



POLICY ON RELATED PARTY TRANSACTIONS

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Objective

The objective of this policy is to guide the Board of Directors of the Company and the management that manages the day-to-day affairs of the Company in following certain norms and principles as set out in this policy while proposing to enter into transactions with Related Parties. This policy also set out the factors that are required to be considered prior to seeking approval of the Board of Directors or as the case may be the audit committee of the Board of Directors prior to entering into to related party transactions, wherever such approvals are necessary. This policy also set outs the criteria for determining materiality in relation to related party transactions. This policy aims to bring to the fore the governance aspects relating to related party transactions and also places emphasis on the governance structures that have a responsible role in relation to related party transactions. The policy aims to state that compliance of applicable provisions of law is the minimum expected norm and the members of the Board and Senior Management must be sensitised about the same. This Policy shall be reviewed once in three years by the Board of Directors of the Company.

“Company” Craftsman Automation Limited shall be known as the Company.

Applicable Law

The Companies Act, 2013 (the Act), Rules made there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Regulations), the Accounting Standards (the Accounting Standards) which have to be adhered to by the Company mandatorily in accordance with Section 129 of the Act read with Schedule III to the Act, and the Secretarial Standards issued by the Institute of Company Secretaries of India in accordance with Section 118 of the Act.

Terms and Expressions

“**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.

Related Party is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. has control or joint control or significant influence over the company; or
 - c. is a key management personnel of the company or of a parent of the company; or

2. An entity is related to a company if any of the following conditions applies:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - c. Both entities are joint ventures of the same third party; or
 - d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - e. The entity is controlled or jointly controlled by a person identified in (1); or
 - f. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

Explanation: For the purpose of b, the term "control" shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The terms and expressions such as "arm's length basis", "audit committee of the board of directors", "board of directors", "financial statement", "materiality", "omnibus approval", "ordinary course of business" and "undertaking", shall be construed in accordance with Applicable Law and in widest possible meaning thereto unless the Act or Regulations or Accounting Standards or Secretarial Standards define any such expression differently.

Management

Headed by the Chairman and Managing Director and whole-time directors, the key managerial personnel such as CFO, CS and senior management personnel consisting of Chief Operating Officer.

Determination of Arm's length

It is the primary responsibility of the Management to determine whether the proposed transaction or transactions is or is not on arm's length basis. Parameters for determination need not necessarily be price alone. In trade and commerce, price goes directly proportional to size of supply, period of credit and quality of goods and such other technological or intangible parameters. Where there are no comparative quotes for any particular type of goods or service,

whether procedure from India or outside India, the transaction shall be deemed to be on arm's length basis only. Such determination shall be made as on the date of entering into the transaction documentation or placement of indent or order. In order to enter into contract, especially with a Related Party, it is not always a mandatory pre-condition that it should be on arm's length basis, while every endeavour shall be made by the Management to enter into only such Related Party Transactions that are on arm's length basis. It is again the responsibility of the Management to place before the Audit Committee of the Board of Directors or the Board, as the case may be, the grounds why a transaction is found to be or determined as on arm's length basis or otherwise. Audit Committee of the Board of Directors shall not grant any omnibus approval for any contract or arrangement with any Related Party or any transaction with a Related Party unless it is on arm's length basis.

The Company shall not enter into any contract or arrangement with any Related Party or enter into any Related Party Transaction without prior approval of the Audit Committee of the Board of Directors, if the contract or arrangement or transaction is not on arm's length basis. In other words, prior to entering into any contract or arrangement with a Related Party or a transaction with a Related Party which is not on arm's length basis, it is mandatory for the Management to secure the approval of the Audit Committee of the Board of Directors and if the Audit Committee requires also that of the Board of Directors. Where no such approvals could be obtained in advance in view of exigencies, such approvals shall be obtained at the earliest opportunity and in any case within 3 (three) months of entering into such contract or arrangement or transaction.

Ordinary Course of Business

Every transaction entered into for the purpose of business of the Company shall be deemed to be in the ordinary course of business of the Company.

The Company shall not enter into any contract or arrangement with any Related Party or enter into any Related Party Transaction without prior approval of the Audit Committee of the Board of Directors, if the contract or arrangement or transaction is not in ordinary course of business of the Company. In other words, prior to entering into any contract or arrangement with a Related Party or a transaction with a Related Party which is not in the ordinary course of business of the Company, it is mandatory for the Management to secure the approval of the Audit Committee of the Board of Directors and also the Board of Directors. Where no such approvals could be obtained in advance in view of exigencies, such approvals shall be obtained at the earliest opportunity and in any case within 3 (three) months of entering into such contract or arrangement or transaction.

Material Related Party Transactions and Approval of Members of the Company

The Company shall not enter into any contract or arrangement with any Related Party or enter into any Related Party Transaction without the prior approval of the Audit Committee of the Board of the Directors, if the contract or arrangement or transaction is material in nature. In other words, prior to entering into any contract or arrangement with a Related Party or a transaction with a Related Party which is material, it is mandatory for the Management to secure the prior approval of the Audit Committee of the Board of Directors and the shareholders of the Company.

A transaction with a Related Party is considered to be material (where such transactions are at arm's length basis and are in the ordinary course of business) 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 the Company as per the latest audited financial statements of the Company.

Where if transaction(s) with a Related Party is not either on arm's length basis or not in the ordinary course of business or both and falls within any one or more of the following criteria, then such transactions will require prior approval of the Audit Committee of the Board of Directors, prior approval of the Board of Directors and also the prior approval of the shareholders of the Company:

- (i) sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of Section 188;
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of Section 188;
- (iii) leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of Section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188;
- (v) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of Section 188.
- (vi) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of Section 188.

The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

In all cases, where shareholders' approval is necessary for any Related Party Transaction, the explanatory statement to be annexed to the notice of a general meeting convened shall contain the following particulars, namely:-

- a. Name of the related party;
- b. Name of the director or key managerial personnel who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

The approval of shareholders of the Company is not 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 of the holding company for approval.

In case of a wholly owned subsidiary, the resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between the wholly owned subsidiary and the holding company.

No member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a Related Party. Where the Related Party Transaction is material, no Related Party shall be entitled to voting on such resolution, whether the abstaining Related Party is the Related Party to the particular transaction placed for approval of shareholders or not.

Guiding Factors

The following factors shall constitute the guiding factors in relation to every Related Party Transactions:

- Compilation of Names and Particulars of Related Parties;
- Identifying the routinely happening Related Party Transactions and taking measures to study terms thereof and getting omnibus approval of the Audit Committee of the Board of Directors, if necessary;
- Sensitising the Management of the nuances relating to Related Party Transactions;
- Determining whether the Related Party Transaction is on arm's length basis;
- Determining whether the Related Party Transaction is in the ordinary course of business of the Company;

- Determining materiality of the Related Party Transaction and its criticality and exigencies;
- Determining the approval requirements such as the approval of the Audit Committee of the Board of Directors, Board of Directors and Shareholders and taking steps to procure such approvals;
- Determining disclosure requirements and recording disclosures made in the minutes of meetings and registers and records;
- Taking note of changes from time to time in Applicable Law pertaining to Related Party Transactions and taking necessary actions as may be required to meet those changes and bring changes to this policy if necessary at the earliest opportunity.

Compliances

The Company Secretary shall be primarily responsible for the management of compliances under Applicable Law and he or she shall ensure that the compliance requirements as per Applicable Law are adhered to on time and adequately. If he or she has any concerns, he or she shall escalate the matter to higher echelons and seek professional assistance if advised.

Disclosure of Interests

It shall be the duty of every director to disclose the nature of his interests and concerns on every Related Party Transaction when it comes up before the Board of Directors or as the case may be when it comes up before the Audit Committee of the Board of Directors. The director who is interested in any Related Party Transaction shall after disclosure of his interest and abstain from participating in the proceedings of the meeting of the Board of Directors or as the case may be, when it comes up before the Audit Committee of the Board of Directors without prejudice to the right of such director to participate in other items of the agenda. Where the Chairman of the Board of Directors happens to be the director, he is bound to disclose his interest and abstain from the proceedings in relation to that subject after handing over the proceedings to another person who shall chair the proceedings.

Omnibus Approval of the Audit Committee for Related Party Transactions

In the case of Related Party Transactions of repetitive nature, the Audit Committee of the Board of Directors may grant omnibus approval for Related Party Transactions shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following factors, which shall be subject to changes, if any, in the Applicable law from time to time:

- a) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year.
- b) The maximum value per transaction which can be allowed.

- c) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.
- d) Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made.
- e) Transactions which cannot be subject to the omnibus approval by the Audit Committee.
- f) Repetitiveness of the transactions (in past or in future). It should be ensured that such repetitive transactions are needed in the interests of the Company.
- g) Justification for the need of omnibus approval.
- h) Should be satisfied that such transactions are in the best interests of the Company.

Prior to granting omnibus approval, the Audit Committee of the Board of directors shall make sure that the following information and particulars are presented to it:

- a) Name of the related parties;
- b) Nature and duration of the transaction;
- c) Maximum amount of transaction that can be entered into;
- d) The indicative base price or current contracted price and the formula for variation in the price, if any; and
- e) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year. No omnibus approval shall be granted for transactions involving the selling or disposing of the whole or substantial the whole of any undertaking of the company.

For the purpose granting omnibus approval, the Audit Committee of the Board of Directors is at liberty to stipulate such further conditions as it may deem fit in line with this Policy.

The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The grant of omnibus approval is not applicable for the 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.

Disclosures in Financial Statements

All material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance

The Board of Directors shall be collectively responsible for disclosure of all particulars in accordance with Applicable Law in Financial Statements including the Board's Report referred to in Section 134 of the Act.

Website

This policy shall be hosted on the website of the Company with a specific disclosure of date of approval of the policy by the Board of Directors and date of approval by the Board of Directors of every change thereto.

Annual Review of Related Party Transactions

The Audit Committee of the Board of Directors shall carry out once in a financial year a review of the Related Party Transactions entered into by the Company to see problems and issues if any and to find out if there are better sources available for obtaining or selling goods or services that form the subject matter of such transactions on competitive terms. The review shall include a review of innovations in the relevant field and to see outdated or environmentally polluting technology or substances are being used by Related Parties and find out ways and means to wind down such contracts and arrangements and look out for better sources on better terms and thereby promote clean environment.

Corporate Social and Business Responsibility

The underlying objective of the Company should be to do its business in a responsible manner as a responsible corporate citizen. Towards this objective, the Board of Directors shall make every effort and bring into existence a better way of doing business.

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ENGINEERING ADVANTAGE

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