



Deccan Cements Limited

**POLICY ON RELATED PARTY
TRANSACTIONS (RPT)
AND
CONFLICT OF INTEREST (COI)**

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POLICY ON RELATED PARTY TRANSACTIONS (RPT) AND CONFLICT OF INTEREST (COI)

1. Background:

The Board of Directors of Deccan Cements Limited (hereafter referred to as DCL) has adopted this policy titled Policy on Related Party Transactions (RPT) and Conflict of Interest (COI) pursuant to Regulations 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereafter referred to as SEBI LODR).

2. Important Definitions:

“Applicable Law” includes (i) the Companies Act, 2013 and rules made thereunder; (ii) the SEBI (LODR) Regulations, 2015; (iii) Indian Accounting Standards; and any amendments thereto from time to time relating to the Related Party Transactions as may be applicable to the Company.

“Arm’s length transaction” means a transactions between related parties that is conducted as if they are unrelated, so that there is no conflict of interest

“Management” includes the Key Managerial Personnel (KMP) and employees one level below the Directors. KMP refers to such designations that have been mentioned in the Section 2 (51) Companies Act, 2013.

“Material modification” means any change by more than 10% in approved price, and/or any material changes in the terms and conditions and/or pricing formulae which are not in the ordinary course of business.

“Material related party transaction” means a transaction with a RPT which is defined as “material” under Regulation 23 of the SEBI LODR.

“Ordinary course of business” shall include those transactions that satisfy any of the following criteria:

- a. Carried out in the normal course of business of the Company and can reasonably be envisaged to be pursuant to, or incidental to the objects specified in the Memorandum of Association of the Company (as amended from time to time), or is required to be undertaken to conduct the routine/day-to-day transactions of the business or in connection with the such transactions:
- b. Carried out in a manner which is incidental or ancillary to executing the normal transactions keeping in view the industry practices to which the business belongs, without which the business would be adversely affected.

“Related Party” refers to such persons or entity as defined under Regulation 2(1)(zb) of SEBI (LODR) Regulations, 2015 and/or under Section 2(76) of the Companies Act, 2013 and/or under the applicable accounting standards, and any amendments thereto from time to time.

Regulation 2(zb) of the SEBI (LODR) Regulations, 2015:

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or*
 - (b) 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 listed entity 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;*
- shall be deemed to be a related party.*

Section 2(76) of the Companies Act, 2013:

“Related Party”, with reference to a company, means—

- (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 sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) *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;*
 - (C) *an investing company or the venturer of the company;"*
- Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.*
- (ix) *such other person as may be prescribed (A director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party).*

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A Related Party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) *A person or a close member of that person’s family is related to a reporting entity if that person:*
 - (i) *has control or joint control over the reporting entity;*
 - (ii) *has significant influence over the reporting entity; or*

“Material Related Party Transactions” means a transaction with a related party as provided in the proviso to Regulation 23(1) and Regulation 23(1A) of the SEBI (LODR) Regulations, 2015.

Proviso to Regulation 23(1):

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 (April to March), exceed Rs. 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity, whichever is lower.

Regulation 23(1A):

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5 percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the company.

Any words/terms used in this Policy but not defined herein shall have the same meaning ascribed to it, in the Companies Act, 2013 and Rules made thereunder, the SEBI (LODR) Regulations, 2015, and the Indian Accounting Standards as applicable or any modifications or amendments thereto.

3. Addressing any conflicts between Policy and Rules

In case of any conflict/confusion between the Policy and the relevant Provisions in the Companies Act/Rules/ SEBI Regulations / Accounting Standards, the provisions of such Acts/Rules/Regulations/Standards shall prevail.

In case, there is any dispute / difference on the meaning/interpretation of any of the provision of this Policy, the same may/shall be referred to the Audit Committee, and the decision of the Audit Committee, in such cases, may be considered by the Board. The Audit Committee may, at its discretion, seek the

help of the Company's Management or external help, as it may deem fit.

4. Identification of Related Parties and Related Party Transactions (RTP):

- 4.1 All the Related Parties on the date of implementation of this Policy, or when a person becomes a Related Party, shall disclose their connections with the Company. Subsequently, all the Related Parties shall disclose their connection with the Company at the beginning of each Financial Year and as and when any changes/obligation arises or happens. The disclosure shall be made at the earliest and no later than 30 days, from the date of such event.
- 4.2 While entering into any transaction with the Company, the counter party shall disclose their relation with the Company. If the Counter party is not a related party, he/she/they shall give a declaration in this regard.
- 4.3 The Subsidiary entities shall from time to time, but at least twice in any financial year, i.e., as on 30th September and 31st March, furnish information about the proposed material related party transactions and any material modification/s, for purposes of obtaining requisite approvals from the Audit Committee/Board/Shareholders of the Company.
- 4.4 On the basis of the submissions received, the Company Secretary shall prepare a consolidated list of Related Parties in line with the provisions of the Companies Act / SEBI (LODR) Regulations/ Accounting Standards. The consolidated submission shall be taken note by the Audited Committee as well as by the Board at the earliest, but no later than the date of subsequent meeting.
- 4.5 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 Rs.1,000 Crores or 10% of the annual consolidated

turnover of the Company as per the latest audited financial statements of the Company, whichever is lower.

5. Approval of Related Party Transactions (RPT):

5A. Approval by the Audit Committee (AC)

1. All RPTs, and modifications thereof, need the PRIOR approval of the AC.
2. A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated/standalone turnover, as per the last audited financial statements of the Company/Subsidiary. However, 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 the prior approval of the audit committee of the listed subsidiary has been obtained.
3. The AC may grant omnibus approval for such RPTs that are of a routine and repetitive nature and which satisfy the criteria for omnibus approvals as prescribed under the Companies Act or the SEBI (LODR) Regulations or such other best prevailing practices.
4. Where the need for the RPT cannot be foreseen/anticipated and the details are not available, the AC may grant omnibus approvals for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
5. Such omnibus approvals shall be based on the criteria specified in clause 6 of this Policy

6. Omnibus approvals shall be valid for a period not EXCEEDING ONE YEAR and shall require a fresh approval before the present one expires.
7. Only Independent Directors, who are members of the AC, shall approve the RPT. In case any Independent Director of the AC is interested OR potentially interested in a RPT, then he/she must abstain from the discussion and voting on the transaction.
8. RPTs that may not be approved by the AC, need to be escalated to the Board along with their (AC) recommendations and circumstances of the case/ instance.
9. The AC on an annual basis needs to review and take on record the status of long term (that cover/extend to more than one financial year) RPTs and Omnibus approvals.
10. AC is entitled to deliberate and consider best practices that exist in the domain of approving RPTs since this aspect has a huge implication in maintaining the credibility, authenticity, trust and reputation of the entity (Parent Company and Subsidiaries)

5B. Approval by the Board of the Directors

Subject to the provisions mentioned in 5C, besides the prior approval of the AC, the matters prescribed under Section 188 (1) of the Companies Act, 2013 and Rules made thereunder shall also require the approval of the Board.

5C. Approval by Shareholders of the Company

The RPTs the value of which exceeds the amount prescribed under first proviso to Section 188(1) of the Companies Act, 2013 and Rules made thereunder 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. However, approval of the Board/Shareholders shall not be needed for the transactions

[prescribed under Section 188(1) of the Companies Act, 2013 and Rules made thereunder] entered into by the company in its ordinary course of business which is on an arm's length basis.

All material related party transactions and subsequent material modifications 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.

5D: Exemptions

The following RPTs shall be exempted from the requirement of prior approval of the shareholders:

- a. transactions between the Company and its wholly owned subsidiary, whose accounts are consolidated with that of the Company;
- b. transactions between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company.

6. Procedure for approving Related Party Transactions (RPTs)

6.a The criteria for granting omnibus approval for the RPTs is as follows:

- 6.a.i The maximum value of transactions, in aggregate, which can be allowed under omnibus route shall not exceed 10% of annual consolidated turnover of the Company (as per the last audited financial statement):
- 6.a.ii The maximum value per transaction which can be allowed for RPTs under the omnibus route, will be up to 1% of the annual consolidated turnover:
- 6.a.iii While assessing any proposal, the Audit Committee (AC) can review the documents/seek information from Management of the company, or get clarification or opinion as per clause 7 of this Policy.
- 6.a.iv The AC shall on a quarterly basis, review transactions undertaken pursuant to omnibus approvals:
- 6.a.v The following transactions will not be eligible for the omnibus approval and shall be approved by the Approving Authority, on case to case basis:

1. Transactions which are not repetitive in nature,
 2. Transactions involving sale or disposal of an undertaking of the company:
 3. Transactions involving sale or disposal or assignment of any significant or critical asset of the Company:
 4. Transactions which require shareholder approval under Clause 5 of this Policy: and
 5. Transactions which require specific approval of the Board, under the terms of this Policy, the Act and rules made thereunder.
- 6.b The Company ought to prepare a RPT Information Memorandum that has to be presented for approval by the AC or the Board, and which shall contain the following information at the least:
- i. Name of the related party and nature of relationship with the Company or its Subsidiary, including the nature of its concern or interest (financial or otherwise),
 - ii. Nature, tenure of the transactions and details of the transaction,
 - iii. Material terms of the transaction including the value,
 - iv. 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 the RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided),
 - v. If the transaction relates to a loan/ inter-corporate deposit/ advance/ investment made or given by the Company (including a Corporate Guarantee) or its subsidiary, then:
 - a. details of the source of funds in connection with proposed transaction:
 - b. where any financial indebtedness is incurred to make or give loans, inter-corporate deposit, advance or investment, specify:
 - nature of indebtedness,
 - cost of funds,
 - tenure,
 - possibility of roll over/extension, and

- such relevant matter.
 - c. applicable terms, including covenants, tenure, interest rate, repayment schedule whether secured or unsecured (if secured, nature of security): and
 - d. the purpose for which the funds will be utilized.
- 6c. Justification as to why the transaction is in the interest/benefit of the Company
- 6d. If an expert report is being relied upon for decision making, then the report needs to be submitted for purposes of approval
- 6e. Percentage of the counter-party's annual turnover that is driven by the present transaction
- 6f. For transactions that require/call for omnibus approval:
- i. maximum amount of transactions that can be entered in the financial year,
 - ii. indicative base/current price and formula, if any, for price variation
- 6g. Confirmation /opinion as per clause 7 of this policy
- 6h. Any other information which is relevant or important, or as may be required by the Board/Audit Committee to take decision on the proposed transaction

7. Criteria and Guidance for approving Related Party Transactions (RTPs):

Criteria that the Audit Committee shall consider to approve RPTs as the basis:

- a. Is the proposed transaction in the best interest of the Company?
- b. Are the terms of the transactions fair and at Arm's length?
- c. Are the terms and conditions in this transaction no less favourable to the Company than those, if the party was not a related party?
- d. Do the applicable Rules and Regulations permit this RPT?
- e. Are there any compelling business reasons for the company to enter into the RPT and if yes, are there any alternative options that have been evaluated and presented before the AC?
- f. Does the proposed RPT have any direct or indirect reputation and trust issues whether internally or externally to the Company?

- g. Does the RPT have the implication that the Company will enter into any long term obligation, for instance need for renewal or barriers to competition etc.?
- h. Does the RPT present any actual or potential conflict in interest for any director, KMP, Senior Management of the Company or at any Subsidiary?
- i. Any other aspect/development that may arise from time to time including the best practices and regulatory development.

If subsequent to the initial approval of a RPTs, there are changes in material circumstances and /or conditions accompanying the RPT, the AC and Board must be updated/appraised of such changes in circumstances/conditions and the outcome of such deliberations be captured in writing for future reference and guidance. Any external opinion- legal, accounting, taxation, ethical etc, may be obtained and presented to the AC and Board during such deliberation.

8. Related Party Transactions that may not have been approved previously

This policy recognizes that RPTs are dynamic and a transaction that was previously not an RPT may become one owing to myriad changes. Hence, the custodian of the agreement and the Secretarial Department need to continuously assess the situation and ensure that any qualifying transaction be presented to the Audit Committee/ Board /Shareholders (jointly referred to as Approving Authority for purposes of this Policy) as soon as the changed circumstances arise, for their approval/ ratification.

The Approving Authority shall upon considering the relevant facts and circumstances decide to:

- a. Ratify,
- b. Revise,
- c. Terminate

the existing agreement and in which case their decision shall be final under all circumstances. The reasons for the decision must be documented for future reference. The Approving Authority may also insist on bringing into place such review mechanism in this area in order to mitigate any risks arising in this key aspect.

9. Transactions excluded from the scope of this policy

The following transactions may be considered to be outside the scope of this policy.

Please note that this list also ought to be reviewed at least once every 6 months to consider the relevance and expediency. Some of the transactions are as follows:

- a. Payment of remuneration to KMPs and employees;
- b. Payments to Directors (remunerations, fees, commissions etc.);
- c. Share based incentives plans like ESOPs to the directors, KMPs, other employees;
- d. Benefits, interest arising to related parties solely through ownership of shares/securities. These benefits could be in the nature of dividends, bonus, buyback, split/sub-division, entitlements (e.g Preference, Rights shares) etc. of securities held;
- e. Financial assistance in the form of investment/loan/guarantee etc.
- f. CSR spends
- g. Similar outlays/benefits whether in cash or kind.

10. Ownership of this Policy (RPT and COI) and Reviews:

- a. The Secretarial Department (SD) is the principal/primary owner of this critical policy. In that capacity, SD shall at least once every 6 months send either an email or a letter intimating the directors, KMP and such members of senior management to disclose or update the list of Related Parties, and if no such update is required intimate the Secretarial Department accordingly. Please note all such responses have to be in writing and signed. This signature has to be dated.
- b. Each Director and KMP shall be required to:
 - 1. Inform the Secretarial Department of any change in previous information about related party that have been submitted by them,
 - 2. Inform by way of a notice/written medium and this also extends to intimating/informing the Audit Committee and/or

to the Board of any potential RTP and this includes such additional information that may be necessary and required to disclose.

- c. The Secretarial Department on the basis of such disclosures, shall in consultation Finance and Accounting (F&A) Department update the F&A application (SAP- FICO Module)
- d. In the interest of transparency and compliance, the Secretarial Department may appoint- internally or externally such persons (employees or others)/agencies to review and validate the database and which also includes conducting searches (digital, electronic) as may be expedient. The persons/agencies conducting such reviews/ searches /validations will be required to issue such report along with the findings to the Audit Committee (AC).

11. Disclosures, Reporting and Review of this Policy about RPT and COI

- a. Being Related is not a crime, but failure to disclose the relation by the Related Party may attract the possibility of a conflict of interest. If so, then it is the duty of the parties to the transaction to prove that there is no conflict of interest. Please note that, conflict of interest could be beyond financial or pecuniary measures.
- b. Timing of the disclosure and/or failure to disclose will invite the Code of Conduct, and in case of delay/failure to disclose, the Company may take necessary disciplinary steps.
- c. This Policy being as critical as it is, must be displayed on the Company's website and a link provided in the Annual Report. As a good practice, the Company shall undertake training sessions during which all stakeholders are familiarized with the contents and ramifications in the event of non-compliance of this Policy,
- d. A Summary Statement of RPTs approved by the AC needs to be reviewed by the AC on quarterly basis. This statement is a critical document and has to be referenced in the relevant minutes and preserved as per the regulatory requirements.

- e. RPTs shall be disclosed in the financial statements, Company website, filings and in such manner as required by the Act/SEBI (LODR)/or prevailing practices
- f. This Policy shall be reviewed once every two years or such other time as may be prescribed by the AC/Board from time to time
- g. The Company Secretary along with the Chief Financial Officer, Managing Director and Chief Operating Office shall be authorized by the AC and Board to initially review the Policy and present their recommendations to the AC/Board for them to approve and incorporate in the Policy
- h. Each version of the Policy has to be version controlled and notes about approval by the Board and Version Number need to be mentioned on the Policy.