

A Policy for Consideration and Approval of Related Party Transactions



Conart Engineers Limited

Where Construction Engineering Becomes An Art



ISO 9001: 2008
Reg.No.:RQ-91/050

An ISO 9001: 2008 Certified Company

www.conartengineers.com

A Policy for Consideration and Approval of “Related Party Transactions”

(1) INTRODUCTION

Conart Engineers Limited (hereinafter referred to as “CEL” or “The Company”) recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and clause 49 (Revised as on 15.09.2014) of the Listing Agreement.

(2) SCOPE AND PURPOSE OF THE POLICY

- 1.1 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 from time to time), the Conart Engineers Limited (“the CEL”/ “the Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.
- 1.2 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.
- 1.3 In light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee of Directors (Audit Committee). Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.
- 1.4 This Policy does not supersede other delegation of powers to management, resolutions of the Board requiring certain transactions to be approved by the Board or other Committees thereof.

(3) DEFINITIONS

- 3.1 Act: “Act” means the Companies Act, 2013 including any amendment or modification thereof.
- 3.2 Arms’ Length Transaction: “Arms’ Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated.
- 3.3 Associate: “Associate” means a company as defined under section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”.

- 3.4 Audit Committee: “Audit Committee” means the Committee of the Board formed under section 177 of the Act and Clause 49(III) of the Listing Agreement.
- 3.5 Body Corporate: “Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.
- 3.6 Clause 49: “Clause 49” means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification thereof.
- 3.7 Company: “Company” means Conart Engineers Limited.
- 3.8 Director: “Director” means a person as defined in Section 2(34) of the Companies Act, 2013.
- 3.9 Employees: “Employees” shall mean the employees and office-bearers of the Company, including but not limited to Whole Time Directors.
- 3.10 Key Managerial Personnel: “Key Managerial Personnel” shall mean the officers of the Company as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed hereunder.
- 3.11 Material Related party Transactions: “Material Related Party Transactions” shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.
- 3.12 Ordinary course of business: “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per Memorandum & Articles of Association.
- 3.13 Relative: “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
- 3.14 Related party: “Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Clause 49(VII) (B) of the Listing Agreement.

(4) OBJECTIVE OF THE POLICY

- 4.1 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.

(5) MATERIALITY THRESHOLDS

- 5.1 Clause 49 of the Listing Agreement requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution.

The Company has fixed its materiality threshold at the level prescribed under Clause 49 (VII)(C) of the Listing Agreement, which is currently 10% of the annual turnover of the Company as per last Audited Financial Statements of the Company or exceeding Rs. 1.00 crore.

(6) RELATED PARTY TRANSACTIONS UNDER THE POLICY

- 6.1 Any transfer of resources, services or obligations between the company and a related party, would get covered as a '**Related Party Transaction**', whether or not, there is an element of consideration or price.
- 6.2 Prohibited Related Party Transactions: Any transaction with a Related Party can be undertaken only if it is in compliance with the law.

(7) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

7.1 Identification of related parties:

- (i) The Company shall identify Related Parties as per the definition provided in the applicable laws and regulations, including the Act, as amended from time to time.
- (ii) The Company shall regularly verify and update the Related Party list and review and confirm (at least once a quarter) in accordance with the applicable laws as prevalent.

7.2 Identification of related party transactions:

As a policy, the Company will identify transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as applicable.

Currently, the Company has identified Related Party transactions and subsequently categorized them into broad categories e.g. Contract and arrangement relating to procurement of goods and availment of services, providing of Corporate Guarantees etc.

Any other related party transaction identified during the periodic review and not covered into the aforementioned category, shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

The Company shall report the transactions of aforementioned category entered into with related parties identified as per Clause 4(a) of this policy, and put the same for necessary approvals required as per the applicable law.

7.3 Procedure for approval of related party transactions:

A. Approval of the Audit Committee:

The Company will enter into any Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a. The Audit Committee shall laydown the criteria for granting 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 the following:
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
- d. In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1.00 crore or an amount equivalent to 10% of Annual Turnover as per last Audited Financial Statements of the Company, per transaction;
- e. The 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;
- f. 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 Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

In the case of Material Related Party Transaction, the approval of the shareholders by way of special resolution is also required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and the Related Party shall abstain from voting on such resolutions.

In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arms' length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

B. Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- i) Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- ii) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- iii) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- iv) Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

C. Approval of the Shareholders of the Company:

All the transactions with related parties meeting the materiality thresholds, laid down in the Policy, shall be placed before the shareholders for approval. For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Clause 49(VII)(E) provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with The Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which :

- (a) Are not in the ordinary course of business and at arm's length basis;
- (b) Exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, and
- (c) Material Transactions as defined under clause 49 (VII) (C) of the listing agreement,

are placed before the shareholders for their approval.

(8) DISCLOSURE AND REPORTING

8.1 Disclosure by Directors/ KMPs

- All Directors/ KMPs are required to disclose the parties in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form (Annexure 'A').
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.
- Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance., as required under listing agreement.

8.2 Disclosure by Directors and KMPs of Related Party Transaction entered with the company

Each Director and KMPs of the Company is responsible for providing declaration/ notice in the prescribed Form to the Company about their interest in other entities, including any potential Related Party Transaction involving the Company and him or her or an entity wherein he/ she or his / her relative is interested, including any additional information about the transaction that the Company Management may reasonably request.

The CFO in consultation with the management and independent directors will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

- 8.3 Details of Related Party Transactions during each quarter shall be reported in the Audit Committee and Board meetings.
- 8.4 The Company shall report to the Stock Exchange along with the compliance report on corporate governance on quarterly basis details of all material transactions with related parties.
- 8.5 Director's report shall contain details of Related Party Transactions as required under applicable law. 6.4 This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

(9) GUIDING PRINCIPLES FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/ AUDIT COMMITTEE THEREOF.

9.1 To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required.

9.2 In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director, Nominee for Director or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, Nominee for Director, KMP or other Related Party, the direct or indirect nature of the Director's Nominee, KMP or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

9.3 In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/Audit Committee has authority to modify or waive any procedural requirements of this Policy.

(10) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

10.1 In the event the Management of The Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy, the matter shall be reviewed by the Board/Audit Committee. The Board/Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Board/Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Board/Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

10.2 In any case, where the Board/Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Board/Audit Committee, as appropriate, may direct additional actions 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.

11) FORMAT OF REPORTING TO THE COMPANY BY DIRECTORS / KMP'S.

Each Director and KMPs of the Company is responsible for providing declaration/ notice to the Company about their interest in other entities, including any potential Related Party Transaction involving the Company and him or her or an entity wherein he/ she or his / her relative is interested, including any additional information about the transaction that the Company Management may reasonably request, in the form forming part of this policy as 'Annexure A', within 21 days of entering into such transaction.

12) CONSEQUENCES OF NON-COMPLIANCE OF SUCH POLICY FOR ANY RELATED PARTY TRANSACTION

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

The above would be over and above the prescribed penal consequences under Companies Act, Listing Agreement, Securities Contract Regulation Act, 1956 or the employee standing order of the Company.

For and on behalf of the Board of Directors of
CONART ENGINEERS LIMITED

Jitendra Sura
Managing Director

'Annexure A'**FORMAT OF REPORTING TO THE COMPANY BY DIRECTORS / KMP'S
OF RELATED PARTY TRNSACATIONS****Date:**

To,
The Board of Directors / Audit Committee
The Conart Engineers Limited

Sub: Intimation of Transaction to be treated as Related Party Transaction

I/we*, the undersigned, hereby declare to the Company that that I/we*, Mr..... and Mr. (*name of relative, if any), am/are* concerned and interested in the transactions, particulars of which are as per the below table:

Sr. No.	Date of Transaction	Nature of Interest / Type of Transaction	Brief Particulars of the Interest / Transaction	Monetary Value of Transaction	Designation in the Company
1					
2					
3					

The Board / Audit Committee are requested to take note of the same.

Name of Director/KMP:**Signature of
Director/KMP:****DIN / Employee No.:****Name and address of related
person/party* :**

*Strikeout whichever is not applicable.

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