DEVOTED CONSTRUCTION LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

Registered Office: M-55, 3RD Floor, M-Block Market, Greater Kailash-II,
New Delhi-110048

POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under Section 188 of the Companies Act, 2013 ("**Act**") read with the Rules framed there under and as per Regulation 23 of the SEBI LODR Regulations, 2015, **DEVOTED CONSTRUCTION LIMITED** has formulated a policy on materiality of related party transactions and dealing with related party to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out:

(a) the materiality thresholds for related party transactions and;

(b) the manner of dealing with the transactions between the Company and its related parties in compliance with the applicable laws and regulations as may be amended from time to time.

3) DEFINITIONS

"Act" means the Companies Act, 2013, (including any statutory modifications(s) or reenactments(s) thereof, for the time being in force) read with the rules made there under, as may be amended from time to time.

"Arm's length transaction ('ALP')" 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" means Audit Committee constituted by the Board of Directors of the Company under provisions of the Companies Act, 2013 and SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 as amended from time to time

"**DCL"** means Devoted Construction Limited

"Listing Regulations" means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

"Material Modification" in relation to the Related Party Transaction(s), as defined by the Audit Committee, shall mean:

(i) any increase due to change(s)/ variation(s)/ modification(s) in the value of approved Related Party Transactions during the financial year by 50%;

(ii) any other parameter as may be determined by the Audit Committee from time to time. Provided that any such change(s)/ variation(s)/ modification(s) in Related Party Transactions shall not be considered material if there is any change due to fluctuation in foreign exchange rate, government policy for tax, duties etc., changes in price etc. which is beyond the control of the Company;

"Related Party", with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and clause 2(1) (zb) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

"Related Party Transaction" (RPT) -

As per Section 188 of the Companies Act, 2013, **"Related party transactions"** mean contracts or arrangements between a company and its related parties with respect to transactions covered in Section 188 of the Act. The expression 'contract or arrangement' has different connotations under the Act. While 'contract' envisages a written / formal binding document, 'arrangement' may be with or without a written document.

Related Party Transaction includes the following contract or arrangements between the related parties:
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:

As per Regulation 2(1) (zc) of SEBI (LODR) Regulations, 2015 "**Related party transaction"** means a transaction involving a transfer of resources, services or obligations between:
(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity 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 listed entity or any of its subsidiaries

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 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.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

(d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

(e) retail purchases from any listed entity 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.

“Relative” As per Section 2(77) of the Companies Act, 2013, a person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

a. Member of the Hindu Undivided Family
b. Spouse
c. Father (Provided that the term “Father” includes step - father)
d. Mother (Provided that the term “Mother” includes step - mother)
e. Son (Provided that the term “Son” includes step - son)
f. Son's wife
g. Daughter
h. Daughter's husband
i. Brother (Provided that the term “Brother” includes step - brother)
j. Sister (Provided that the term “Sister” includes step - sister)

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

Omnibus approval - It is a blanket authorization granted by an audit committee for a specific type of related party transaction, provided it meets certain criteria as prescribed under the under the Companies Act 2013 & SEBI LODR 2015. This allows for repetitive or foreseeable transactions to be handled without individual board or shareholder approval each time

4) MATERIALITY THRESHOLDS

Regulation 23(1) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 provides that 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 **one thousand crore rupees or ten percent of the annual consolidated turnover of the Company** as per the last audited financial statements of the Company, whichever is lower.

In case of a listed entity which has listed its specified securities on the **SME Exchange**, 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 fifty crore or ten per cent. of the annual consolidated turnover of the listed entity** as per the last audited financial statements of the listed entity, 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, as per the last audited financial statements of the company.

5) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Procedure for approval of related party transactions

Approval of the Audit Committee

i. All related party transactions and subsequent material modification require prior approval of the Audit Committee. However only those members of the audit committee, who are independent directors, shall approve related party transactions.

ii. a related party transaction to which the subsidiary of a 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 standalone turnover, as per the last audited financial statements of the subsidiary.

iii. prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

iv. 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

v. All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2), shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

vi. Omnibus approval- The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

The omnibus approval shall provide –

a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,

b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
c) 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;

Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity of the listed entity or its subsidiary pursuant to each of the omnibus approvals given.

Notwithstanding anything contained in this Clause, in case omnibus approval is granted in Annual General Meeting (AGM) by the shareholders for material Related Party Transactions, it shall be valid till the date of next AGM for a period not exceeding fifteen months. In case omnibus approval is granted in general meeting other than AGM, validity of such omnibus approval shall not exceed one year.

vii. 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;

- 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

Regulation 23(2) of LODR Regulations mandates that all RPTs shall require prior approval of the audit committee.

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 and at arm's length basis, are placed before the Board for its approval.

The Board's approval is required for all kinds of transactions listed under Section 188(1) of Companies Act, 2013, entered into by the company with its Related Parties, which are not in the ordinary course of business and/or not Arm's Length Transactions.

The Board shall also consider the proposed Related Party Transactions referred to it by the Audit Committee. Where the Board does not accept any recommendations of the Audit Committee, the same shall be disclosed in the Board's report along with the reasons thereof.

Any member of the Board who is interested in any of the transactions requiring approval, shall not be present at the Board meeting during discussions on the subject matter of the resolution relating to such transaction.

Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds and subsequent modifications laid down in Clause 4 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.

However, prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI(LODR) Regulations, 2015 are applicable to such listed subsidiary.

In addition to the above, this sub-section will apply to all transactions specified under Section 188 of the Companies Act, 2013, read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, that fall under the following:

(a) transactions that are not in the ordinary course of business and not at arm's length, and/or
(b) transactions that are in the ordinary course of business but not at arm's length and

(b) exceeds the following thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval:

Transactions listed under Section 188(1) of Companies Act, 2013	**Threshold Limits**
a. Sale, purchase, or supply of any goods or material, directly or through the appointment of any agent*	10% or more of the turnover of the Company as per the last audited financial statements.
b. Selling or otherwise disposing of or buying property of any kind, directly or through the appointment of agent*	10% or more of the Net Worth of the Company as per the last audited financial statements.
c. Leasing of property of any kind*	10% or more of the turnover of the Company as per the last audited financial statements.
Availing or rendering of any services, directly or through the appointment of agent*	10% or more of the turnover of the Company as per the last audited financial statements
e. Such Related Party's appointment to any office or place of profit in the Company, its Subsidiary or associate Company	Monthly remuneration exceeding Rs. 2,50,000/-
f. Underwriting the subscription of any securities or derivatives thereof, of the Company	1% of the net worth of the Company as per the last audited financial statements.

** The above limits shall apply for transactions to be entered either individually or taken together with previous transactions during the financial year.*

6) RATIFICATION OF RELATED PARTY TRANSACTION

In the event the Management of the company becomes aware of any Related Party Transactions that has not been approved under this policy, prior to its consummation, the matter shall be reviewed by the Audit Committee.

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 a material related party transaction.

(iii) rationale 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 SEBI(LODR) Regulation, 2015.

(v) any other condition as specified by the audit committee.

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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

7) DISCLOSURES

1. Every Contract or arrangement entered with Related Party with the approval of the Board/shareholders in line with Section 188 of the Companies Act, 2013 are required to be referred in the Board's Report to the shareholders along with justification for entering into such contracts or arrangements. The particulars of contracts or arrangements with related parties shall be disclosed in the Board's Report of the Company for every financial year in Form AOC-2 pursuant to provisions of Section 134(3)(h) of the Companies Act, 2013 read with Rule 8(2) of the Companies (Accounts) Rules, 2014.

2. Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time as per Regulation 23 of the SEBI (Listing Obligation Disclosure Requirements) Regulation, 2015.

3. This Policy shall be disclosed on the website of the Company i.e. www.devotedcostruction.com and a web link thereto shall be provided in the Annual Report.

4. Any other disclosures as may be required in accordance with the applicable statutory provisions.

8) POLICY REVIEW

The Policy is framed based on the provisions of the SEBI Listing Regulations, the Companies Act 2013 and rules there under and other applicable law. In case of any subsequent changes in the provisions of the SEBI (Listing Regulations or the Companies Act, 2013 and rules thereunder or other applicable law, the relevant amended provisions would prevail over the policy and the Provision in the Policy would be modified in due course to make it consistent with law.

The Policy shall be reviewed by the board of directors as and when the changes are to be incorporated in the Policy due to change in applicable law or at least once in every three years and updated accordingly.