

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

### **1. Preamble**

The Board of Directors (the “Board”) of Agro Tech Foods Limited (the “Company” or “ATFL”), adopts the following policy and procedures with regard to materiality of Related Party Transactions and on dealing with Related Party Transactions (RPT) (“RPT Policy”) and as defined below, in compliance with the requirements of Section 188 of the Companies Act 2013 and Rules made thereunder and any subsequent modifications, amendments or re-enactment thereto (the “Act”) and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015 and any subsequent modifications, amendments or re-enactment thereto (the “Listing Regulations”), in order to ensure transparency and procedural fairness of such transactions. Pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 notified on 9<sup>th</sup> November 2021, the RPT Policy is revised and amended as hereunder on January 20, 2022 to be effective from 1<sup>st</sup> April, 2022.

### **2. Objective**

This Policy regulates all transactions between the Company and its Related Parties (as defined below). This policy is intended to ensure proper approval 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.

Provisions of this policy are designed to govern the transparency of approval process and disclosure requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company’s other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Listing Regulation and must be approved in the manner as may be decided by the Board of Directors.

The Board of Directors of the Company (“Board”) on recommendation of the Audit Committee of the Company (“Audit Committee”) shall review the Policy once in three years and may amend the same from time to time.

### **3. Definitions:**

- i. “Board”** means the Board of Directors of the Company.
- ii. “Related Party”** - means a related party as defined in the Listing Regulation. An entity shall be considered as related to the company if:

- a. Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b. Such entity is a related party under the applicable accounting standards.

iii. **“Related Party”** means related party as defined in under section 2 (76) of the Act which are as follows:

- a. a director or his relative;
- b. a key managerial personnel or his relative;
- c. a firm, in which a director, manager or his relative is a partner;
- d. a private company in which a director or manager or his relative is a member or director;
- e. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- f. 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;
- g. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

h. any body corporate which is-

- A. a holding, subsidiary or an associate company of such company;
- 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;

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.

- i. a director other than independent director or key managerial personnel of the holding company or his relative with reference to a company (as per Companies (Specification of definition details) Rules, 2014);
- j. any person or entity forming a part of the promoter or promoter group of the Company; or
- k. any person or any entity, holding equity shares:
  - (i) of twenty per cent or more; or
  - (ii) of ten per cent or more, with effect from April 1, 2023

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year, shall be deemed to be a related party.

iv. **“Relatives”** -with reference to any person, means anyone who is related to another, if –

- a. They are members of a Hindu Undivided Family;
- b. They are husband and 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
- j. Sister including step sister

- v. **“Related party transactions”** – transactions / contracts / arrangement between the Company and its related parties which fall under one or more of the following headings:

**a. As per Listing Regulation:**

A related party transaction is a transfer of resources, services or obligations between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract."

Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.

**b. As per Section 188 of the Act:**

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;
6. Such related party's appointment to any office or place of profit\* in the Company, its subsidiary Company or associate Company; and
7. Underwriting the subscription of any securities or derivatives thereof, of the Company;

**“Office or place of profit”** means any office or place—

- where such office or place is **held by a director**, if the director holding it **receives** from the company anything by way of remuneration **over and above** the **remuneration to which he is entitled as director**, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- where such office or place is held by an individual **other than a director** or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it **receives** from the company **anything by way of remuneration**, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

- vi. **“Control”**: As defined as follows:
- a. **As per Listing Regulation**: shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  - b. **As per Section 2(27) of the Act**: 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.
- vii. **“Material related party transactions as per Listing Regulations”** means 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 **rupees one thousand crore or** ten percent 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 percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- viii. **“Subsequent material modification”** means any subsequent modification to any related party transaction shall be considered material if the value of such related party transaction(s) after such modification, whether entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore **or** ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, *whichever is lower*.
- ix. **“Transactions on 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.
- x. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes;
- a. the Chief Executive Officer or the Managing Director or the Manager;
  - b. the Company Secretary;
  - c. the Whole-time Director;
  - d. the Chief Financial Officer.
- xi. **“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.
- Explanation - “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.
- xii. **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and the Companies Act, 2013

#### 4. Policy

In accordance with the provision of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015 as amended from time to time, all proposed Related Party Transactions will be reviewed and approved by the Audit Committee, Board of Directors and shareholders of the Company, as the case may be and disclosed by the Company.

##### 4.1 Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board / Audit Committee may reasonably request. The Board / Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company 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.

##### 4.2 Review and approval of Related Party Transaction

###### Approval of Related Party Transactions

###### A. Audit Committee

4.2.A.1. All the transactions which are identified as Related Party Transactions ***and any subsequent material modifications*** should be pre-approved by the Audit Committee before entering into such transaction. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

###### **Provided:**

(a) a related party transaction to which the subsidiary of the 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;

(b) with effect from April 1, 2023, a related party transaction to which the subsidiary of the 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 standalone turnover, as per the last audited financial statements of the subsidiary of the Company;

(c) prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary, if any, is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of the listed Subsidiary as referred to in (c) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

The Audit Committee shall consider all the following factors, among others, while deliberating the Related Party Transactions for its approval:

- i. Whether the terms of the Related Party Transaction are at arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the independence of an independent director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper 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, Executive Officer or other Related Party, the direct or indirect nature of the director's, 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 Board / Committee deems relevant;
- vii. 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 the Board to approve the Related Party Transaction, then 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.

4.2.A.2. Any independent Director and member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. In case the dis-interested independent Directors and members of the Audit Committee do not constitute the quorum, those matters shall be referred to the Board of Directors for necessary approvals. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently.

4.2.A.3. The Audit Committee may grant omnibus approval for Related Party Transactions which are frequent and repetitive in nature and are in the normal course of business of the Company and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

4.2.A.4. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

4.2.A.5. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

## **B. Board of Directors**

4.2.B.1. 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 recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

## **C. Shareholders**

4.2.C.1. If a Related Party Transaction is (i) a material transaction or if there are any subsequent material modification of material related party transactions (as defined in this Policy) as per Regulation 23 of the Listing Regulations or, (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds as prescribed under the Companies Act, 2013 or Rules made thereunder and any other subsequent modifications /amendments thereof, it shall require shareholders' **prior** approval by a resolution. In such a case, no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary, if any, is a party but the Company is not a party, if Regulation 23 (2) of Listing Regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of the listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

**D.** The provisions of regulation 23(2), (3) and (4) shall not be applicable in case of:

- (a). transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (b). 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.

## **E. Reporting of Related Party Transactions**

- 4.2.E.1. Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement
- 4.2.E.2. The disclosures of related party transactions shall be submitted to the stock exchanges in the format as specified by SEBI from time to time, and publish the same on its website. The Company shall make such disclosures within such timeframe as prescribed by SEBI from time to time.

## **5. Determination of Arm Length Price**

The arm's length principle and the transfer pricing methodologies prescribed under the Indian Income-tax Act, 1961 ('IT Act') and any other subsequent modifications / amendments / enactments thereof, as well as associated domestic and international guidance shall be referred to determine arm length price relating to all related party transactions.

## **6. Disclosures**

The company shall comply with all reporting and disclosure requirements as may be prescribed from time to time in terms of applicable laws including the Companies Act, 2013 and Listing Regulations.

The Company shall disclose this policy relating to Related Party Transactions on its website and a web link shall be provided in the Annual Report.

## **7. Limitation and Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy