

UDAY JEWELLERY INDUSTRIES LIMITED

Policy on Related Party Transactions

(as approved by the Board at its meeting held on 23rd May 2022)

1. INTRODUCTION

The Companies Act, 2013 (“Act”) read with the Companies (Meetings of Board and its Powers) Rules, 2014 introduced specific provisions relating to Related Party transactions and defined the term related parties, related party transactions, relatives, and key management personnel and other relevant terms. 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 (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”) to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on the materiality of Related Party transactions and also a policy on dealing with related party transactions. Accordingly, the Board of Directors of Uday Jewellery Industries Limited (“the Company”) has adopted the following policy and procedures with regard to Related Party Transactions w.e.f. 1st June 2022.

2. OBJECTIVE

The Company is mainly engaged in the business of Gems & Jewellery. As a part of the business activity, the Company deals with entities that are related parties. The purpose of this policy is to lay down the guiding principles, mechanisms, and approvals of different bodies and reporting frameworks. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

3. DEFINITIONS

“**Act**” means the Companies Act, 2013 including the Rules framed thereunder.

“**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.

“**Audit Committee or Committee**” means the Committee of the Board constituted from time to time under SEBI (LODR), 2015 and Section 177 of the Companies Act, 2013.

“**Board or Board of Directors**” means the Board of Directors as defined under the Companies Act, 2013.

“**Related Party**” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

“Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:

- (i) of twenty percent or more; or
- (ii) of ten percent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party.”

“Related Party Transaction” means a transaction involving a transfer of resources, services, or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 with the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. the payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

“Material Modifications” means any modification to the existing Related Party Transaction which has the effect of increasing or decreasing the value of the original contract by 25% or more.

“Relative” means a relative as defined under the Companies Act, 2013

“SEBI LODR” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

4. POLICY

4.1 Materiality Thresholds:

Regulation 23(1) of SEBI LODR requires a company to provide materiality thresholds for transactions beyond which the prior approval of shareholders will be required by way of an Ordinary Resolution.

- In accordance with the SEBI LODR all transactions with a Related Party shall be considered material if the transaction/transactions 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 or Rs 1,000 crores, whichever is lower, based on the last audited financial statements.
- 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 as per the last audited financial statements of the Company.

Thus, all transactions with Related Parties beyond the materiality threshold limit, as laid down above and subsequent material modification thereto would be placed before the shareholders for prior approval, irrespective of the fact whether the transaction, contract, or arrangement is in the ordinary course of business or at arm's length.

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

In addition to the above, all mentioned transactions as specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the threshold limits laid down in Companies (Meetings of Board and its Powers) Rules, 2014, would be placed before the shareholders for their approval.

4.2 Shareholders' approval with respect to Related Party transactions of the Company:

All Related Party Transactions of subsidiary(ies) if any and subsequent material modifications, to which the Company is not a party, shall require prior approval of the shareholders of the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company or Rs 1,000 crores, whichever is lower.

In order to facilitate listed entities to align their processes to conduct AGMs and obtain omnibus shareholders' approval for material RPTs, the shareholders' approval of omnibus RPTs approved in an AGM shall be valid up to the date of the next AGM for a period not exceeding fifteen months.

In the case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

4.3 Procedure for Approval of Related Party Transactions ("RPTs")

Approval of the Audit Committee

- 1) All Related Party Transactions ('RPTs') and subsequent material modifications thereof shall require prior approval of the Audit Committee.
- 2) All Related Party Transactions of a subsidiary(ies) and subsequent material modifications, to which the Company is not a party shall require prior approval of the Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year:

- exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company (up to March 31, 2023)
- exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary (w.e.f. April 1, 2023)

Further, only the Independent Directors who are members of the Audit Committee shall approve the Related Party Transactions. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the prescribed conditions and that omnibus approval granted by the audit committee 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 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 or both will be 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:

- 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 in Audit Committee's view require Board approval.
- Transactions meeting the materiality thresholds which are intended to be placed before the shareholders for approval.

5. SCOPE/ LIMITATION

In the event of any conflict between the provisions of this Policy and the Act, the Rules prescribed thereunder and/or the SEBI Regulations, as the case may be, the provisions of the Act and the Rules prescribed thereunder and/or the SEBI Regulations, as the case may be, shall prevail over this Policy.

6. DISSEMINATION OF POLICY

This Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

7. DISCLOSURES

The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified under the SEBI LODR from time to time, and publish the same on its website:

Provided further that the Company shall make such disclosures every six months within fifteen days from the date of publication of its financial results:

Provided further that the Company shall make such disclosures every six months on the date of publication of its financial results with effect from April 1, 2023.

This Policy shall be disclosed on the website of the Company at www.udayjewellery.com and a web link thereto shall be provided in the Annual Report of the Company.

(Last amended on June 9, 2022. All amendments shall be effective from April 01, 2022, unless otherwise specified under the respective clauses of the Policy).