

RELATED PARTY TRANSACTIONS POLICY

AREX INDUSTRIES LIMITED

(CIN: L99999GJ1989PLC012213)

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The purpose of formulating this Policy is to identify related party transactions and also the manner of dealing with such transactions. This Policy shall be called Related Party Transactions Policy on materiality and dealing with the related party transactions.

OBJECTIVE OF THE POLICY:

AREX INDUSTRIES LIMITED (the “Company”, for short) and its associate companies or companies in which directors or their relatives are interested, or with the directors or their relatives, may, in ordinary course of business, enter into Related Party Transactions with Related Parties.

The Board of Directors (the “Board”, for short) of the Company has adopted Related Party Transactions Policy (this “Policy”, for short) to set forth the procedures under which transactions with Related Parties shall be reviewed for approval or ratification in accordance with the procedures set forth below.

This Policy also aims to comply with the extant provisions of the Companies Act, 2013, the Rules framed thereunder and also applicable regulations of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Regulations”, for short).

Related Party Transactions may be entered into by the Company in accordance with the provisions of this Policy.

KEY DEFINITIONS:

“Associate Company” as per Section 2(6) of the Act:

“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.

Explanation.— For the purposes of this clause, “significant influence” means control of at least twenty (20) per cent. of total share capital, or of business decisions under an agreement;

“Related Party” in terms of Sec. 2(76) of the Act: “related party”, with reference to a company, means:

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;

5. 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;
6. 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;
7. 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;
8. 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;
9. such other person as may be prescribed;

For the purposes of sub-clause (9) above, a 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.

“Relative” as per section 2(77) of the Act and the Companies (Specification of definitions details) Rules, 2014:

“relative”, with reference to any person, means anyone who is related to another, if—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed;

List of relatives in terms of clause (77) of section 2: A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

1. Father: Provided that the term “Father” includes step-father.
2. Mother: Provided that the term “Mother” includes the step-mother.
3. Son: Provided that the term “Son” includes the step-son.
4. Son’s wife.
5. Daughter.
6. Daughter’s husband.
7. Brother: Provided that the term “Brother” includes the step-brother;
8. Sister: Provided that the term “Sister” includes the step-sister.

“Key Managerial Personnel” as per Section 2(51) of the Act:

“key managerial personnel”, in relation to a company, means—

- i. the Chief Executive Officer or the managing director or the manager;
- ii. the company secretary;
- iii. the whole-time director;
- iv. the Chief Financial Officer; and
- v. such other officer as may be prescribed

“Related Party Transactions” in terms of the Regulations:

A “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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.

“Material Related Party Transaction” means 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 **ten (10) percent** of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

1. The Audit Committee will review and approve Related Party Transactions. Approval of the Committee can be taken by calling a meeting of the Committee or by a resolution passed through circulation.

The Company will submit the necessary information of the expected Related Party Transactions at first meeting of the Audit Committee in every financial year. Such information will include the following information:

- a) Name of the Related Party
- b) Basis on which a person or entity is a Related Party
- c) Interest of Related Party interest in the transaction
- d) Approximate value of Related Party Transaction
- e) Approximate value of the interest of Related Party in Related Party Transaction
- f) Material terms and conditions of Related Party Transaction
- g) any other information regarding Related Party Transaction

The Audit Committee shall approve or disapprove Related Party Transaction after reviewing the above information.

The Audit Committee will grant its approval to Related Party Transactions if such transactions are:

- a) in the interest of the Company and its shareholders;

- b) to be entered into by the Company on terms that are comparable to those that would be obtained in arm's length transactions with unrelated parties
- c) in the ordinary course of the business of the Company.

The Audit Committee will also consider:

- a) if there are any compelling business reasons for the Company to enter into the Related Party Transaction and also nature of alternative transactions, if any.
 - b) whether proposed Related Party Transaction affects the independence of any Independent Director
 - c) whether the proposed Related Party Transactions poses any potential risk issues pertaining to the reputation of the Company
2. The Directors shall declare and disclose his/her concerns or interests in any company or companies or bodies corporate at the first Board Meeting in every financial year and subsequently whenever there is any change in disclosures.
 3. The member of the Audit Committee shall not participate in the review, discussion, consideration or approval of any Related Party Transaction with respect to which such member or any of his relative is a Related Party.
 4. The Company will provide with updated material information at a subsequent meeting of the Audit Committee and will get the changes approved afresh by the Audit Committee.
 5. The Company shall submit any additional Related Party Transactions, which are proposed to be entered into subsequent to the Audit Committee's first meeting in the Financial Year, to the Audit Committee for its approval before entering into such transaction.
 6. The Audit Committee may decide to approve or disapprove any Related Party Transaction. The Committee has also a right to suggest any modifications in the Related Party Transaction.
 7. If any Related Party Transaction has not been approved, the Audit Committee shall review such matter and it shall consider all of the relevant facts and circumstances regarding such transaction and shall also evaluate all options available to the Company, including ratification, revision or termination of such transaction. The Audit Committee shall examine the facts, circumstances and reasons pertaining to the failure of reporting such transaction to it and shall take appropriate action as it may deem fit. Further, the Audit Committee has power and authority to modify or waive any procedural

requirement of this Policy in connection with review of any such transaction by the Audit Committee.

RATIFICATION OF RELATED PARTY TRANSACTIONS:

1. The provisions of this Clause in this Policy apply to any Related Party Transaction which is entered into without obtaining the prior approval of the Audit Committee or of the Board or of the shareholders.
2. The Audit Committee or the Board or the shareholders may review the said transaction and if the Committee or the Board or the shareholders, as the case may be, is satisfied that the said transaction is not detrimental to the interest of the Company, the Committee or the Board or the shareholders may ratify such transaction, with or without the modifications.
3. In case the Committee or the Board or the shareholders does not approve such transaction, it may require the Related Party to reimburse the benefits which might have accrued to it and/or indemnify the Company against any loss incurred by it with regard to the said transaction which is not approved.
4. However, the Related Party transaction which are entered into without the approval of the Committee or the Board or the shareholders and subsequently not ratified by the Committee or the Board or the shareholders, the applicable provisions of the Companies Act, 2013 and the Regulations, shall apply to such transaction.

OMNIBUS APPROVAL OF THE AUDIT COMMITTEE:

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

1. Audit Committee shall lay down the criteria for granting the omnibus approval in line with this policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
2. Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
3. Such omnibus approval shall specify (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 and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction.

4. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year,

APPROVAL OF THE BOARD OF DIRECTORS AND THE SHAREHOLDERS:

The approval of the Board of the Company will be required for Related Party Transactions which are not in the ordinary course of the business of the Company or not at the arm’s length.

All material Related Party Transactions will be reported to the Board by the Audit Committee.

All material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions. The Company will seek approval of the shareholders for material Related Party Transactions in the subsequent general meeting or by a postal ballot process.

Criteria to determine material Related Party Transactions:

Nature of Transaction	Threshold limit for Related Party Transactions under the Companies Act, 2013	Threshold limit for Related Party Transactions under the Regulations
Sale, purchase or supply of any goods or materials	exceeding 10% of the turnover or Rs. 100 Crore, whichever is lower	10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company
Selling or otherwise disposing of or buying property of any kind	exceeding 10% of net worth or Rs. 100 Crore, whichever is lower	
Leasing of property of any kind	exceeding 10% of net worth or 10% of turnover or Rs. 100 Crore, whichever is lower	
Availing or rendering of any services, directly or through appointment of	exceeding 10% of turnover or Rs. 50 Crore, whichever	

Nature of Transaction	Threshold limit for Related Party Transactions under the Companies Act, 2013	Threshold limit for Related Party Transactions under the Regulations
agent	is lower	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 2.50 Lacs	
remuneration for underwriting the subscription of any securities or derivatives	exceeding 1% of net worth	

DISCLOSURE REQUIREMENTS:

Details of all material transactions with Related Parties shall be disclosed quarterly. The Company shall disclose this policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

Every contract or arrangement entered into with Related Party shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

This Policy will be communicated to the Directors, Key Managerial Personnel and other concerned persons.

REVIEW OF THIS POLICY:

This Policy is formulated taking in view extant provisions of the Companies Act, 2013, and Rules thereunder and also in terms of the requirements of the Regulations. In case of any conflict between the provisions of this Policy and the Regulations or the Companies Act, 2013 or any other statutory enactments, the provisions of such Regulations or the Companies Act, 2013 or other statutory enactments, shall prevail over this Policy.

In case of any confusion or doubt with respect to any provision of this Policy, the Audit Committee may make a reference to the Board of the Company and in such case, the Audit Committee will follow the decision of the Board of the Company. Further, this Policy is subject to any modification, revision, variation, deletion, addition or amendment in accordance with the provisions / guidelines as may be issued / imposed by the Government or SEBI or Stock Exchanges or any other competent authority, from time to time.