPT) means all transactions 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 SEBI Listing Regulations.

- 3.6 “Material Related Party Transaction” means the following transactions

a) As explained in Regulation 23(1) of SEBI Listing Regulations - A transaction with a related party shall be considered material 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 listed entity as per the last audited financial statements of the listed entity.

b) As defined in Regulation 23(1A) of SEBI Listing Regulations - Notwithstanding the above mentioned in (a), 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, exceeds 2% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity

- 3.7 “Policy” means this Policy.

- 3.8 “Key Managerial Personnel” (KMP) shall have the meaning as defined in the Act.

- 3.9 “Board of Directors or Board” means the collective body of the Directors of the Company.

- 3.10 “Audit Committee” means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of the SEBI Listing Regulations.

- 3.11 “Transaction” shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Act, SEBI Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation, as amended from time to time.

#### **4. Manner of Dealing with Related Party Transactions:**

All proposed Related Party Transactions must be reported to the Audit Committee to obtain their approval in accordance with this Policy. In dealing with Related Party Transactions, the Company will follow the following approach:



## **AUTOMOBILE CORORATION OF GOA LIMITED**

### **i) Identification of Related Parties**

- All Directors, and Key Managerial Personnel (KMPs) shall provide notice to the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors and KMPs shall provide notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis and for this purpose, the Company may seek external professional opinion, if necessary.
- It will be the responsibility of the Directors and KMPs to keep the Company updated immediately if there is a change in any of the declarations provided at the beginning of the year.
- The list of related parties will be maintained by the Secretarial Department based on inputs/data received from the Directors and KMPs, the records made available to Company Secretary by respective Department Heads/Business Heads regarding business contracts/agreements entered into by the Company.
- All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.
- Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.
- The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

### **ii) Procedure for approval of Related Party Transaction**

- All Related Party Transactions shall require prior approval of the Audit Committee.
- Where the Company has entered into a master agreement with a related party, which stipulates details of every transaction like nature of the transaction, basis of pricing, credit terms etc., the prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any further approval of the Audit Committee unless there is any change in any terms of the master agreement.
- The Audit Committee may grant omnibus approval to Related Party Transactions that are Repetitive in nature. The Audit Committee shall satisfy itself the need for such approval and that such approval is in the interest of the company and it shall lay down the criteria for granting the omnibus approval in line with the Policy, Rule 6A of the Companies (Meetings of the Board and its Powers) Rules 2014 and Regulation 23(3) of the SEBI Listing Regulations.

### **Omnibus Approval**

- As approved by the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval for related party transactions for each financial year:



## AUTOMOBILE CORORATION OF GOA LIMITED

- a. The maximum value of all the transactions, in aggregate, which can be allowed under omnibus route in a financial year, shall not exceed Rs. 1160 Crores (Rs. 11600 Million).
- b. The maximum value per transaction which can be approved under omnibus route shall not exceed Rs. 85 Lakhs (Rs. 8.5 Million).
- c. While assessing a proposal put up before the Audit Committee for omnibus approval, the Audit Committee may seek and review the following documents / 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 transfer of resources) – 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 terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
  - (iii). Key covenants (non-commercial) as per the draft of the proposed arrangement/ contract to be entered into for such transaction;
  - (iv). Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
    - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
    - third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
    - management assessment of pricing terms and business justification for the proposed transaction;
    - comparative analysis, if any, of other such transaction entered into by the company.
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given.
- e. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
  1. Transactions which are not at arm's length or not in the ordinary course of business
  2. Transactions which are not repetitive in nature
  3. Transactions in respect of selling or disposing of the undertaking of the company
  4. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
  5. Any other transaction the Audit Committee may deem not fit for omnibus.
- 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 value and the formula for variation in the value, if any and (iii) such other conditions as the Audit Committee may deem fit;



## AUTOMOBILE CORORATION OF GOA LIMITED

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs 1 crore per transaction.

- Such omnibus approval(s) shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.
- Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.
- Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.
- Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.
- All Related Party Transactions that are not in the ordinary course of business and /or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has a potential interest in such Related Party Transaction will abstain from attending the voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders by a resolution if it exceeds the thresholds as prescribed under the Act and rules framed there under. No member of the Company shall vote to approve such resolution, if such member is a related party to such transaction under the Act.

No Related Party shall vote to approve the Material Related Party Transaction, irrespective of whether the person is a party to the particular transaction or not requiring shareholders' approval under Regulation 23(4) of SEBI Listing Regulations.



## AUTOMOBILE CORORATION OF GOA LIMITED

### iii) Related Party Transactions that shall not require Approval

As per Regulation 23(5) of the SEBI (LODR) Regulations 2018, prior approval of the Audit Committee for all Related Party Transactions and approval of shareholders for Material Related Party Transactions shall not be applicable for transactions entered into between a holding company and its wholly-owned subsidiary, if any whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. However, the same would require the approval of the Audit Committee pursuant to Section 177(4) of the Act.

### **5. Material Related Party Transactions:**

All Material Related Party Transactions whether in ordinary course of business and/or arm's length basis or not, must be reported to the Audit Committee and Board for their respective prior approval and subsequently placed before the Shareholders for seeking their approval by way of Resolution. Such Transactions should not be consummated before the approval of the Shareholders.

### **6. Amendment to the Policy:**

The RPT policy shall be reviewed, approved and amended by the Audit Committee and the Board of Directors of the Company, every 3 years from the date of its last revision.

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

### **7. Disclosures:**

Disclosures with respect to RPT shall be made from time to time as per the applicable provisions.

Approved & Recommended by the Audit Committee

---

Audit Committee Chairperson

Approved by the Board of Directors

---

Chairman of the Board

*Recommended and approved at meetings held on 04.02.2019*