

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. PREFACE:**

A. SoftTech Engineers Limited (“The Company”) has always been committed to good corporate governance practices, including in matters relating to Related Party Transactions. SEBI has mandated every listed company to formulate a policy on Related Party Transactions and also on dealing with Related Party Transactions.

B. Accordingly, the Company has formulated this policy (Policy) on Related Party. This Policy regulates all transactions between the Company and its Related Parties (as defined below).

C. A transaction with a Related Party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the 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 Company as per the last audited financial statements of the Company.

### **2. DEFINITIONS:**

#### **2.1. Arms’ Length Transactions:**

Arms’ Length Transaction shall mean:

(a) a transaction between the Company and the Related Party that is conducted as if they were unrelated, so that there is no conflict of interest; and

(b) the price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income- tax Act, 1961.

#### **2.2 Key Managerial Personnel:**

Key Managerial Personnel shall mean:

- 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.

**2.3. Ordinary Course of Business: means a transaction which/wherein:**

Ordinary Course of Business shall mean 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.

**2.4. Promoter and Promoter Group:**

Promoter and Promoter Group shall have the same meaning as assigned to them respectively in clauses (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

**2.5. Related Party:**

Related Party as per the provisions of the Act and Listing Regulations shall mean:

- i.a related party as defined under Section 2(76) of the Act; read with applicable rules made thereunder, as amended from time to time.
- ii. Related Party as defined under the applicable Indian Accounting Standards;
- iii. any person or entity forming a part of the Promoter or Promoter Group of the Company; any person or entity, holding equity shares of 10% or more in the Company, either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediately preceding financial year.

**2.6. Related Party Transaction(s):**

Related Party Transaction shall mean a transaction involving transfer of resources, services or obligations between

- a) The Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
- b) The Company 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 Company or any of its subsidiaries:

Regardless of whether a price is charged and includes:

- 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

Provided that the following shall not be a Related Party Transaction:

- a) 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;
- b) the following corporate actions 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 buy-back of securities.
- c) Retail purchases from the Company or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors.

For the purpose of the above, a Related Party Transaction shall include a single transaction or a group of transactions in a contract, with a Related Party.

### **2.7 Relative:**

Relative shall mean:

- i. Members of Hindu Undivided Family
- ii. Husband and wife
- iii. Father, including step father
- iv. Mother, including step mother
- v. Son, including step son
- vi. Son's Wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother, including step brother
- x. Sister, including step sister

### **3. MATERIAL RELATED PARTY TRANSACTION:**

Material Related Party Transaction shall mean a transaction to be entered into with and between Related Parties, which individually or taken together with previous transactions during a financial year, exceeds the threshold of:

- 5% of the annual consolidated turnover of the Company as per its last audited financial statements, or such sum or limit as may be prescribed under the Listing Regulations, in case of transactions involving payments made with respect to brand usage or royalty, or
- Rs. 1000 Crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower, or such sum or limit as may be prescribed under the Listing Regulations, in case of any other transaction(s).

**4. MATERIAL MODIFICATIONS TO RELATED PARTY TRANSACTIONS:**

Material modifications to Related Party Transactions shall mean modification to the Related Party Transaction which substantially changes the nature / tenure of transaction as considered by the Audit Committee while approving the transaction at the first instance.

**5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION:**

**A. Audit Committee:**

1. All the transactions including subsequent modifications which are identified as Related Party Transactions should be pre-approved by the Audit Committee before entering into such transaction. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.
2. A related party transaction to which the 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.

With effect from 1<sup>st</sup> April, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

3. Prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary, if any is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
4. 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 in terms of the provisions of sub-regulation (1) of this regulation
5. 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). 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;

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.

6. Wherever necessary, the Audit Committee may, after examining all the documents, if any, grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company or its subsidiary
7. The Audit Committee may grant omnibus approval for Related Party Transactions which are at arm's length, in ordinary course of business and repetitive in nature and subject to such criteria/conditions as mentioned under Regulation 23(3) of the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.  
Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
8. The omnibus approval of the audit committee 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.
- The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
9. A Related Party Transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board or of shareholders as discussed subsequently.
10. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company or its Subsidiary pursuant to the omnibus approval. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.
11. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

12. Approval of related party transaction entered into by subsidiary(ies) of the Company exceeding prescribed threshold.
13. The exemption shall be given to the transactions entered into between
  - a) 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.
  - b) 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.
  - c) transactions which are in the nature of payment of statutory dues, statutory fees charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.

#### **B. Board of Directors**

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems 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.

#### **C. Shareholders**

If a Related Party Transaction is

- (i) a material transaction and subsequent material modification as per Regulation 23 of the Listing Regulations, or
- (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by an ordinary resolution. In such a case, no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

The provisions of above clauses (i) & (ii) shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary or between two wholly-owned subsidiaries of the Company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

#### **D. Reporting of Related Party Transactions**

Every material contract or arrangement, which is required to be approved by the Board or the

shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement

The details of all transactions with related parties shall be submitted on a consolidated basis, in the format specified in the relevant accounting standards, half yearly to the stock exchanges and the same shall be published on the Company's website.

**E. Transactions which do not require approval**

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

- a. Any transaction involving the providing of compensation to a Director or Key Managerial Personnel in connection with his duties to the Company 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. Amount of CSR liability transferred to Sister concerns, Subsidiary, associate Companies formed for charitable purposes.

**F. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would obtain post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations. In case the Company is not able to take such prior approval from the Audit Committee, the Board and/or shareholders, such a transaction shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as post facto approval is obtained as promptly as reasonably practical after it is entered into or after it becomes reasonably apparent that the transaction is covered by this policy.

**6. DISCLOSURE:**

- i. The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.
- ii. Disclosures as appropriate concerning the Related Party Transactions and/or Material Related Party Transactions shall be made in the Annual Report of the Company including its Financial Statements, on the website of the Company and also to the Stock Exchanges where equity shares of the Company are listed and to such other authority as may be prescribed from time to time.
- iii. Remuneration and sitting fees paid by the Company 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 and disclosure provided that the same is not material in terms of the provisions of the Act and the Listing Regulations.

**7. LIMITATION AND AMENDMENT:**

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

***Note: 1) Approved in the Board Meeting held on 11<sup>th</sup> February, 2025***