

CEINSYS TECH LIMITED

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

Policy approved by	Board of Directors of Ceinsys Tech Limited
Date of Original Approval	August 13, 2018
Date of Approval of Current Version	January 17, 2025
Modification effective from	January 17, 2025
Version No.	04

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I. INTRODUCTION

The enactment of the Companies Act 2013 (the “Act”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) has resulted into a significant importance on the compliances to be made on the Related Party Transactions. Related party transactions (RPT) 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”), Ceinsys Tech Limited (“CTL” or “Ceinsys” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

In light of the above and in order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors, acting upon recommendation of Audit Committee of the Company (“the Committee”), has adopted the Policy on Related Party Transactions (“Policy”). The Audit Committee may, if thought fit, review and amend the Policy, as and when required, subject to the approval of the Board.

II. OBJECTIVE OF THE POLICY

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed. The Board of Directors of ‘CTL’ has adopted this Policy to set forth the procedures by which transactions with Related Parties shall be reviewed for approval or ratification. The Policy is intended to ensure proper approval, disclosure and reporting of transactions between ‘CTL’ and its Related Parties and its Subsidiary Companies and their Related Parties, wherever applicable. Any Related Party Transaction may be entered into by the Company in accordance with the provisions of this Policy.

III. DEFINITIONS

For the purposes of this policy, the following definitions apply:

- a) “**Act**” means the Companies Act, 2013, Rules framed thereunder and any amendments thereto;
- b) “**Arm’s Length**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

- c) **“Associate Company”** means an Associate Company as defined under section 2(6) of the Companies Act, 2013 as amended from time to time.
- d) **“Audit Committee or Committee”** means the Committee of the Board of directors of the company constituted from time to time under the provisions Section 177 of the Companies Act, 2013 and as per Regulation 18 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- e) **“Company”** the words “The Company”, “Ceinsys” wherever occur in the policy shall mean “Ceinsys Tech Limited”.
- f) **“Holding Company”**: means a Holding Company as defined under section 2(46) of the Companies Act, 2013 as amended from time to time.
- g) **“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;
(v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
(vi) such other officer as may be prescribed
- h) **“Net worth”** means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.
- i) **“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.

- j) **“Policy”** means this policy, as amended from time to time.
- k) **“Transactions in the ordinary course of business”** mean transactions or contracts or arrangements or activities that are connected to or necessary for the business of the Company and satisfy the following principles:
- (i) permitted under the Memorandum and the Articles of Association of the Company;
 - (ii) usual in nature or are as per the customs or industry practice; and
 - (iii) the terms of which are similar to those which would be otherwise applicable to transactions with unrelated parties.

Transactions in the ordinary course of business shall cover the businesses of CTL and its subsidiaries and would include activities to be carried out incidental to or to facilitate the business of CTL and its subsidiaries.

- l) **“Relative”** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and any amendments thereto.
- m) **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 or under the applicable accounting standards and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereof.
- n) **“Related Party Transaction”** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 and amendments thereof.
- o) **“Material Modification in Related Party Transaction”** will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee/Board/Shareholders as the case may be.
- p) **“Material Related Party Transaction”** means any transaction to be entered into individually or taken together with previous transactions during a financial year exceed the threshold specified in the Section V of this Policy, dealing with Determination of Materiality of Related Party Transaction.
- q) **“Subsidiary Company”** means a Subsidiary Company as defined under section 2(87) of the Companies Act, 2013 as amended from time to time.

- r) “**Turnover**” means turnover as defined under section 2(91) of the Companies Act, 2013 as amended from time to time.
- s) “**Wholly Owned Subsidiary**” means when a Company holds 100% of shares of another Company, the other Company is called a Wholly Owned Subsidiary of the Company who has made 100% investment in it.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation as amended from time to time.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final.

IV. REVIEW AND APPROVAL BY THE AUDIT COMMITTEE

1. All Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of the Audit Committee of the Company whether at a meeting or by a resolution by circulation or by any other manner as provided by the Companies Act or the rules and regulations made thereunder.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions with effect from April 1, 2022.

2. Omnibus approval for transactions shall be given only if it is determined by the Committee that such transactions are:
 - a) repetitive in nature and that such approval is in (or not inconsistent with) the best interests of the Company and its shareholders;
 - b) to be entered into by the Company on terms that are comparable to those that would be obtained in arm’s length transactions with unrelated third parties; and
 - c) in the ordinary course of business.

The Audit Committee, while granting any such omnibus approvals, shall specify the following:

- (i) name of the Related Party;
- (ii) nature of transaction;

- (iii) period of transaction;
- (iv) maximum amount of transaction that can be entered into, and
- (v) indicative base price / current contracted price and the formula for variation in the price if any.

The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company, pursuant to each of the omnibus approvals given.

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

Omnibus approval shall not be made for the transactions in respect of selling or disposing off the undertaking of the Company.

3. The Company shall provide the following information, for review of the Audit Committee for approval of a proposed Related Party Transaction:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction (particular tenure shall be specified);
- d) Value of the proposed transaction;
- e) The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - (i) details of the source of funds in connection with the proposed transaction;
 - (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

- (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the transaction.
- g) Justification as to why the transaction is in the interest of the Company;
 - h) A copy of the valuation or other external party report, if any such report has been relied upon;
 - i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed transaction on a voluntary basis;
 - j) Any other information that may be relevant.
4. No member of the Audit Committee shall participate in the review, consideration or approval of any Related Party Transaction with respect to which such member or any of his or her relatives is a Related Party.
5. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
6. All the Directors are required to declare and disclose their concerns or interests in any company(ies) or body(ies) corporate or firm(s) at the first Board meeting in every financial year and subsequently whenever there is any change therein.
7. Related Party Transaction to which the subsidiary of a 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:
- a) **with effect from April 1, 2022**, exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the Company; OR
 - b) **with effect from April 1, 2023**, exceeds 10% (ten per cent) of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

Provided that the transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the

shareholders at the annual general meeting for approval shall be excluded from the requirement under this Clause 11.

8. The Audit Committee shall review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

9. If the Audit Committee determines that a Related Party Transaction is –

- a) A Material Related Party Transaction; or
- b) Not in the ordinary course of business; or
- c) Not on arm's length basis

the Audit Committee shall place the matter before the Board for obtaining its approval, unless exempted.

V. DETERMINATION OF MATERIALITY OF RELATED PARTY TRANSACTIONS

Material Related Party Transactions shall be determined by applying the following criteria:

Category of Transactions	Materiality Thresholds under the Companies Act, 2013 (for transactions not in ordinary course of business and not on an arm's length basis)	Materiality Thresholds under the Listing Regulations
Sale, purchase or supply of any goods or materials	10% or more of turnover on Standalone basis of the transacting entity	Any Transaction, individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. <i>[Requirement notified under SEBI Listing</i>
Selling or otherwise disposing of, or buying, property of any kind	10% or more of net worth on Standalone basis of the transacting entity	
Leasing of property of any kind	10% or more of turnover on Standalone basis of the transacting entity	

Availing or rendering of any services	10% or more of turnover on Standalone basis of the transacting entity	<i>Regulations (Third Amendment) for determining materiality]</i>
Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs.2.5 Lakh	
Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth	
Any other transaction with a Related Party	Transaction, individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company	

Explanation:

1. The turnover or net worth referred in the above shall be computed on the basis of the audited financial statement of the preceding financial year.
2. The threshold limits under the Companies Act, 2013 mentioned above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

VI. APPROVAL OF THE BOARD OF DIRECTORS

The Audit Committee shall report all Material Related Party Transactions & subsequent Material Modifications to the Board.

Where approval of Board is required for any Related Party Transaction or if the Board in any case elects to reviews 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.

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.

VII. APPROVAL OF THE SHAREHOLDERS

Unless exempted, the Company shall seek prior approval of shareholders for “Material Related-Party Transactions and subsequent Material Modifications” in a general meeting in the year in which the Related Party Transaction is undertaken or by postal ballot process. The resolution shall be an ordinary resolution or such resolution as may be required by the Companies Act and the Listing Regulations and all the Related Parties (if any) will abstain from voting on such resolution irrespective of whether the concerned entity is a party to the particular transaction or not.

The notice being sent to the shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Companies Act and the Listing Regulations, include the following information as a part of the explanatory statement:

1. A summary of the information provided by the Company to the Audit Committee for approval of the proposed transaction;
2. Justification for why the proposed transaction is in the interest of the Company;
3. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details as provided to the Audit Committee for approval of the transaction;
4. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction shall be made available through the registered e-mail address of the shareholders;
5. Percentage of the counter-party’s annual consolidated turnover that is represented by the value of the proposed transaction, on a voluntary basis;
6. Any other information that may be relevant.

VIII. DISCLOSURE OBLIGATIONS OF DIRECTORS & KEY MANAGERIAL PERSONNEL

Every Director shall, at the beginning of the Financial Year or whenever any change occurs, provide information by way of written notice to the Company, regarding his concern or interest in the entity with specific concern to parties which may be considered as a Related Party with respect to the Company and shall also provide the list of relatives which are regarded as a Related Party as per this policy. Directors are also required to provide the

information regarding their engagement with other entity during the financial year which may be regarded as a Related Party according to this Policy.

Accordingly, the Company will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

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.

IX. DISCLOSURE OBLIGATIONS OF THE COMPANY

The Company shall disclose the following:-

- a. **In the Board's report**, transactions prescribed in Section 188 (1) as specified in Form AOC-2;
- b. **In Corporate Governance Report** which is required to be submitted to the Stock exchange on Quarterly Basis;
- c. The company shall disclose the Transactions with Related Party to the Stock Exchange on half yearly basis in prescribed format to the Stock Exchange as prescribed under Reg. 23(9) of the SEBI (LODR) Regulations, 2015 and the same shall be hosted on the website of the company;
- d. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report;
- e. In the Annual Report as prescribed in Schedule V of the SEBI (LODR) Regulations, 2015;
- f. The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

X. APPROVAL FOR UNFORESEEN RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23(3) of the Listing Regulations, where the need for related party transaction cannot be foreseen and the details required to be disclosed are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1 Crore (Rupees One Crore Only).

XI. TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee:

- a. Any business related expenses incurred by Director or Key Managerial Personnel of the Company/subsidiaries in performance of their duties including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. 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.
- c. Transactions entered into between a Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- d. Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.
- e. Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material.
- f. The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - (ii) the transaction is not material in terms of the provisions of sub-regulation (1) of this regulation;
 - (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of this regulation;
 - (v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

XII. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee.

The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction, to the extent permissible under the law.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

XIII. POLICY REVIEW

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the Policy entirely with a new Policy.

The Board may also, based on the recommendations from the Audit Committee, make any amendments to the Policy from time to time. The Policy shall be reviewed by the Board at least once in every 3 (three) years and updated as may be required.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc. A note in relation to such changes shall be placed in subsequent meeting of the Board and the Audit Committee