



# **DYNACONS SYSTEMS & SOLUTIONS LIMITED**

## **Policy on Related Party Transactions**



## **OUR VISION**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), Dynacons Systems & Solutions Limited has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also Clause 49(VII)(C) of the Listing Agreement requires a Company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, Dynacons Systems & Solutions Limited has framed this Policy on Related Party Transactions (“Policy”) and the said Policy 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 Clause 49 of the Listing Agreement with the Stock Exchanges in India. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

The Company is committed to monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

## **OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions and;
- (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.



## **DEFINITIONS**

### **(a) Audit Committee or Committee**

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

### **(b) Arm’s Length Transaction:**

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.

### **(c) Ordinary Course of Business:**

“Ordinary Course of Business (‘OCB’)” means a transaction which is:

- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company as amended from time to time, or
- historical practice with a pattern of frequency, or
- common commercial practice, or
- meets any other parameters / criteria as decided by the Board / Audit Committee.

### **(d) Material Related Party Transaction:**

“Material Related Party Transaction” will have the same meaning as defined in Clause 49 of the Listing Agreement.

### **(e) Related Parties:**

If we conduct Company’s business with a relative or with a Company in which a relative is associated in any significant role, we must disclose the same to our Compliance Officer. Relatives, for the purposes of this Code shall mean those persons who are defined as 'Relatives' under the Companies Act, 2013 including the Listing Agreement. If a relative is being considered for any position or assignment within the Company, we must disclose the same to appropriate authority within the Company.

An entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting Standards.



**(f) Key Managerial Person:**

“Key Managerial Personnel”, in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Company Secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed.

**(g) Relative**

with reference to any person, means anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in such manner as may be prescribed under Section 2(77) of the Companies Act, 2013 and rules made thereunder;

**(h) Related Party Transaction:**

A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract. Following transactions are identified for the purpose of compliance with regard to related party:

- i. sale, purchase or supply of any goods or materials;
- ii. selling or otherwise disposing of, or buying, property of any kind;
- iii. leasing of property of any kind;
- iv. availing or rendering of any services;
- v. appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii. underwriting the subscription of any securities or derivatives thereof of the Company

**(i) Material related Party Transaction includes the following**

- i) A transaction with a related party if entered into individually or taken together with all previous transaction during a financial year exceeds ten per cent of the annual



consolidated turnover of the Company as per the last audited financial statements of the company; or

ii) The following transaction(s):

Sr No	Details of Transactions	Threshold limit
1.	Sale, Purchase or supply of any goods or materials directly or through appointment of agents	* exceeding twenty five percent of the annual turnover as mentioned in Section 188 (1)(a) & (e) of the Companies Act, 2013
2.	Selling or otherwise disposing of, or buying property of any kind directly or through appointment of agents	* exceeding ten percent of the Networth as mentioned in Section 188 (1)(b) & (e) of the Companies Act, 2013
3.	Leasing of property of any kind	* exceeding ten percent of the Net worth or exceeding ten per cent of the net worth as mentioned in Section 188 (1)(c) of the Companies Act, 2013
4.	Availing or rendering of any services directly or through appointment of agents	* exceeding ten percent of the Net worth as mentioned in Section 188 (1)(d) & (e) of the Companies Act, 2013.
<p><b>*Explanation: It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.</b></p>		
5.	Appointment to any office or place of profit in the company, its subsidiary company or associate company	at a monthly remuneration exceeding Rs. 2,50,000/- as mentioned in Section 188 (1)(f) of the Companies Act, 2013
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company	One percent of the networth as mentioned in Section 188 (1)(g) of the Companies Act, 2013

#### Identification of Related Party Transactions

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.



All Directors and Key Managerial Personnel (KMPs) are responsible for informing 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 are responsible for providing 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.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

#### **REPORTING REQUIREMENTS BY MEMBERS OF THE BOARD**

- Members of the Board should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.
- 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.
- The Company would ensure that All Related Party Transactions are pre-approved by the Audit Committee.
- The members of the Board and the key managerial persons shall disclose to the Board whether they have a material interest in any transaction or matter affecting the Company.
- The Board and the key managerial persons shall conduct themselves in such a manner so as to meet the expectations of operational transparency to stakeholders while at the time maintain confidentiality of information in order to foster a culture for good decision making.
- The Board of Directors shall collectively monitor and manage potential risk of conflicts of interest of management, board members and shareholders including misuse of corporate assets and abuse in related party transactions.

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. 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.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Provided the requirement for prior approval of the Audit Committee shall not be applicable for 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.

- The approval of the shareholders by way of special resolution shall be taken for the material related party transaction as per the applicable provisions of the Companies Act, 2013 (save & except the transaction entered into in the ordinary course of business which are done at arms' length price) or Listing agreement, as amended from time to time.



- The Company while seeking such approval of shareholders shall ensure that all the entities falling under the definition of related parties shall abstain from voting on such resolutions.

Provided that for 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, only the related parties as may be categorized as a related party in the context of the said transaction for which the special resolution is being passed shall not cast vote for the said transaction.

#### **Related Party Transactions not approved under this Policy**

In the event the company becomes aware of any Related Party Transactions that has not been approved under this policy, prior to its consummation, the matter shall be reviewed by the Audit Committee. Audit Committee may consider all of the relevant facts and circumstances regarding the Related Party Transactions and may evaluate all the options available with the Company. Audit Committee may also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy and failure of internal control systems, and may take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate may direct additional action including, but not limited to, discontinuation of the transaction or seeking the approval of the Shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review / approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.

#### **Ratification of the Related Party Transactions**

Where any contract or arrangement, which is considered as a related party transaction exclusively as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, such transaction shall be 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.



In case such transaction is not ratified within the specified period, 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.

## **REPORTING**

- The Company is committed to disclose the details of all material transactions with related parties quarterly along with the compliance report on corporate governance.
- The company shall disclose in its Board's Report the policy on dealing with Related Party Transactions.

## **PROTECTED DISCLOSURE**

All Protected Communication/Disclosures should be addressed to Compliance Officer of the Company. The contact details are as under:

### **Company Secretary**

Dynacons Systems & Solutions Limited  
78, Ratnajyot Inds. Estate,  
Irla Lane, Vile-parle (W),  
Mumbai - 400 058.  
Mail id: ravi.singh@dynacons.com

## **AMENDMENTS**

The Company reserves the right to make amendments to Policy on Related Party Transactions.