



## POLICY ON RELATED PARTY TRANSACTIONS

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### 1. Preamble

- 1.1. Garden Reach Shipbuilders & Engineers Limited (herein referred to as the “**Company**”) recognizes that Related Party Transactions (as defined below) can present a risk of actual or potential conflict of interest and may raise questions about whether such transactions are consistent with the Company’s and its stakeholders' best interests.
- 1.2. This Policy on Related Party Transactions (herein referred to as this “**Policy**”) has been adopted by the Board of Directors of the Company in order to set forth the procedures under which such transactions are to be carried on.
- 1.3. Regulation 23 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (herein referred to as the “**Listing Regulations**”) mandates formulation of a policy on Materiality of transactions with Related Parties and dealing with Related Party Transactions. As part of its corporate governance practices, the Board of the Company has adopted this Policy with regard to Related Party Transactions.

### 2. Purpose

- 2.1. This Policy is intended to ensure systematic identification, approval and / or reporting of transactions, as applicable, between the Company and any of its Related Parties (as defined below) in the best interest of the Company and its stakeholders.

### 3. Definitions

- 3.1. “**Act**” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars thereof.
- 3.2. “**Arm’s Length Basis**” in pursuance of Explanation (b) to section 188 (1) of the Act, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of Arm’s Length Basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- 3.3. “**Associate Company**” means a company as defined under section 2(6) of the Act.



3.4. **“Key Managerial Personnel” or “KMP”**, as provided in section 2(51) of the Act, in relation to the Company are:

- (a) Chairman & Managing Director;
- (b) All Functional Directors;
- (c) Chief Financial Officer; and
- (d) Company Secretary.

3.5. **“Material Related Party Transaction”** in pursuance of:

- (a) Section 188(1) of the Act read with the Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, means:

Sl. No.	Transaction or contract or arrangements for	Threshold Limits
1.	Sale, purchases or supply of any goods or materials, directly or through appointment of agent	Lower amongst the following: (i) 10% or more of turnover of the Company; or (ii) ₹100 crore  For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year
2.	Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent	Lower amongst the following: (i) 10% or more of net worth of the Company; or (ii) ₹100 crore  For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year
3.	Leasing of property of any kind	Lower amongst the following: (i) 10% or more of net worth of the Company; or (ii) 10% or more of Turnover of the Company; or (iii) ₹100 crore  For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
4.	Availing or rendering of any services, directly or through appointment of agent	Lower amongst the following: (i) 10% or more of Turnover of the Company; or (ii) ₹50 crore  For the transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.



Sl. No.	Transaction or contract or arrangements for	Threshold Limits
5.	For appointment to any Office or place of profit in the Company, its subsidiary or associate company	Where monthly remuneration exceeds ₹2,50,000/-
6.	Remuneration for Underwriting the subscription of any securities or derivatives thereof, of the Company	For amount exceeding 1% of net worth of the Company

- (b) Regulation 23(1) of the Listing Regulations means a transaction with a Related Party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated annual turnover as per the last audited financial statements of the Company.

3.6. **“Office or place of profit”** 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.

3.7. **“Ordinary Course of Business”** shall cover all the usual transactions, customs and practices of the Company and / or its line of business.

3.8. **“Related Party”** means a related party as defined under:

- (a) Section 2(76) of the Act;
- (b) Indian Accounting Standard (Ind-AS) 24 as notified by the Central Government.

“Related Party”, as per section 2(76) of the Act, in relation to the Company, are as follows:



- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or director;
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than 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;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act: *Provided that nothing in (vi) and (vii) above 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 the Company;
  - B. a subsidiary of a holding company to which it is also a subsidiary;
  - C. an investing company or the venturer of the Company

*Explanation: An investing company or the venturer of the company means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.*
- (ix) director (other than an independent director) or KMP of the holding company or his relative; or
- (x) such other persons as may be prescribed.

“Related Party” in pursuance of Ind-AS 24, is a person or entity that is related to the entity that is preparing its financial statements (referred to as ‘reporting entity’):

- (i) A person or a close member of that person’s family is related to a reporting entity if that person:
  - A. has control or joint control of the reporting entity;
  - B. has significant influence over the reporting entity; or
  - C. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (ii) An entity is related to a reporting entity if any of the following conditions applies:
  - A. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).



- 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).
- C. Both entities are joint ventures of the same third party.
- D. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- E. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- F. The entity is controlled or jointly controlled by a person identified in (i).
- G. A person identified in (i)(A) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- H. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3.9. **“Relatives”**, with reference to a director or KMP of the Company, means anyone who is related to another, if:

- (a) They are members of a Hindu Undivided Family;
- (b) They are husband and wife; or
- (c) One person is related to the other in the following manner, namely:-
  - (i) Father including step father;
  - (ii) Mother including step mother;
  - (iii) Son including step son;
  - (iv) Son’s Wife;
  - (v) Daughter;
  - (vi) Daughter’s Husband;
  - (vii) Brother including step brother;
  - (viii) Sister including step sister.

3.10. **“Related Party Transactions” or “RPT”** “Related Party Transaction” in pursuance of Section 188 (1) of the Act and Regulation 23 of the Listing Regulations, means transaction involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price is charged and includes :

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;



- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

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

#### **4. Identification of Potential Related Party Transactions**

- 4.1. Each Director and KMP shall disclose to the Board, the names of his / her Relatives and the names of the firms / companies / body corporates in which he /she is interested. The Board shall record the disclosure of interest. The Company Secretary shall, at the earliest, inform the Finance Department, the details of disclosures made by the Directors / KMPs so that the same may be entered into the system to identify RPTs as and when they occur.
- 4.2. The Company will identify the potential transactions with the Related Parties. These Related Party Transactions will be categorized as those requiring a) prior approval, b) omnibus approval based on the criteria laid down in Para 6.1(b) below, in consultation with the Finance Department.
- 4.3. The Finance Department will obtain and forward to the Company Secretary, the details of Related Party Transactions to be placed before the Audit Committee / Board duly indicating the appropriate authority for granting approval, namely, Audit Committee / Board of Directors / Shareholders.

#### **5. Ascertainment of RPTs on Arm's Length Basis**

- 5.1. The Finance Department shall examine the documents / information with regard to the RPT before forming an opinion / arriving at a conclusion that the concerned transaction is on Arm's Length Basis. In particular, any or all of the following may be examined:
  - (a) Whether the purported transaction between two related parties pursuant to an agreement / memorandum of understanding is in accordance with the directives / approval of the Government.
  - (b) Whether the terms of the transaction is in the ordinary course of business
  - (c) How the consideration price has been arrived.



- (d) Whether it is comparable with internal and external industry benchmarks.
- (e) Any other relevant documents / information which supports the contention that the transaction is on arm's length basis.

## **6. Review and Approval of Related Party Transactions**

### **6.1. Audit Committee**

- (a) All Related Party Transactions (including subsequent modifications, if any) shall be normally entered into with the prior approval of the Audit Committee. Such RPTs shall be placed before the Audit Committee, accompanied with the Management's justification for the entering into the same alongwith all relevant information. Before approving such transactions, the Audit Committee will look into the interest of the Company and its stakeholders in carrying out the transactions and the benefits of the same. The Audit Committee may, thereupon, approve, reject or approve subject to modifications, such RPTs, in accordance with this Policy and / or recommend the same to the Board for approval.

- (b) **Omnibus approval by the Audit Committee**

The Audit Committee may, after obtaining approval from the Board of Directors, grant omnibus approval for Related Party Transactions likely to be entered into during the next financial year by the Company subject to the following conditions:

- (i) Maximum value of the transactions, in aggregate, which can be allowed under the omnibus approval route in a year;
- (ii) The maximum value per transaction which can be allowed;
- (iii) Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval, such as:
  - A. Name of the Related Parties,
  - B. Nature and duration of the transaction,
  - C. Brief description of the items,
  - D. Maximum Estimated Amount of Transactions that is expected to be entered into,
  - E. the indicative base price or current contracted price and the formula for variation in the price, if any,
  - F. Basis of Price Determination,
  - G. Whether at Arm's Length Basis and in the Ordinary Course of Business,





- H. any other information relevant or important for the Audit Committee to take a decision on the proposed transactions, keeping in view, the omnibus approval, in aggregate granted so far / utilized during the financial year.
- (iv) Review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval made;
  - (v) The Audit Committee shall satisfy itself on the justification for need of omnibus approval, for transactions of repetitive nature and that such approval is in the interest of the Company.
  - (vi) Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding ₹1 crore per transaction.
  - (vii) The omnibus approval granted shall be valid for a period not exceeding a financial year and shall require fresh approval on the expiry of such financial year.
  - (viii) Transactions which cannot be subject to the omnibus approval by the Audit Committee, such as:
    - A. Transactions which are non-repetitive in nature
    - B. Transactions in respect of selling and disposing of the undertaking of the company.
    - C. Any other statutory restrictions imposed from time to time.
  - (ix) Any other criteria (not included above) required to be complied with from time to time as per statutory rules and regulations.

## 6.2. Board of Directors

- (a) All Related Party Transactions (and subsequent modifications, if any) specified under section 188(1) of the Act shall be subject to prior approval of the Board of Directors through the Audit Committee, by way of resolutions passed at Board Meetings, unless the transactions are entered into:
  - (i) in the Ordinary Course of Business; and
  - (ii) are conducted on Arm's length basis.





- (b) In addition, if the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, then the Board shall consider and approve such Related Party Transaction(s).
- (c) All criteria contained in Rule 15(1) of the Companies (Meetings of Board and its Powers) Rules in relation to the contents of the Board agenda for approval of such RPTs must be complied with.
- (d) Every Director / KMP of the Company, who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- (e) Where any Director / KMP, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, shall disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- (f) Every contract or arrangement entered into with a Related Party under section 188(1) of the Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

### 6.3. Shareholders

- (a) All Material Related Party Transactions (and subsequent modifications, if any) shall require prior approval of the shareholders of the Company by way of an ordinary resolution passed at a General Meeting.
- (b) No shareholders of the Company, if such a shareholder is a Related Party, shall vote on any resolution approving a Related Party Transaction. However, if the Company has ninety percent or more members, in number, who are relatives of promoter or are Related Parties, this provision shall not apply.



- (c) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 of the Companies Act, 2013 shall contain the particulars as provided in Explanation (3) to Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules.
- (d) The Turnover or Net worth specified above shall be computed on the basis of the Audited Financial Statements of the preceding financial year.
- (e) A matrix for approval of the Related Party Transactions has been given as Annexure I of this Policy.

#### 6.4. Exemptions

- (a) No resolution (either Board or shareholders) is required to be passed in respect of a transaction entered into by the Company with another Government Company.
- (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 of such holding company, for approval.

### 7. Standards for Review

The Audit Committee while approving and the Board while approving / ratifying a Related Party Transaction shall review and consider the following, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction:

- (a) the Related Party's interest in the transaction;
- (b) the approximate amount involved in transaction;
- (c) whether the RPT was undertaken in the Ordinary Course of Business;
- (d) whether the transaction with the Related Party is proposed to be, or was, entered on at Arms' Length Basis;
- (e) the purpose of, and the potential benefits to the Company from the RPT;
- (f) Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- (g) Whether the RPT includes any potential reputational risk issues that may arise as a result of or in connection with the transaction;
- (h) Whether the RPT would impair the independence of an otherwise independent director or nominee director;



- (i) Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought for and whether subsequent ratification would be detrimental to the Company;
- (j) Whether the RPT would present an improper conflict of interest, as per provisions of law, for any director or KMP, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee / the Board deems relevant and appropriate;
- (k) required statutory and public disclosure, if any; and
- (l) any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee / Board / shareholders, as applicable, in light of the circumstances of the particular transaction.

## **8. Ratification of Related Party Transactions**

- 8.1. If prior approval of the Audit Committee / Board / shareholders for entering into a Related Party Transaction is not feasible owing to paucity of time and also other administrative inconvenience, then such Related Party Transactions shall be recommended by the Audit Committee for ratification to the Board and/or shareholders within 3 months of entering into the Related Party Transaction.
- 8.2. Where a RPT has been entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, and if it is not ratified by the Board or, as the case may be, by the shareholders of the Company at a meeting within three months from the date on which such contract or arrangement was entered into, the same shall be voidable at the option of the Board, or as the case may be, of the shareholders Company.
- 8.3. In any case, where either the Audit Committee / Board / shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Audit Committee, Board and/or shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, or modification of the transaction to make it acceptable for ratification. If the contract or arrangement is with a Related Party to any director, or is authorised by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.



- 8.4. The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate.
- 8.5. 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 matter shall be reviewed by the Audit Committee who shall examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.
- 8.6. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **9. Records / Supporting documents required for establishing the Ordinary Course of Business and Arm's Length Basis of a transaction with a Related Party**

### **9.1. Purchase / sale of material, goods etc.**

- (a) Copy of agreements / purchase orders / correspondence exchanged / letters of exchange / bills / invoices etc.
- (b) Invoices / bills of similar transactions on same date or nearby date with un-related parties from the seller.
- (c) Quotation from un- related service provider.
- (d) Sale of Company's finished product / services / others including scrap sale at rates or charges are determined by competitive bids / fixed by Government.
- (e) Purchase of product / availing of services at rates or charges determined by competitive bids.

### **9.2. Purchase / sale of property**

- (a) Valuation reports from independent valuers to ascertain Fair Market Value.
- (b) Quotations from independent property dealers / brokers.
- (c) Draft copy of agreement to sell / draft of proposed sale deed.
- (d) Brief terms and conditions and justification of such transaction.

### **9.3. Availing / Rendering Services**

- (a) Copy of agreement / memorandum of understanding / correspondence etc.
- (b) Supporting documents justifying the transaction on arm's length basis.



#### **9.4. Loans / Advances given or taken**

- (a) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.
- (b) Statutory approvals wherever required.
- (c) Rate of interest and justification for the same in view of nearest prevailing G-SEC rate for the term of the loans / advances (wherever applicable).

#### **9.5. Guarantee / Securities**

- (a) Compliance of Section 185, 186 and other applicable provisions of the Companies Act, 2013 and rules there under.
- (b) Other documents justifying the same.

#### **9.6. Subscription to shares / debentures / securities**

- (a) Valuation report or documents justifying that subscription is done / received at a rate on which placement has been made / shall be made to an un-related party.

#### **9.7. Rent Agreement**

- (a) Copy of draft agreement.
- (b) Quotation from a property dealer / advisor in the area in which the property is located or a nearby area.
- (c) If quoted prices are substantially lower / higher than existing, to seek second quotation.
- (d) Lease rent receipt / payment at market rate / municipal / local body board standard rate or fixed by any other Government authority.

#### **9.8. Other transactions**

- (a) Agreements or other supporting documents along with proper justification of the transaction being on arm's length basis in the ordinary course of business at a prevailing market rate.

### **10. Registers & Disclosures**

- 10.1. The Company Secretary of the Company shall maintain a register, either physically or electronically, as prescribed in the Act, giving details of all contracts or arrangements to which this Policy applies.



- 10.2. Every Director or Key Managerial Personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other companies, as the case may be, disclose to the Company, particulars relating to his / her concern or interest in the other associations which are required to be included in the register maintained.

## **11. Effective Date**

This Policy will be applicable to the Company with effect from the date of its passing by the Board of Directors of the Company.

## **12. Amendment**

- 11.1. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.
- 11.2. This Policy shall stand amended in terms of the Act including the Companies (Meetings of Board and its Powers) Rules, 2014 and Listing Regulations. In the event of any conflict between this Policy and the applicable law, the applicable law shall prevail.
- 11.3. This Policy will be communicated to all operational employees and other concerned persons of the Company.

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## Annexure – I: Matrix for approval of Related Party Transactions

Nature of Transaction	Audit Committee Approval		Board of Directors Approval		Shareholders' Approval	
	Companies Act, 2013	Listing Regulation	Companies Act, 2013	Listing Regulation	Companies Act, 2013	Listing Regulation
Ordinary Course of Business and at arm's length	Yes	Prior Approval	Exempted	-	Exempted	Yes, if material related party transaction
Not in Ordinary Course of Business and / or at arm's length	Yes	Prior Approval	Yes Board may ratify the transactions within three months.	-	Approval, in case of Material Related Party Transactions.  Shareholders may ratify within three months.	Approval, in case of Material Related Party Transactions.