

DIGISPICE TECHNOLOGIES LIMITED

Policy on Related Party Transactions

(Effective from April 01, 2022)

{Version - 3}

1. Original policy effective from October 1, 2014,
2. Amended w.e.f. April 1, 2019

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POLICY ON RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors of **DiGiSPICE Technologies Limited** had adopted the Policy on Related Party Transactions upon the recommendation of the Audit Committee w.e.f. October 01, 2014 and amended the policy w.e.f. April 01, 2019, the said Policy included the materiality threshold and the manner of dealing with Related Party Transactions. In pursuance to the amendments made in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 w.e.f. April 01, 2022, the Board of Directors on the recommendations of the Audit Committee has approved this revised policy on **Related Party Transactions**.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVE

The objective of this Policy is to set out the (a) materiality and subsequent material modification of related party transactions and (b) the manner of dealing with the Related Party transactions based on the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws and regulations as amended from time to time.

3. DEFINITIONS

- a. **“Act”** means the Companies Act, 2013 read with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as **“Act”**).
- b. **“Audit Committee”** or **“Committee”** means Audit Committee of the Board of Directors of the Company constituted under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.
- c. **“Arm’s Length Basis”** means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- d. **“Board of Directors”** or **“Board”** means the Board of Directors of the Company.

- e. **“Company”** means DiGiSPICE Technologies Limited, incorporated under the provisions of the Companies Act, 1956.
- f. **“Key Managerial Personnel”** means Key Managerial Personnel of the Company as defined under the Companies Act, 2013 or under applicable Indian Accounting Standard i.e. Ind AS-24, as the case may be.
- g. **“Material modification”** means any modification in pricing, quantity or overall transaction value in an earlier approved related party transaction having variance of more than 10% of the existing limit as sanctioned by the Audit Committee/ Board of Directors/ Shareholders, as the case may be.
- h. **“Related Party”** means related party as defined under the Companies Act, 2013 and under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, and includes the following:
- Parties covered under section 2(76) of the Companies Act, 2013;
 - Parties covered under the Ind AS-24;
 - any person or entity forming a part of the promoter or promoter group of the Company ; and
 - any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year.
- i. **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:
- (i) 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
 - (ii) 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, 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:

- 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 by the Company or any of its Subsidiary 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.

- j. **“Relative”** means a relative as defined under Section 2(77) of the Companies Act, 2013 and the Rules made thereunder and includes any person who is related in any of the following manner –
 - 1. Members of a Hindu undivided family;
 - 2. Husband or wife;
 - 3. Father (including step-father);
 - 4. Mother (including step-mother);
 - 5. Son (including step-son);
 - 6. Son’s wife;
 - 7. Daughter;
 - 8. Daughter’s husband;
 - 9. Brother (including step-brother); or
 - 10. Sister (including step-sister).

- k. **“SEBI LODR” or “Listing Regulations”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

- l. **“ Specified Transaction”** includes the following transactions:
 - 1. Sale, purchase or supply of any goods or materials;
 - 2. Selling or otherwise disposing of, or buying property of any kind;
 - 3. Leasing of property of any kind;
 - 4. Availing or rendering of any services;
 - 5. Appointment of any agent for the purchase or sale of goods, materials, services or property;
 - 6. Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company;
 - 7. Underwriting the subscription of any securities or derivatives thereof, of the Company; and
 - 8. Such other transactions as may be prescribed under the Companies Act, 2013 and the Rules made thereunder, from time to time.

- m. **“Subsidiary Company” or “subsidiary”** 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 one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Explanation – for this purpose:

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression "company" includes any body corporate;

- n. **“Threshold Limits”** means the following limits as prescribed under the Companies Act, 2013 and the Rules made thereunder, in respect of the specified transactions and as amended from time to time:

Nature of Transaction	Threshold Limits
Sale, purchase or supply of any goods or materials (Directly or through agent)	10% or more of annual turnover or Rs. 100 crores, whichever is lower
Selling or otherwise disposing of, or buying, property of any kind (Directly or through agent)	10% or more of net worth or Rs. 100 crores, whichever is lower
Leasing of property of any kind	10% or more of net worth or 10% or more of turnover or Rs. 100 crores, whichever is lower
Availing or rendering of any services (Directly or through agent)	10% or more of turnover or Rs. 50 crores, whichever is lower
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Remuneration exceeding Rs. 2.5 lakhs per month
Underwriting the subscription of any securities of the company or derivatives thereof	Remuneration exceeding 1% of net worth

Note: The Turnover or Net Worth for the purpose of the threshold limits shall be considered on the basis of Audited Financial Statement of the preceding financial year.

- o. **“Transaction”** with a related party shall be construed to include a single transaction or group of transactions.

4. MATERIALITY OF RELATED PARTY TRANSACTION

A transaction with a Related Party shall be considered 'material' if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year:

- exceeds Rupees 1000 crore or 10% or such other limit, as may be prescribed under the listing regulations from time to time, of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower
- in case of transactions involving payments made with respect to brand usage or royalty exceeds 5% or such other limit, as may be prescribed under the listing regulations from time to time, of the annual consolidated turnover of the Company as per the last audited financial statements.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

5.1 Identification of Related Party Transactions

Every Director and Key Managerial Personnel is responsible for disclosing the details of his/her Related Parties, to the Company Secretary on an annual basis.

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in his/ her Related Parties immediately on him / her becoming aware of such changes.

The Company shall maintain an updated database of information pertaining to Related Parties of the Company and its Subsidiary Companies.

The Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. He will also be responsible for providing additional information about the transaction that may be required for placing before the Audit Committee, the Board or shareholders, as the case may be.

The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure-I to this Policy.

If required, the Company may refer any potential related party transaction to any external legal consultant/ expert for obtaining his/ her opinion on any legal/ regulatory issues involved in the potential related party transaction and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee.

5.2 Approval mechanism for Related Party Transaction

5.2.1 Approval by the Audit Committee

All Related Party Transactions and subsequent Material Modifications (other than those entered into by the Company with its wholly owned subsidiary and transactions entered into between two wholly-owned subsidiaries of the company) shall require prior approval of the Audit Committee.

Only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided that a related party transaction to which the subsidiary of the Company is a party but the Company itself 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;

Provided further that with effect from April 1, 2023, a related party transaction to which the subsidiary of a the Company is a party but the Company itself 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 standalone turnover, as per the last audited financial statements of the subsidiary;

Prior approval of the audit committee of the Company shall not be required for Related Party Transactions where a listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary

The transactions entered into by the Company with its wholly owned subsidiary will also be placed before the Committee for its approval.

Omnibus Approval by the Audit Committee

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant Omnibus Approval, which will be valid for one financial year. However, the Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.

Criteria for Omnibus Approval

The Audit Committee shall specify the criteria for transactions requiring the omnibus approval after obtaining the approval from the Board.

While granting such omnibus approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the proposed transactions are in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Transactions with omnibus approval of the Audit Committee shall not require any further approval till a period of one financial year, unless the price, value or material terms of the contract or arrangement have undergone Material Modification . Any proposed Material Modification to these factors shall require prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval for such transactions subject to the value per transaction not exceeding Rs. 1,00,00,000/- (Rupees One Crore only). The details of such transaction(s) shall be reported at the next meeting of the Audit Committee for its approval.

5.2.2 Approval by the Board

Following transactions with the Related Party(ies) under Section 2(76) of the Companies Act, 2013 shall require approval of the Board:

- a. it is a specified transaction and is not in the Ordinary Course of Business or not at Arms' Length basis, or
- b. the Committee determines that a Related Party Transaction should be brought before the Board for its approval, or
- c. the Board on its own decides to review any specific type of transaction.

Provided that in case of a transaction falling under Point no. a. above, prior approval of the Board shall be required.

5.2.3 Approval by the Shareholders

Prior approval of the Shareholders in respect of a Related Party Transaction, shall be sought, if:

- a. it is a specified transaction exceeding the threshold limits and is not in the Ordinary Course of Business or not at Arms' Length basis, or
- b. it is a Material Related Party Transaction and subsequent Material Modifications.

5.2.4 Voting by Related Party(ies)

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. However, it shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Provided that nothing contained above shall apply to a transaction with a company in which ninety percent or more members, in number, are relatives of promoters or are related parties.

Provided also that the passing of resolution by shareholders shall not be applicable for

- a) 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.
- 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.

Provided further that in case of a transaction entered into by the Company with its wholly owned subsidiary, approval of the shareholders' of Holding Company shall be sufficient.

5.2.5 Consideration by the Committee/ Board in approving the proposed transactions

While considering any transaction, the Committee/ Board shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and prescribed information under extant provisions of the Companies Act, 2013 and the Listing Regulations for review of the audit committee and/or for approval of a proposed RPT and any other relevant matters.

The Committee/ Board shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. 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;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the facts and circumstances as were applicable at the time of entering into the

transaction with the Related Party should be taken into account. The subsequent events (i.e. events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction should also be considered.

5.2.6 Review of Related Party Transactions

The Internal Auditors shall quarterly review and validate the compliance of the policy and present their Review Report to the Audit Committee.

The Audit Committee shall review on quarterly basis the details of all related party transactions entered into by the Company including those entered in pursuance to the omnibus approval granted by it.

5.2.7 Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and approval.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances pertaining to such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action(s) as the it may consider appropriate under the circumstances.

5.3 Disclosure and Reporting of Related Party Transactions

As required under Section 188 of the Companies Act, 2013 read with the Rules made thereunder, all contracts or arrangements with Related Parties which are in the nature of Specified Transactions shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction shall contain such details as may be prescribed, including the following:

- Name of the Related Party;
- Name of the Director or Key Managerial Personnel, who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of contract or arrangement;
- All prescribed information by any regulatory authority from time to time, for including as a part of the explanatory statement for approval of a proposed RPT;
- Other relevant or important information which enables the Shareholders to take a decision.

Details of all material transactions with the Related Parties shall be disclosed to the Stock Exchanges on quarterly basis along with the Quarterly Corporate Governance Report and the Company shall make such other disclosures as may be required from time to time.

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Security and Exchange Board of India from time to time, and publish the same on its website:

Provided further that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

6. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations / Companies Act, 2013 or statutory enactments, Rules shall prevail over this Policy.

Notwithstanding the foregoing, the following related part transactions shall not be covered under the Policy and accordingly shall not require approval of Audit Committee/ Board/Shareholders:

- a. Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, 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. Any other exception which is consistent with the applicable laws including any rules or regulations made thereunder.

However, all transactions with the related parties will be reported to the Audit Committee on quarterly basis.

7. DISSEMINATION OF POLICY

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company.

8. REVIEW OF THE POLICY

This policy on materiality shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

Information to be provided to Audit Committee Meeting and Board Meeting in relation to the proposed Related Party Transaction (inclusive list)

- 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 (particular tenure shall be specified);
- 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.