

ramco

RAMCO SYSTEMS LIMITED

**RELATED PARTY
TRANSACTION POLICY**

RELATED PARTY TRANSACTION POLICY & PROCEDURE

The Board of Directors (the “Board”) of Ramco Systems Limited (the “Company”), has formulated this policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions in terms of Section 188 of Companies Act, 2013 and other relevant provisions of the Companies Act, 2013 and the Rules made thereunder (“the Act”) and Regulation 23 and other relevant regulations of the of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR”).

No Related Party Transaction may be entered into by the Company, except in accordance with the provisions of this Policy.

a) Definitions:

- 1) **“Arm’s length basis”** means, terms of a related party transaction that is conducted as if the parties thereto are unrelated, so that there is no conflict of interest.
- 2) **“Related Party”** to the Company/ its subsidiaries shall mean a person or an entity who/ which:
 - a. is a related party in terms of Section 2(76) of the Act; or
 - b. is a related party under the applicable accounting standards; or
 - c. forms part of the promoter or promoter group of the Company; or
 - d. holds equity shares to the extent set out below at any time during the immediately preceding financial year in the Company, either **directly or on a beneficial interest basis** as provided under Section 89 of the Act:
 - i. 20% or more (to be considered for the financial year beginning from April 1, 2022); or
 - ii. 10% or more (to be considered for the financial years beginning after March 31, 2023)
- 3) **“Transaction”** with a related party shall be construed to include single transaction or a group of transactions in a contract or arrangement.
- 4) **“Related Party Transaction”** or **“Transaction with a Related Party”** shall mean any transaction involving transfer of resources, services or obligations, regardless of whether a price is charged or not, and would include:
 - i. Transactions specified under Section 188 (1) of the Companies Act, 2013.
 - ii. Transactions specified under Regulation 2(1)(zc) of LODR
- 5) **“Material Related Party Transaction”** means any transaction with a Related Party where the amount involved in the transaction(s) to be entered into, individually or taken together with previous transactions during a financial year, exceeds Rs.1000 crores or ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the Company, whichever is lower.
- 6) **“Material Modification”** to a Related Party Transaction shall mean modification in the Contract or Memorandum of Understanding (MOU) with regard to alteration:

- a. by way of extending or reducing the time duration of the Contract / MOU, by a period of three months or more
 - b. by way of changing the value of the transaction exceeding 10% of the contract value or rate or quantity
 - c. by way of changing the interest rate of loan transactions, where the change in the interest rate is 10% or more
 - d. by way of extending or reducing the credit period by more than three months in the case of commercial transactions
 - e. by way of extending or reducing the repayment period by more than six months in the case of financial transactions
 - f. any other aspect which may be considered “material” to the Audit Committee considering the nature of transaction
- 7) **“Subsidiary/Subsidiaries”** means a Subsidiary Company or Subsidiary as defined under Section 2(87) of the Act.

b) Procedure for Dealing with Related Party Transactions:

- 1) The Related Parties are obligated to disclose complete information about the proposed transaction with the Company, so as to enable the Company to determine whether the transaction constitutes a Related Party Transaction requiring compliance with this policy
- 2) No Related Party Transaction shall be entered into by the Company without the prior approval of the Audit Committee. Any subsequent material modification of such transactions of the company with related parties will also require prior approval of Audit Committee.
- 3) The Company shall provide the following information to the Audit Committee, for approval of a proposed RPT:
 - 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;
 - 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 RPT 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 RPT.

- g. Justification as to why the RPT 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 RPT on a voluntary basis;
 - j. Any other information that may be relevant
- 4) A Related Party Transaction to which a subsidiary of the 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 exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the company. With effect from April 1, 2023, the said threshold of 10% shall be calculated based on the annual standalone turnover of the said subsidiary, as per its last audited financial statements.
- 5) Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of LODR are applicable to such listed subsidiary.
- 6) If the Company enters into a transaction with its wholly owned subsidiaries whose accounts are consolidated with that of the Company, resolution passed by the Holding Company would suffice.
- 7) The information prescribed under the Act/ LODR shall be placed before the Audit Committee while seeking their approval / prior approval (as may be applicable) for Related Party Transactions and only those members of the Audit Committee, who are independent directors can decide on granting approvals.
- 8) In case of Related Party Transaction falling within the purview of Section 188(1) of the Act, which is not in the ordinary course of business or at arm's length, approval of the Board and /or its shareholders, as applicable, shall be obtained.
- 9) No director who is interested in a related party transaction being considered for approval by the Audit Committee / Board shall be present at the meeting during when it is considered.
- 10) Prior approval of the shareholders through Ordinary Resolution has to be obtained for all Material Related Party Transactions and Material Modifications of any such transactions and all the Related Parties shall abstain from voting on such resolutions, whether the entity is a related party to the particular transaction or not. The information as required under the Act/ LODR shall be provided to the shareholders while seeking their approval, as part of statement of material facts and in such other manner as may be prescribed from time to time. Such prior approval will not be required for material transactions (or material modifications thereof) between the Company and any of its wholly-owned subsidiary(ies) and between two wholly-owned subsidiaries of the Company, where the accounts of such wholly-owned subsidiaries are consolidated with that of the Company and placed before the Company's shareholders at the general meeting for approval.
- 11) Information to be provided to shareholders for consideration of Related Party Transactions: The Notice being sent to the shareholders seeking approval for any proposed RPT shall in addition to the requirements under the Companies Act, 2013 include the following information as part of the statement to be annexed to the Notice.
 - a. A summary of the information provided to the Audit Committee for getting their approval;

- b. Justification for why the proposed transaction is in the interest of the Company;
 - c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point b3(f) above;
 - d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
 - e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
 - f. Any other information that may be relevant.
- 12) If the Company enters into a transaction with its wholly owned subsidiaries whose accounts are consolidated with that of the Company, resolution passed by the Holding Company would suffice.
- 13) The Audit Committee may grant prior omnibus approval for Related Party Transaction(s) proposed to be entered into by the Company, subject to the fulfillment of the following conditions:
- i. The Transaction is of repetitive nature and is being transacted at arm's length and is in the ordinary course of business;
 - ii. The Transaction does not require approval by the Board/ Shareholders under the provisions of the Act, LODR or any other applicable law;
 - iii. The particulars specified in the Act/ LODR have been provided to the Audit Committee to enable them to consider the omnibus approvals;
 - iv. Such omnibus approval specify all particulars as are required under the Act/ LODR, including in particular the following:
 - a) the name of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b) the indicative base price / current contracted price and the formula for variation in the price if any and
 - c) such other conditions as the Audit Committee may deem fit.
 - v. In case of the need Related Party Transaction(s) cannot be foreseen, either on account of the transaction not being repetitive or involving a related party with whom there are no regular transactions, or where one or more of the prescribed details are not available, the Audit Committee may grant omnibus approval subject to the value not exceeding Rs.1 crore per transaction.
 - vi. Such omnibus approvals, for repetitive as well as unforeseen related party transactions, shall be valid for a period not exceeding one financial year and fresh approvals would be required for transactions occurring after the expiry of every financial year.
 - vii. 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 approval given.
 - viii. Audit Committee shall also review on an annual basis, the status of long-term (more than one year) or recurring Related Party Transactions.

c) Disclosures:

The Company shall comply with the disclosures of related party transactions as mandated in Regulation 23(9) of LODR and other applicable statutory requirements from time to time.

d) Review and updation of this Policy:

This Policy shall be reviewed by the Audit Committee/ Board whenever new compliance/ disclosure requirements arise on account of amendments to the Act/ LODR and at least once in every three years even when there are no such amendments. Any changes or modification on the Policy as recommended by the Audit Committee shall be placed for approval of the Board. Changes in the Policy due to regulatory or legal requirement or based on such review shall be brought to the attention of the Board following the amendment/ review by the Audit Committee.

Date of approval of the policy by the Board of Directors: 06.11.2014

Version 1: Amendment approved by the Board of Directors: 09.02.2016

Version 2: Amendment approved by the Board of Directors: 28.01.2020.

Version 3: Amendment approved by the Board of Directors: 12-02-2022.