



UNIPARTS
GROUP

UNIPARTS INDIA LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS



Introduction

As per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (“**Regulations**”) as amended from time to time, requires a company to inter alia to formulate a policy on “**Policy on Materiality of Related Party Transactions**” (“**the Policy**”) (including clear threshold limits duly approved by the Board of Directors)

The Board of Directors (the “**Board**”) of the Company has adopted the Policy to uphold the confidence of the stakeholders and to ensure a transparent mechanism that avoids potential or actual conflict of interest on transactions with related parties.

Definitions

“**Act**” means Companies Act, 2013, Rules framed thereunder and any amendments thereto.

“**Arm’s Length Transaction**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

“**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 as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of Associate Company (i) "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement; and (ii) "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“**Audit Committee or Committee**”: Audit Committee is the committee which is constituted by the Company pursuant to section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the Regulations.

“**Board**” means Board of Directors of the Company.

“**Body Corporate**” or Corporation includes a Company incorporated outside India as per sub-section (11) of Section 2 of the Act, but does not include—

- (i) a co-operative Society registered under any law relating to Co-operative Societies;and
- (ii) any other Body Corporate (not being a Company as defined in this Act), which theCentral Government may, by notification, specify in this behalf;



“Control” 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 as per sub-section (27) of Section 2 of the Act.

“Compliance Officer” means Company Secretary of the Company.

“Holding Company” in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per sub-section (46) of Section 2 of the Act.

“Key Managerial Personnel” (“KMP”) shall have the same meaning as defined in sub-section (51) of Section 2 of the Act.

“Material Related Party Transaction” shall mean any transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per 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 listed entity as per the last audited financial statements of the listed entity.

“Material Modification” to a related party transaction shall mean any change or alteration to the existing related party transaction by an increase in consideration over 20% or an extension of time over 2 years of the Contract / arrangement as approved by Audit Committee or Board of Directors or Shareholders of the Company.

“Materiality Threshold” means limits for Related Party Transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

“Ordinary Course of Business (“OCB”) means a transaction which / wherein:

- ✓ 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
- ✓ is as per historical practice with a pattern of frequency, or
- ✓ is in connection with the normal business carried on by the Company, or
- ✓ the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
- ✓ is common commercial practice, or
- ✓ meets any other parameters/criteria as decided by the Board / Audit Committee.

“Related Party”

A. As per Regulation 2(1) (zb) of the Regulations:

As defined under sub-section (76) of Section 2 of the Act or under the applicable Accounting Standards.

“Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more;

in the listed entity 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

B. As per sub-section (76) of Section 2 of the Act as amended from time to time:

(i) A Director or his/her Relative;

(ii) A KMP or his/her Relative;

(iii) A firm, in which a Director, Manager or his/her Relative is a partner;

(iv) A Private Company in which a Director or Manager or his/her Relative is a member or Director;

(v) A Public Company in which a Director or Manager is a Director and holds along with his/her Relatives, more than 2 (two) per cent of its paid-up share capital;

(vi) 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; except advice, directions or instructions given in a professional capacity;

(vii) Any person on whose advice, directions or instructions a Director or Manager is accustomed to act; except advice, directions or instructions given in a professional capacity;

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

(viii) 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

Explanation.—For the purpose of this clause, “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.

- (ix) A Director, other than an Independent Director, or KMP of the Holding Company or his/her Relative with reference to a company.

“Relative”

means any person as per sub-section (77) of Section 2 of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the Regulations as amended from time to time, means anyone who is related to another, if

- (i) They are members of a Hindu Undivided Family; or
- (ii) They are husband or wife; or
- (iii) One person is related to the another in the following manner, namely:
 - (a) Father, includes step-father
 - (b) Mother, includes step-mother
 - (c) Son includes step-son
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s husband
 - (g) Brother includes step-brother
 - (h) Sister includes step-sister

“Related Party Transaction”

A. As per Regulation 2(1) (zc) of the Regulations:

“Related Party Transaction” means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

Explanation—A “transaction” with a related party shall be construed to include single transaction or group of transactions in a contract.

Provided that *with effect from April 01, 2022*, **“Related Party Transaction”** shall mean a *transaction involving a transfer of resources, services or obligations between:*



- (i) *a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or*
- (ii) ***a listed entity 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 listed entity 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 a single transaction or a group of transactions in a contract:

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

1. *the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;*
2. *the following corporate actions by the listed entity 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 and rules made thereunder:

Contracts or arrangements with Related Party with respect to

- (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.

Collectively the Related Party Transaction shall constitute the above.



“Securities” means the Securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulations) Act, 1956.

“Subsidiary Company” or “Subsidiary”, as per the sub-section (87) of Section 2 of the Act, in relation to any other Company (that is to say the Holding Company), means a Company in which the Holding Company

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than 1/2 (one-half) of the total voting power either at its own or together with one or more of its Subsidiary Companies.

“Office or Place of Profit” as per Section 188 of the Act means any office or place:

- (i) 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;
- (ii) 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.

All other words and expressions used but not defined in the Policy but defined in the SEBI Act, 1992, the Act, the Regulations, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/ or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

Under the Act

All “Related Party Transactions which are not in Ordinary Course of Business or not at an Arm’s Length” and exceeding the prescribed criteria under Section 188 of the Act shall require prior approval of the Shareholders’.

In addition to the above, all kinds of transactions specified under Section 188 of the Act as mentioned below need approval of Shareholders:

- a. are not in the ordinary course of business or not at arm’s length basis; and
- b. exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time).

No related party shall vote to approve the resolution whether the entity is a related party to the particular transaction or not.



Materiality Thresholds

Regulation 23 of the Regulations requires the Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the Regulations as under:

- a. In case of Transaction involving payments made to a Related Party with respect to brand usage, if it exceeds Five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b. In case of any other Transaction, if the amount exceeds ten percent (10%) of the annual turnover of the Company as per last audited financial statements of the Company or **exceeding Rupees One Thousand Crore, which ever is lower.**

IDENTIFICATION OF RELATED PARTIES

The Related Parties of the Company would have to be identified and ascertained in light of the aforementioned definition of Related Party.

Each director and key managerial personnel of the Company shall disclose to the Company, a list of all persons, companies, firms, body corporates and other entities (together with their interest/holding thereunder) who/which would be categorized as a Related Party to the Company. The disclosure shall be submitted to the Company (i) at the time of appointment of such person to office; and (ii) at the first meeting of the Board held in every financial year, or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

The obligations of the directors and key managerial personnel of the Company to disclose their interest as required under the Act are in addition and not in substitution of the aforementioned obligations. In addition, the directors must give an undertaking that all business transactions entered into between the Company and themselves comply with the terms of this Policy.

Similarly, the disclosure obligations of the directors and key managerial personnel hereunder would not supersede or prevail over the right and obligation of the Audit Committee to evaluate and determine whether a party is a Related Party, whose decision shall be final.

In order to determine potential related party transactions, the Company shall at the beginning of a financial year, obtain from below entities about all such person/ parties which shall be considered as related parties of the listed entity as per Listing Regulations or Section 185 / 192 of Companies Act 2013, within 15 days from the end of the financial year and within 7 days from the date of change in latest disclosure given:-

- Every promoter of the Company,
- Member of promoter group,



- Director of the Company, and
- Key Managerial Personnel of the Company
- Holding Company/ parent of the Company
- Subsidiaries of the Company
- Associates of the Company, and
- Joint ventures of the Company

Both, the Company and the Subsidiary of the Company shall ensure that due approvals of the Audit Committee/Shareholders of the Company (*refer Section on 'Approval of RPTs' given ahead*) are in place before undertaking transactions with related parties of either of the companies.

Additionally, *with effect from April 01, 2023*, both the Company and the Subsidiary shall also ensure that due approvals of the Audit Committee/ Shareholders of the Company are in place before undertaking transactions with any person/entity, the purpose and effect of which is to benefit a related party of either of the companies.

Audit Committee

All Related Party Transactions require approval of the Audit Committee. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

- (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 listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
- (b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- (c) the omnibus approval shall specify:
 - i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

- (d) 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:

Exemption from Obtaining Approval for Related Party Transaction under Regulations



The approval of Audit Committee, Board of Directors and Shareholders of the Company for following related party transactions shall not be required:

- a. for transactions entered into between the holding company and its wholly owned subsidiaries.
- 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.

Review

The Policy shall be reviewed by the Board at least once every three years and updated accordingly.

Amendment

The Board shall have power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy according to subsequent modification(s)/amendment(s) to the Act and Regulations.
