

INTELLECT DESIGN ARENA LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

(effective from 01.04.2019)

1. Preamble

The Board of Directors (the “Board”) of INTELLECT DESIGN ARENA LIMITED (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions.

This Policy on the Related Party Transactions (the “Policy”) of the Company set forth the procedures to be followed for approval/ratification of Related Party Transactions in compliance with applicable laws and regulations.

2. Purpose and Objective of the Policy:

Regulation 23(1) of the SEBI Regulations requires the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. The Company intends that all Related Party Transactions are undertaken on Arms Length Basis & intends the proper approval and reporting of the Related Party Transactions.

The Objective of the 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 based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable of the Company.

3. Definitions:

The terms included in this Policy shall have the same meaning as defined under the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and/or other related laws, as amended and applicable from time to time.

- a) **“Audit Committee” or “Committee”** means Audit Committee of Board of Directors of the Company constituted under Regulation 18(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Section 177 of the Companies Act, 2013.
- b) **“Arm’s Length Basis”** means basis and principles followed for conduct of transactions between two un-related parties, with no conflict of interest.
- c) **“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 per cent of total voting power, or control of business decisions under an agreement; and the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
- d) **“Board”** means Board of Directors of the Company

- e) **“Company”** means Intellect Design Arena Limited.
- f) **“Key Managerial Personnel”** means any key managerial personnel as defined under Section 2(51) of the Companies Act, 2013.
- g) **“Ordinary Course of business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the ordinary course of its trade or business.
- h) **“Related Party”** have the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1) (zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.
- i) **“Related Party Transactions” (RPTs)** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 as 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, including but not limited to the following:-sale, purchase or supply of any goods or materials;
 - (a) selling or otherwise disposing of, or buying, property of any kind;
 - (b) leasing of property of any kind;
 - (c) availing or rendering of any services;
 - (d) appointment of any agent for purchase or sale of goods, materials, services or property;
 - (e) such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - (f) underwriting the subscription of any securities or derivatives thereof, of the company
- j) **“Material Related Party Transaction”** means
 - i. a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity
 - ii. 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 of the listed entity as per the last audited financial statements of the listed entity.]

4. Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall not vote from voting on such resolutions

whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations

5. Approval of Related Party Transactions by Audit Committee

- i. All Related Party Transactions (one time or ongoing) shall be put up before the Audit Committee for its consideration and approval.
- ii. The Audit Committee shall determine whether the Transactions are on Arms' Length Basis and in Ordinary Course of Business, while providing its approval and for this, the CFO and Compliance Officer shall provide background information and details to establish that it is an arms length transaction.
- iii. If the Audit Committee determines that the Transactions are not on Arms' Length Basis or not in Ordinary Course of Business, or are "Material", or in any case requires the Board's approval, then it shall recommend such transactions to the Board for its approval.
- iv. Further, if the Board determines that such transactions are "Material", as per the criteria mentioned above, then it shall recommend such transactions to the Shareholders of the Company for their approval.
- v. The Audit Committee may also provide an Omnibus approval to such transactions, which are repetitive in nature, on such terms and conditions as it may deem fit.
- vi. The details of transactions for which the Audit Committee give the Omnibus approvals, shall be quarterly placed before the Committee, for its review.

6. 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, 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:

- a) 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;
- b) 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;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- d) Transactions meeting the materiality thresholds laid down above in the Policy, which are intended to be placed before the shareholders for approval

7. Approval of the Shareholders of the Company

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

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

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for the following transactions:

- Transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval
- Transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

8. Amendments

Notwithstanding the above, the applicable provisions and amendments, if any, under the Companies Act, 2013 and/ or SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 in respect of Related Party Transactions shall be implemented by the Company. The Audit Committee is empowered by the Board to recommend the amendments to this Policy from time to time as it deems appropriate.

9. Disclosure

The Related Party Transactions shall be disclosed in the Company's applicable filings as required by the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and the said Policy shall be disclosed on Company's Website as required under SEBI (Listing Obligations and Disclosure Requirements) Regulation 2015 and in the Annual Report as prescribed.

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website

10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS 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 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, 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

11. REVIEW OF THE POLICY

The policy will be reviewed once in three years or as and when regulatory changes are notified, whichever is earlier.