

**POLICY ON
RELATED PARTY TRANSACTION**

Kretto Syscon Limited

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RELATED PARTY TRANSACTION POLICY

1. Introduction:

Kretto Syscon Limited (“Company”), on the recommendation of the Audit Committee, has adopted this Policy on Related Party Transactions (hereinafter referred to as “RPT Policy” or “Policy”) as required by the provisions of Section 177 and Section 188 of the Companies Act, 2013 (hereinafter referred to as the “Act”) read with the relevant rules made thereunder and the provisions Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties.

2. Scope and Purpose of the Policy:

The Objective of the policy is to set out as follows:

- a) To regulate transactions between the Company, its subsidiaries and its Related Parties with a view to ensure that such transactions are executed on an arm’s length basis and in a transparent and fair manner.
- b) To seek necessary approvals of the Audit Committee/Board/shareholders as may be necessary, after providing necessary information to them in the prescribed manner.
- c) To outline the procedures for identification, review, approval, disclosure and reporting of such transactions.

This Policy is applicable to all related party transactions across all business units of the Company and its subsidiaries in India.

The Board of Directors (“the Board”) of the Company understands the importance of stakeholder’s confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest inflicting any apprehension in the minds of its stakeholders, the Board of the Company, acting upon the recommendation of its Audit Committee (“the Committee”), has adopted the following policy and procedures with respect to Related Party Transactions.

3. Definitions:

“**Act**” means the Companies Act, 2013 and includes any amendment thereof.

“**Policy**” means policy on Related Party Transaction.

“**Arm’s length transaction (‘ALP’)**” as per the Explanation (b) to Section 188 (1) of the

Companies Act, 2013 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 Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of SEBI (LODR) Regulations, 2015 and Section 177 of the Act.

“Board of Directors” or **“Board”** in relation to the Company means the collective body of the directors of Kretto Syscon Limited.

“Company” means Kretto Syscon Limited.

“Key Managerial Personnel” (KMP) in relation to the Company means:

- i. the Chief Executive Officer, or the Managing Director or the Manager;
- ii. the Company Secretary;
- iii. the Whole-time director;
- iv. Chief Financial Officer; and
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

“Related Party”, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 or Listing Regulations or under the applicable accounting standards as amended from time to time.

“Related Party Transaction” (RPT) means–

- For the purpose of the Act, specified transaction mentioned in clause (a) to (g) of sub-section (1) of Section 188;
- for the purpose of SEBI (LODR) Regulations, 2015, a transaction involving a transfer of resources, services or obligations between:
 - (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
 - (ii) the Company 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 (with effect from April 1, 2023);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 by the Company 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 buy-back of securities

“Material Related Party Transaction” means 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 rupees **one thousand crore or ten percent** of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

“Material Modification(s)” means and include any modification to an existing RPTs, in aggregate with a related party, having variance of **25% in value** of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

“Relatives” with reference to any person shall have the meaning as defined in Section 2(77) of the Act read with clause 4 of The Companies (Specification of definition details) Rules, 2014.

“Transactions in the Ordinary Course of Business” means activities that are necessary, normal, and incidental to the business and which fall under one or more of the following headings:

- Import / export of services
- Import of Fixed assets / spares / computers
- Purchase and Sale of Fixed assets
- Royalty Received / paid
- Commission Income received / paid
- Re-imbusement of expenses
- Dividend Received / paid
- Loans and Advances paid and repaid
- Interest received on Loans given
- Interest paid on Loans received
- Any other as the Audit Committee may deem fit.

Any other term not defined herein shall have the same meaning as defined in the Act, SEBI (LODR) Regulations, 2015, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation

4. Manner of dealing with Related Party Transactions and materiality thresholds:

A. Identification of potential related parties

- Once a year, declarations will be obtained by the Company Secretary or Compliance Officer as the case may be from the Directors and KMP and other related parties within the meaning of Section 2(76), 184 and 189 of the Act and SEBI (LODR) Regulations, 2015 in the prescribed format.
- Any individual appointed/elected as a director or KMP shall be responsible to promptly complete and submit to the Company Secretary or Compliance Officer as the case may be, the disclosure declaration referred to above.
- The declarations will also be required to be updated by the Directors and KMP regularly immediately upon a change taking place.
- The Company Secretary or Compliance Officer as the case may be shall, in every meeting, place before the Audit Committee an up-to date list of the related parties of the Company.

B. Identification of potential related party transactions

Each director and Key Managerial Personnel is responsible for providing Notice to the Board or Audit Committee of any potential RPT involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.

The Company strongly prefers to receive such notice of any potential transactions with Related Party well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

C. Procedure for approval of related party transactions

(i) Prior approval of Audit Committee of the Company:

- All related party transactions and subsequent material modifications as prescribed under the Act and SEBI (LODR) Regulations, 2015, shall require prior approval of Audit Committee of the Company, whether at a meeting or by Resolution by circulation.

- However, the Audit Committee may grant omnibus approval for such Transactions proposed to be entered into by the Company subject to the following conditions: -
- 1) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on RPTs of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - 2) The 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 the following:
 - the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - the indicative base price / current contracted price and the formula for variation in the price if any and;
 - such other conditions as the Audit Committee may deem fit;

Provided that where the need for RPT cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One 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.
 - 6) Any member of the Audit Committee who has a potential interest in any RPT will abstain from discussion and voting on the approval of the RPT.

(ii) Prior approval of Board of Directors under the Act

- a) RPTs within the scope of Section 188 of the Act, which are either not in the Ordinary Course of Business or are not at Arms' Length shall require prior approval of the Board of Directors.
- b) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
 - 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;

- 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;
- Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
- Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

In the above context, where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement, and shall also not vote on such resolution.

(iii) Shareholders' approval requirements

Shareholder's approval shall be sought in the following cases as per the requirements of the Act:

- RPTs covered within the scope of Section 188 of the Act; which are either not in the 'Ordinary Course of Business' or are not on an 'Arm's Length Basis' and exceed the threshold prescribed under the rules made thereunder, shall require prior approval of the shareholders through special resolution.
- No member of the Company shall vote in a special resolution where a related party contract or arrangement is being considered if such a member is a related party in the context of the contract or arrangement which is being considered.
- As per Section 188(3) of the Act, where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board, consent of shareholders at a meeting is required to be obtained within three months from the date on which such contract or arrangement was entered into.

Shareholder's approval shall be sought in the following cases as per the requirements of SEBI (LODR) Regulations, 2015:

- All Material RPTs and subsequent material modifications covered within the scope of SEBI (LODR) Regulations, 2015 shall require prior approval of the shareholders through a special resolution. For this purpose, no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not
- However, the above shall not be applicable to such transactions as may be exempted by SEBI (LODR) Regulations, 2015, or if not covered under the Act.

D. Materiality Thresholds

The Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution, thus the Board of the Company has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

a) As per SEBI (LODR) Regulations, 2015:

- i) Any 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 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or ₹ 1,000 crore, whichever is lower.
- ii) 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

b) As per the Act:

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

5. Transactions excluded from requirement of obtaining approvals:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of the Audit Committee or the Board of Directors or Shareholders, as the case may be:

- i. Any transaction that involves the providing of compensation, if approved by the Board Nomination & Remuneration Committee, to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- iii. Any scheme of loans/benefits availed by Key Managerial Personnel, which is applicable to all the employees of certain management level, which are as per the policy of Company.

- iv. Any scheme availed for sale/exchange of company products or services of the Company by Directors, Key Managerial Personnel or their respective relatives, at a discount or otherwise, applicable to the Directors/Management/Public/ Shareholders.
- v. Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly-owned subsidiaries or other Related Parties;
- vi. Payment of Dividend
- vii. issuance of securities by way of a rights issue or a bonus issue;
- viii. 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;
- ix. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off, approved by the Board and carried out in accordance with the specific provisions of the Act, or SEBI (LODR) Regulations, 2015;

6. Procedure for approval of Related Party Transactions / contract /arrangements:

- A. For the purpose of Identification of Related Party Transactions, the respective Head of Department will ensure that a notice of any potential Related Party Transaction is intimated well in advance to the Audit Committee/ Board, so that the Audit Committee/ Board will have adequate time to obtain and review information about the proposed transaction and arrange for necessary prior approval.
- B. For the purpose of obtaining approval of RPT and subsequent material modifications from Audit Committee, the following should be disclosed in the agenda-
 - (i) Name/s of the related party, its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - (ii) Nature of transaction, material terms and particulars of the proposed transaction;
 - (iii) Period of transaction;
 - (iv) Maximum amount of transaction that can be entered into;
 - (v) 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 a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - (vi) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:

- a) Details of the source of funds in connection with the proposed transaction;
- b) Where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
- nature of indebtedness;
 - cost of funds; and
 - tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (vii) The indicative base price / current contracted price and the formula for variation in the price if any;
- (viii) Whether transaction is in the interest of Company at arm's length basis / in ordinary course of business with justification for the same;
- (ix) A copy of the valuation or other external party report, if any such report has been relied upon
- (x) Such other conditions as the Audit Committee may deem fit.
- C. The audit committee shall also review the status of long term (more than one year) or recurring RPTs on an annual basis.
- D. The audit committee of the listed entity shall also review the financial statements, in particular, the investments made by the unlisted subsidiary.
- E. The minutes of the meetings of the board of directors of the unlisted subsidiary shall be placed at the meeting of the board of directors of the Company.
- F. For the purpose of obtaining approval from the Board of Directors of Company of any contract or arrangement with the related party which is not at arm's length or in ordinary course of business, the following shall be disclosed in the agenda –
- (i) A summary of the information provided by the management of the Company to the audit committee as specified above;
 - (ii) Any advance paid or received for the contract or arrangement, if any;
 - (iii) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - (iv) Whether all factors relevant to the contract have been considered, if not, the details

of factors not considered with the rationale for not considering those factors;

G. For the purpose of obtaining approval from the Shareholders in respect of transactions beyond threshold limits entered into with the related party under any contract or arrangement which are not at arm's length or in ordinary course of business or material RPT's or any subsequent material modifications thereof, the following shall be included in the explanatory statement annexed to the notice of general meeting –

- (i) A summary of the information provided by the management of Company to the audit committee as specified above;
- (ii) Justification for why the proposed transaction is in the interest of Company
- (iii) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary as specified above;
- (iv) Any other information relevant or important for the members to take a decision on the proposed resolution.

7. Disclosures:

- i) Details of all material transactions with related parties are to be disclosed quarterly along with the compliance report on corporate governance.
- ii) All Related Party Transactions shall be disclosed in the Company's quarterly audited financial statements and Annual Report and applicable statutory filings.
- iii) The contract or arrangements entered into with the Related Parties shall be disclosed in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.
- iv) This Policy shall be disclosed on the Company website and a web link thereto shall be provided in the Annual Report.

8. Related Party Transactions not approved under this Policy:

- i. 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 of 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.

- ii. 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 for the loss suffered by the related party 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.
- iii. Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of Section 188 of the Act and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.

9. Scope Limitation:

In the event of any conflict between the provisions of this Policy and of SEBI (LODR) Regulations, 2015 / the Act or any other statutory enactments, rules, then later shall prevail.

10. Governance of the Policy:

- i. Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.
- ii. This Policy on Related Party Transactions shall be governed by Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or such other Rules /Regulations, as may be notified by SEBI from time to time as well as the Companies Act, 2013 read with Rules made therein under, as may be notified by MCA and in force for the time being. Accordingly, interpretation of any of the provisions should be made in consistence thereto in the implementation of this policy. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, SEBI (LODR) Regulations, 2015, Ind AS and all other applicable laws / rules, as may be issued from time to time shall be mutatis mutandis applicable.
