

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

**1. INTRODUCTION**

The Board of Directors (“**Board**”) of CADSYS (INDIA) LIMITED (“**Company**”) has adopted the Materiality of Related Party Transactions and Dealing with Related Party Transactions Policy (“**the Policy**”) formulated in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“**SEBI LODR Regulations**”) read with the provisions of Section 177 and 188 of the Companies Act, 2013 (“**the Act**”) & relevant rules made thereunder and other applicable laws as amended from time to time to regulate transactions between the Company and its Related Parties.

**2. POLICY OBJECTIVE**

The Company recognizes that Related Party Transactions (“**RPT**”) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. And, also for the purpose of identification and regulation of the RPTs keeping in view the provisions of the Act read with the rules made thereunder and SEBI LODR Regulations.

**3. DEFINITIONS**

- a. “**Audit Committee**” means the committee constituted by the Board of Directors of the Company from time to time under the provisions of the Act and SEBI LODR Regulations.
- b. “**Board of Directors**” means the board of directors of CADSYS (INDIA) LIMITED.
- c. “**Company**” means CADSYS (INDIA) LIMITED.
- d. “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and the rules made thereunder.
- e. “**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.



## CADSYS (INDIA) LTD

- f. **“Material Related Party Transaction”** means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds **10 (ten) percent** of the annual consolidated Turnover of the Company as per the last audited financial statements of the Company.
- g. **“Policy”** means this Policy on materiality of Related Party Transactions and Dealing with Related Party Transactions.
- h. **“Related Party”** means a related party as defined under the Act or rules made thereunder and SEBI Regulations.
- i. **“Related Party Transaction”** means those transactions as specified under Section 188 of the Act or rules made thereunder and Regulation 2(zc) & 23 of SEBI LODR Regulations.
- j. **“Relative”** means a relative as defined under the Act and SEBI Regulations.
- k. **“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Regulations 2015, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

## 4. POLICY

All RPTs must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy, whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.

### A. Disclosure by Directors and KMP's

- Every year all the Directors shall provide a declaration to the Board of Directors, his concern or interest in any Company or Companies or bodies corporate, firms, or other association of individuals in the format prescribed under the Companies Act, 2013.
- The declarations will be updated by the Directors, in case of any change and intimated to the Company Secretary for placing before the Board of Directors.
- Any individual appointed as director or KMP shall provide declaration to the Company Secretary,



## CADSYS (INDIA) LTD

if any or Board of Directors in the prescribed format.

### **B. Identification of Potential RPTs**

Each director and Key Managerial Personnel is responsible for providing notice to the Company of any potential RPT, if not given already in the first Board Meeting of the financial year, involving him/her or his/ her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee/ Board. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this policy.

The Directors and KMPs will ensure that their notice of any potential RPT is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

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.

### **C. Review and Approval of RPTs**

#### **i. Audit Committee**

All RPTs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the company subject to the following conditions:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
3. Such omnibus approval shall specify the following:
  - i. the name(s) of the related party
  - ii. nature of transaction,
  - iii. period of transaction,
  - iv. maximum amount of transaction that can be entered into,



## CADSYS (INDIA) LTD

- v. the indicative base price / current contracted price and the formula for variation in the price if any and;
- vi. such other conditions as the Audit Committee may deem fit;

Provided that where the need for RPT 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.

- 4. 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.
- 5. Such omnibus approvals shall be valid for a period not exceeding **1 (one) year** and shall require fresh approvals after the expiry of one year.

In determining whether to approve a RPT, the Audit Committee will consider the following factors, among others, to the extent relevant to the RPT:

- i. Whether the terms of the RPT are fair and transacted at arm's length basis to the Company;
- ii. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- iii. Whether the RPTs were entered in the past;
- iv. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- v. Whether the RPT includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- vi. Any other factor the Audit Committee deems relevant for reviewing and approving such RPT.

### **ii. Board of Directors**

The Board shall consider and approve the RPT as required to be approved under the Act o and/or SEBI Regulations and/or transactions referred to it by the Audit Committee.

### **iii. Shareholders' Approval**

- a. All the Material RPTs shall require approval of the shareholders (unless exempted pursuant to SEBI Regulations). All Related Parties shall abstain from voting on such resolution irrespective



## CADSYS (INDIA) LTD

of whether the entity is a party to a particular transaction or not.

- b. The transactions which fall under Section 188 of the Act and which are not in the ordinary course of business and / or not an Arms' length basis and which crosses the threshold limits prescribed under the rules made thereunder, shall require approval of the shareholders. Only the concerned Related Parties, with whom transactions are being entered into, shall abstain from voting on such resolution.

#### **iv. Decision regarding transaction in the ordinary course of business and at arm/s length basis**

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.

The Audit Committee or the Board shall, in respect of the RPTs referred to them for approval and after considering the matter placed before them, shall judge if the transaction is in the ordinary course of business and at arm's length. In case the Audit Committee is not able to arrive at such a decision, it may seek advice from a third party specialist(s) / professional(s) from the relevant field to help them to arrive at a decision.

In case there is still no consensus amongst the Audit Committee members, the matter then shall be referred to the Board, which shall decide if the transaction is the ordinary course of business and at arm's length.

### **5. RPTS 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 Audit Committee. Audit Committee shall consider all of the relevant facts and circumstances regarding the RPT, and shall evaluate all options available to the Company, including ratification, revision or termination of the RPT.

Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy and failure of the internal control systems, and shall take any such action as it deems appropriate.

In any case, where the Audit Committee determines not to ratify an RPT that has been commenced without approval, the Audit Committee may direct additional actions including, but not limited to,



## **CADSYS (INDIA) LTD**

discontinuation of the transaction or seeking the approval of the shareholders or payment of compensation for the loss suffered by the Company, etc. In connection with any review of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

### **6. AMENDMENT(S)**

The Board of Directors may review or amend this Policy, in whole or in part, from time to time, after taking into account the recommendations from the Audit Committee.

### **7. DISCLOSURES**

- a) Every Material RPT or RPT which is not in arm's length shall be disclosed in the Directors Report with proper justification for entering into such transactions.
- b) The company shall disclose the Policy on dealing with RPTs on its website.
- c) A register of RPTs shall be maintained as per requirements under the Act and shall place before the every Board Meeting and signed by all the directors present at the Meeting.

### **8. INTERPRETATION**

In the event of any conflict between the provisions of this Policy and the Act or SEBI Regulations 2015 or any other statutory enactments/ rules, the provisions of such Act or SEBI Regulations or statutory enactments shall prevail over this Policy.