

POLICY ON DETERMINING CRITERIA FOR RELATED PARTY TRANSACTIONS

The Board of Directors (the “**Board**”) of **A-ONE STEELS INDIA LIMITED (FORMERLY KNOWN AS A-ONE STEELS INDIA PRIVATE LIMITED AND A-ONE STEEL AND ALLOYS PRIVATE LIMITED (“Company”)** has, adopted this Related Party Transactions Policy (this “**Policy**”), which defines and lays down the procedures with regard to Related Party Transactions, pursuant to Section 188 of the Companies Act 2013 and Rules made thereunder.

Definitions

*“**Arm’s Length Transaction**” means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no conflict of interest.*

*“**Board**” means the board of directors of the Company.*

*“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act.*

*“**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, exceed ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.*

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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

*“**Ordinary course of business**” means a transaction as may be so determined based on the guiding principles set down under Appendix A, which may be amended from time to time in accordance with the statutory requirements and other industry practices and guidelines.*

*“**Policy**” means this Related Party Transaction Policy.*

*“**Related Party**” means related party as defined under Section 2(76) of the Companies Act read with amendments issued from time to time which is as follows:*

Section 2(76) of the Companies Act

*“**Related party**”, with reference to a company, means*

- (i) 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 under whose advice, directions or instructions a director or manager is accustomed to act:*

- (viii) *Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;*
- (ix) *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 ;*
- (x) *such other person as may be prescribed; Provided that 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.*

“Related Party Transaction” means a related party transaction as defined under Section 188 of the Companies Act 2013 read with amendments issued from time to time which is as follows:

“Related Party Transaction” means 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:

- (i) *sale, purchase or supply of any goods or materials;*
- (ii) *selling or otherwise disposing of, or buying, property of any kind;*
- (iii) *leasing of property of any kind;*
- (iv) *availing or rendering of any services;*
- (v) *appointment of any agent for purchase or sale of goods, materials, services or property;*
- (vi) *appointment to any office or place of profit in the Company, its subsidiary company or associate company; and*
- (vii) *underwriting the subscription of any securities or derivatives thereof, of the Company*

“Relative” with reference to a director or a Key Managerial Personnel means persons defined under Section 2(77) of the Companies Act read with amendments issued from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, the Listing Regulations or any other applicable law or regulation.

(A) Policy

1. Materiality Thresholds

The Board has, in accordance with the Section 188 of the Companies Act 2013, determined that a transaction with a related party shall be considered as material 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 Company as per the last audited financial statements of the Company.

2. Periodic identification of Related Parties

- 2.1 Related parties shall be identified under Companies Act, as amended from time to time and regularly verified.
- 2.2 The Secretarial Department of the Company shall request from all the Directors and Key Managerial Personnel information that may be required for inclusion in the list of Related Parties of the Company.
- 2.3 Each Director and Key Managerial Personnel of the Company shall be required to inform the Secretarial Department of the Company of any change in the information previously provided on the list of Related Parties of the Company.

- 2.4 Each Director and Key Managerial Personnel is responsible for providing notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board may reasonably request.
- 2.5 The list of identified Related Parties will be tagged and updated in the accounting system regularly and also periodically sent out to those of the staff of the Company that might be in the position to conduct or know of the possible conduct of Related Party Transactions.

3. Approvals for transactions with related parties:

- 3.1 Before undertaking any transaction, it must be examined by the Company whether such transaction qualifies as a Related Party Transaction, requiring compliance with this Policy. The Chief Financial Officer in consultation with the Company Secretary and other persons, as appropriate, shall determine whether a transaction does, in fact, constitute a Related Party Transaction and if so, ascertain in which of the following categories such transaction should be classified in order to determine the approval requirements:

3.2 Approval of the Board

All Transactions which are not in the Ordinary course of business or that qualify as an Arm's Length Transaction will be put up for prior approval of the Board.

3.3 Approval of the Shareholders

In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act read with applicable rules, it will be also be put up for prior approval of the shareholders in accordance with the requirements under the Companies Act. All material related party transactions shall require approval of the shareholders through resolution and norelated party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Provided that approval of the shareholder shall not be required in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Provided further that approval of the shareholders shall not be required for 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.

3.4 Exempted Transactions

The requirement of seeking approval of the Board or the shareholders in accordance with Paragraph 3.2 and 3.3, shall not apply in respect of exempted transactions as specified under Companies Act, the Listing Regulations and any other applicable laws.

4. Voting requirements

- 4.1 Before approving any Related Party Transaction, the Chief Financial Officer must express a reasoned opinion on the Company's interest in carrying out the transaction and on the benefits and substantive fairness of the related terms. In determining whether to approve or ratify a Related Party Transaction, the Board, as the case may be, shall take into account among other

factors it deems appropriate, whether the Related Party Transaction is in the Ordinary course of business of the Company and whether it qualifies as an Arm's Length Transaction and the extent of the Related Party's interest in the transaction.

- 4.2 The term Ordinary course of business has been elaborated in Appendix A to this Policy. For this purpose, the Board, as the case may be, is entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.
- 4.3 If any director of the Company is interested in any contract¹ or arrangement with a Related Party, such director cannot be present at the Board meeting of the Company during discussions in the matter.
- 4.4 All related parties shall not vote to approve any related party transaction irrespective of whether the related party is a party to the particular transaction or not.

5. Ordinary Course of Business and Arm's Length Price:

- 5.1 Arm's length pricing in respect of all Related Party Transactions shall be determined in accordance with the policy memos adopted by the Board for specified Related Party Transactions, where such memos have been prepared.
- 5.2 All proposed Related Party Transactions may be assessed as to whether they are in the Ordinary course of business by reference to the Company's Note on 'Determination of Ordinary Course of Business', as approved by the Board.

6. Related Party Transactions approved under this Policy

The Board has reviewed the types of Related Party Transactions of the Company and determined that each of the transactions listed below are Ordinary course of business and shall be deemed to be pre-approved by the Board, subject to qualifying as an Arm's length Transaction requirements as per the policy memos² (and the accompanying contract memos³) adopted by the Board for specified Related Party Transactions.

- Availing of technology related services with respect to customization & maintenance, onsite IT support, software / hardware license procurement and annual maintenance services;
- Availing of clearing and settlement services;
- Provision of rent and infrastructure support services;
- Provision of network usage services;
- Deputation of employees to group companies;
- Reimbursement of expenses including pass through transactions;
- Technology related cost sharing with the related parties; and
- Investment in equity / preference shares of the group entity.⁴

¹ All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are expressly not declared to be void.

7. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Board. The Board shall consider all of the relevant facts and circumstances and evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Board under this Policy, and shall take any such action it deems appropriate.

8. Disclosure and reporting

- 8.1 Details of the Related Party Transactions during the year shall be disclosed in the Board meeting.
- 8.2 Director's report shall contain details of Related Party Transactions as required under the Companies Act.

9. Review of the Policy

The adequacy of this Policy shall be reviewed and reassessed by Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise. The policy shall be reviewed by the board of directors at least once every three years including clearly specifying threshold limits and updated accordingly.

² Policy memos are broad framework specific to transactions falling under the similar category, for which pricing and arm's length mechanism can be uniformly followed.

³ Contract Memos are specific to the contract /arrangement covered under the Policy memo and the same should follow the pricing as prescribed under the respective policy memos, along with the documents spelt out in the policy memos to demonstrate the arm's length behavior.

Appendix A

Determination of Ordinary Course of Business

Background:

Section 188(1) of the Companies Act states that a company shall not enter into any contract or arrangement, as specified therein, with a related party which is not in the ordinary course of business and which is not at arm's length, without the consent of the board of directors given by a resolution at the meeting of the board of directors. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act read with the rules, it will be also be put up for prior approval of the shareholders through special resolutions.

So, for transactions meeting both the criteria in the third proviso to section 188(1) of the Companies Act, viz. transactions that are entered in the Ordinary course of business and amount to an Arms' Length Transaction, the provisions of Section 188(1) of the Companies Act would not apply.

Whilst the framework policy defined by us defines an Arm's Length Transaction, the Policy does not articulate what would be deemed as ordinary course of business for the Company.

What is Ordinary course of Business?

The phrase 'ordinary course of business' is not defined under the Companies Act or the rules prescribed thereunder. An assessment of whether a transaction is in 'ordinary course of business' maybe very subjective, judgmental and can vary on case-to-case basis. The purpose of making such assessment is to determine whether the transaction is usual or customary to the Company and / or its line of business.

The Company would, therefore, be required to exercise its judgment to conclude whether a transaction which the Company enters into can be considered to be in the ordinary course of its business.

For example, a car manufacturing company selling car to its group company would easily be deemed as a transaction that has been entered into by the company in its ordinary course of business.

Transactions that may be considered outside a company's normal course of business:

International Standard on Auditing ("ISA") 550- 'Related Parties' has listed certain illustrative (not exhaustive) examples of the same:

- a. Complex equity transaction, such as corporate restructurings or acquisitions;
- b. Transactions with offshore entities in jurisdictions with weak corporate laws;
- c. The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged;
- d. Transactions with circular arrangements, for example, sales with a commitment to repurchase; and

- e. Transactions under contracts whose terms are changed before expiry.

Tests for determining whether a contract/ activity falls within the ordinary course of business:

The courts have *inter alia* laid down the following principles in this regard:

- a. the objects of the company permit such activity;
- b. it is a historical practice and there is a pattern of frequency (and not an isolated transaction);
- c. it has a connection with the normal business carried on by the company;
- d. the income, if any, earned from such activity/transaction is assessed as business income in the company's books of accounts and hence, is a 'business activity'; and
- e. It is a common commercial practice.

Key factors which the management of the Company may consider in making its assessment for ordinary course of business of the Company:

i. Whether the transaction is covered in its Memorandum of Association:

If the transaction is covered in the objects clause of the Memorandum of Association then it is likely to be in ordinary course of business of the company.

ii. Whether a transaction is usual or unusual:

Although a Company would be outsourcing its IT processes for the first time, if that is a norm in the industry in which it operates the transaction is not unusual. Hence, whilst deciding the usualness or otherwise of a transaction, one should not restrict oneself only to the company and its past history; rather, a wider perspective covering line of business.

iii. Frequency:

If a transaction occurs frequently over a period of time, the more likely it is to be an ordinary part of the business. However, the inverse of this does not necessarily hold true.

iv. Business purpose of the transaction and whether transaction is done on similar basis with other third parties:

The Company would consider transactions to be in the ordinary course of business which include those that form part of the revenue from operations, the costs of goods / products sold and the normal expenses incurred for operating the business uninterruptedly or part of capital asset like replacement / maintenance of fixed assets (considering the business rationale and without any complicated terms and conditions as compared to transactions with independent third parties)

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary may generally be assessed on a case to case basis as to whether they could be considered to be in the ordinary course of business.

v. Size and volume of transaction.

The materiality of the transaction in terms of its value may be considered.

Related party transactions of the Company *(Subject to discussion and approval of the Board)*

Based on the rationale and parameters provided above, the management of the Company is of the view that the transactions as mentioned in Paragraph 6 of the Policy should to be considered in the Ordinary course of business of the Company.

As regards any other transaction with the Related Parties, the management of the Company may deem to consider such transaction in the Ordinary course of business of the Company from time to time based on the parameters specified in this Policy.