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Related Party Transaction Policy

Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions

INTRODUCTION

The Board of Directors of Abhijit Trading Co Ltd, has adopted Policy on Related Party Transactions (“RPT Policy” or “Policy”) for the Related Party Transactions (“RPTs”) based on recommendation of the Audit Committee pursuant to the provisions of Memorandum and Articles of Association of the Company, Sections 177, 188 and other applicable provisions of the Companies Act, 2013 (“the Act”) and Rules framed thereunder and as amended from time to time and The Clause 49 of the erstwhile Securities Exchange Board of India (SEBI) Listing Agreement provided that company shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions. Subsequently, SEBI repealed the Listing Agreement and replaced it with SEBI (Listing Obligations and Disclosure Requirements)[LODR] Regulations, 2015. SEBI further amended the SEBI (LODR) 2015 vide Notification dated 9th November 2021. Regulation 23 of SEBI (LODR) Regulations, 2015 provides that all listed companies shall formulate a policy on materiality of related party transactions and also on dealing with related party transactions. This policy has reviewed on dated 17th January, 2023 and adopted by Board of Directors.

PREAMBLE

The Board of Directors of the company has adopted the following Policy and procedure with regard to Related Party Transactions. The policy envisages the procedure governing Related Party Transactions required to be followed by company to ensure compliance with the Law and Regulation. The Audit committee will review the same from time to time and propose the amendment required in the policy to the board of directors.

PURPOSE

Related Party Transactions (“RPTs”) are appropriate if they are in the interest of the Company and its stakeholders. The purpose of the RPT Policy is to authorize, monitor, regulate and report contracts, arrangements and transactions between the Company and a related party. This Policy

lays down the process to be adopted by the Company for identification of the related parties, approval of the RPTs and any subsequent modification thereof. The Policy also lays down the reporting requirements of RPTs.

SCOPE & APPLICABILITY

The Policy applies to all the transactions of the Company with its related parties including changes, if any, in related parties from time to time.

DEFINITIONS

“Arm’s Length Transaction”

As per the Explanation (b) to Section 188 (1) of the Companies Act, 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted for audit related purpose.

“Board” means Board of Directors of the Company.

“Related Party Transaction” A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher

“Related Party” means related party as defined in Clause 49 of the Listing Agreement which is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- 1) A person or a close member of that person’s family is related to a company if that person:
 - i. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:
 - a) A director or his relative;
 - b) A key managerial personnel or his relative;
 - c) A firm, in which a director, manager or his relative is a partner;
 - d) A private company in which a director or manager is a member or director;
 - e) A public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
 - f) Anybody 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;
 - g) Any person under whose advice, directions or instructions a director or manager is accustomed to act :

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

h) Any company which is –

a. A holding, subsidiary or an associate company of such company; or

b. A subsidiary of a holding company to which it is also a subsidiary;

i) Director or key managerial personnel of the holding company or his relative with reference to a company; or

ii. has control or joint control or significant influence over the company; or

iii. is a key management personnel of the company or of a parent of the company;

or

2) An entity is related to a company if any of the following conditions applies:

a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or

b. The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

c. 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); or

d. Both entities are joint ventures of the same third party; or

e. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or

f. The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or

g. The entity is controlled or jointly controlled by a person identified in 1).

h. A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity);

or

“Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –

i. They are members of a Hindu undivided family;

ii. They are husband and wife; or

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)

“Key Managerial Personnel” mean key managerial personnel as defined under the Companies Act, 2013 and includes

(i) Managing Director, or Chief Executive Officer or manager and in their absence, a wholetime-director;

(ii) Company Secretary; and

(iii) Chief Financial Officer

“Control” as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 includes 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 which includes (a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise, and (b) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/or operating policies of

the enterprise. Provided that a director or officer of a company shall not be considered to be in control over such target company, merely by virtue of holding such position”

“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.

Significant Influence: - means control of at least twenty per cent of total share capital, or of business decisions under an agreement as more specifically defined in AS-18 issued and Amended from time to time by the ICAI

Joint venture: - means a contractual arrangement whereby two or more parties undertake] an economic activity which is subject to joint control.

POLICY

1. In terms of this RPT Policy, either the Company or the persons authorized by the Board in accordance with this Policy may enter into any RPTs.
2. The Board on recommendation of the Audit Committee will lay down and approve a detailed procedure to be complied with to implement the RPT Policy.
3. The RPT Policy may be reviewed, approved and amended from time to time by the Board of Directors of the Company on the recommendation of the Audit Committee.
4. The Audit Committee may grant approvals as envisaged in the Regulations.
5. All transactions by the Company with related parties shall require approval of the Audit Committee as specified in the Regulations.
6. The Audit Committee shall on quarterly basis review the RPTs.

IDENTIFICATION OF RELATED PARTY TRANSACTIONS

1. On an annual basis, the CS shall request a disclosure from each Director and each KMP and other related parties within the meaning of Section 2(76), 184 and 189 of the Act.
2. Directors and KMPs would be responsible for promptly notifying the CS in case of any changes/updates occurring in the related parties and in respect of details pertaining to such related parties declared by them.
3. Any individual appointed/elected as a Director or KMP shall be responsible to promptly complete and submit to the CS, the disclosure declaration referred in VIII (1) above. The Company prefers to receive such notice of any potential Related Party Transaction in advance so that the Audit Committee / Board have sufficient time to review information regarding the proposed transaction.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS

Approval of the Audit Committee

All related party transactions subsequent material modifications require prior approval of the Audit Committee. However, the Company may obtain approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- The Audit Committee shall satisfy itself the need for such approval and that such approval is in the interest of the Company;
- The approval shall provide details of :
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for example: +/- 5%) and
 - (iii) such other conditions as the Audit Committee may deem fit. However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;
- The Audit Committee shall 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 given;
- Such approval shall be valid for 1 year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

- market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
- third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
- management assessment of pricing terms and business justification for the proposed transaction;
- comparative analysis, if any, of other such transaction entered into by the company.

Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis or both, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down in Clause VI of the Policy, which are intended to be placed before the shareholders for approval.

Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, laid down in Clause VI of the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Ratification by Board and/or shareholders of the Company

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or shareholders pursuant to Section 188(1) of the Act and if is not ratified by the Board and/or shareholders within 3 months from the date of contract or arrangement, such contract or arrangement shall be voidable at the option of the Board. If such contract or arrangement is with related part to director or is authorized by any director, the directors concerned shall indemnify against any loss incurred.

DISCLOSURES

Disclosures with respect to RPT shall be made as per applicable provisions of the Regulations.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause VI of the Policy above) on a quarterly basis along with the compliance report on Corporate Governance. The Company shall disclose the RPT Policy on its website and a weblink thereto shall be provided in the Annual Report.

RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THE POLICY

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the

Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

COMPLIANCE WITH RPT POLICY

1. Every person associated with RPT shall be accountable for complying with this RPT Policy that may be in force from time to time.
2. Director or KMP or any other employee, who had entered into or authorised the contract or arrangement in violation of the RPT Policy and RPT Framework shall be guilty of non-compliance.
3. In case of breach of this Policy, Audit Committee and/or Board of Directors may initiate appropriate action against the person/s responsible. 4. A person shall not be eligible for appointment as a Director of a Company if he has been convicted of an offence under Section 188 of the Act in respect of RPT at any time during the preceding five years.

ADMINISTRATIVE MEASURES

The Audit Committee of the Company, subject to supervision of the Board, shall be the Competent Authority for investigating and taking appropriate actions / steps for prevention or remedy of any breach and / or defaults in complying with this Policy. Any disciplinary action taken by the Audit Committee shall be in addition to the penal provisions of the Regulations.

INTERPRETATION

Subject to the superintendence of the Board, this Policy shall be interpreted and administered by the Audit Committee.
