



R. S. SOFTWARE (INDIA) LIMITED RELATED PARTY TRANSACTION POLICY

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) reviewed the provisions of the Listing Agreement vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, adopted best practices on corporate governance and to make the corporate governance framework more effective, revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

R S Software India Ltd. (referred as **“Company”**) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Accordingly, the Board of Directors, upon the recommendation of the Audit Committee, has adopted the following policy and procedures with regard to the related party transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

Applicability

This policy will be applicable to the company with effect from 1st April, 2014 to regulate transactions between the company and its related parties based on the applicable laws and regulations.

Objective

This policy has been framed in accordance with the requirements of section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement entered by the company with the stock exchanges. It is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

SCOPE

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

Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and Companies Act, 2013.

“Board” means Board of Directors of the Company

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011



“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Material Related Party Transaction” means a transaction with a related party if the transaction / transactions 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.

“Policy” means Related Party Transaction Policy.

As per Clause **49.VII.B**- Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions.

The **Two expressions** used under this clause:

- Person
- Entity

In case of **“person”**:

- Person” is a related party if the person comes **u/s 2 (76)**
- Has control, joint control or significant influence
- If the KMP of the company or the parent company

Section 2(76)

“Related Party” 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 is a member or director;**
- v) a public company in which a director or manager is a director or 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 holding, subsidiary or an associate company of such company;
 - or**
 - a subsidiary of a holding company to which it is also a subsidiary;
- ix) 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.**



“Entities” taken are “Related Parties”:

All entities covered by **sec 2 (76)**

- Parents, subsidiaries, fellow subsidiaries
- Company’s associate, joint venture entity, associate or joint venture of the holding company, subsidiary company or fellow subsidiary
- Fellow joint venture
- JV Investor’s associate, or significant investor’s Joint venture
- Post employment benefit plan
- Entities under common **control** of “person”
- Fellow associates of a “person”, or subsidies of such fellow associates
- The word “control” is to be read in terms of SAST Regulations – the definition is at par with **sec 2 (27)**

Relative

Section 2(77) Rule No. 4

- 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.**

Related Party Transactions (Section 188)

Board resolution required for following contracts or arrangements entered with related party:-



- (i) Sale, Purchase or supply of any goods or materials directly or through appointment of agents **not exceeding 10% of the annual turnover or Rs. 100 crore whichever is lower.**
- (ii) Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents **not exceeding 10% of the net worth or Rs. 100 crore whichever is lower.**
- (iii) Leasing of property of any kind **not exceeding 10% of the net worth or 10% of the turnover or Rs. 100 crore whichever is lower.**
- (iv) Availing or rendering of any services directly or through appointment of agents **not exceeding 10% of the annual turnover or Rs. 50 crore whichever is lower.**
- (v) Appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company **at a monthly remuneration exceeding two and half lakh rupees;**
- (vii) Underwriting the subscription of any securities or derivatives thereof, of the company **not exceeding 1% of the net worth.**

Provided also that if the transaction is at arm's length basis and in the ordinary course of business than Section 188 will not apply.

Explanation- In this sub-section,—

- (a) The expression **"office or place of profit"** means any office or place-
 - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (b) The expression **"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.

Related Party Transactions (Clause 49)

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

- **As per Section 177(4)(iv)** Every Related Party transactions have to be approved by the Audit Committee if the Company has the same.
- **As per Section 164(1)(g)** if the Director contravene with Section 188 then the Director will not be eligible to be re-appointed as director for a period of next five years.
- **Where any director is interested** in any contract or arrangement with a related party, such director during discussions on the subject matter of the resolution relating to such contract or arrangement.
- **In both Section 188(1) & 177 Board of Audit Committee's consent** is not necessarily prior, it can be post. But in case of **SEBI it is prior (for Listed Company).**
- **In case of wholly own subsidiary, the special resolution passed by the holding company** shall be **sufficient for the purpose** of entering into transaction between wholly own subsidiary and holding company.



Disclosure of Interest by Directors (Section 184)

(1) Director having Concern or Interest including (shareholding) in:

- Company
- Body Corporate
- Firm
- Association of Individuals shall give disclosure as under:

-One time Disclosure: At the first meeting of the Board.

-Annual Disclosure: At the first meeting of the Board in every financial year.

-Disclosure for change: At the first meeting held after such change.

(2) Director who is directly or indirectly concerned or interested in a Contract or arrangement or proposed Contract or arrangement with the following;

- Body Corporate in which director along with other director holds $\geq 2\%$ of the Paid up Capital of the Company or;
- Is a Promoter;
- Manager or
- Chief Executive officer;
- Firm or other Entity in which such Director is a Partner, owner or member.

-As per Section 2(49) "**Interested Director**" means a director who is in any way, whether by himself or through any of his relatives or firm, body corporate or other association of individuals in which he or any of his relatives is a partner, director or a member, interested in a contract or arrangement or proposed contract or arrangement, entered into or to be entered into by or on behalf of a Company.

- This Section shall not apply to contract entered into between two companies where the directors hold not more than 2% of Paid up share Capital of the Company.
- **Non Compliance will result in vacation of office u/s 167(1).**
- The Disclosure should be given in Form **MBP-1**.

Review and Approval of Related Party Transactions

Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, the Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the company which are repetitive in nature and are in the ordinary course of business and at Arm's length basis, subject to compliance of the conditions contained in clause 49 of the listing agreement.

Any member of the Committee who has a potential interest in any related party transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ✓ Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;



- ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- ✓ Whether the Related Party Transaction would affect the independence of an independent director;
- ✓ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- ✓ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ✓ Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:

- i. 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.
- ii. Any transaction that involves the providing of compensation 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.
- iii. 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.

Board

If the committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction and the conditions set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Shareholders

All Related party transactions and material specific transactions, other than the exempted transactions in a listed Company shall require prior Shareholders approval by way of Special Resolution in General Meeting.

All the transactions, other than the Material Related Party Transactions, which are not in the ordinary course of business or at Arm's Length basis shall also require the approval of the shareholders through special resolution of so required under any law and the related parties shall abstain from voting on such resolution.

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 Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

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

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 Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

Disclosures

- a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- c) The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.
- d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

This Policy will be communicated to all operational employees and other concerned persons of the

Scope Limitation

In the event of any subsequent amendment / modification in the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules in this regard shall automatically apply to this policy.