



Creative Castings Limited

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

*(Approved by Board of Directors at their meeting held on 30th January, 2016 and effective from 1st April, 2016)
(Modified by Board of Directors at their meeting held on 27th June, 2020)*

{ Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) }

1. PRELUDE:

Creative Castings Limited (**'the Company'**) is a public company, listed on the Bombay Stock Exchange (BSE). The Company is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

The Board of Directors of Creative Castings (hereinafter referred to as (**'the Board'**)) has adopted this Policy on materiality of related party transactions and dealing with related party transactions as required under Regulation 23 of the of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (**'LODR'**). The policy includes materiality thresholds and manner of dealing with Related Party Transactions and materiality related party transactions (**'the/this Policy'**) in compliance with the requirements of section 188 of the companies Act, 2013 and Rules thereunder and Regulation 23 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Amendments from time to time, to the policy, if any, shall be considered by the board of directors based on the recommendations of the Audit Committee.

The policy envisages the procedure governing Related Party Transactions required to be followed by the Company to ensure compliance with applicable the Law and Regulation.

All material Related Party transactions and Related Party Transactions which are not in the ordinary course of business and not an Arm's Length transactions are covered in the policy. However, related Party Transaction which are in ordinary course of business of the Company and on arm's length shall be periodically disclosed to the Audit Committee / the Board.

This policy shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.



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2. OBJECTIVE OF THE POLICY

The objective of this 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 Companies Act, 2013, Regulation 23 of LODR and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS:

- i.* **“Act”** or **“the Act”** means the Companies Act, 2013.
- ii.* **“Arm’s length transaction”** as defined under Section 188 (1) of the Companies Act, 2013, shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- iii.* **“Audit Committee”** means the audit committee constituted by the Board of Directors of the Company under the provision of Companies Act, 2013 and Listing Agreement with Stock exchange read with SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.
- iv.* **“Board”** means Board of Directors of the Company.
- v.* **“Company”** means Creative Castings Limited.
- vi.* **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and rules framed thereunder.
- vii.* **“Listing Agreement”** means an Agreement entered between the Company on one part and the BSE Limited on another part including amendments made thereto from time to time.
- viii.* **“Material Related Party Transactions”** as defined under the Regulation 23 of the of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, means any transaction / transactions to be entered into with the related party, individually or taken together with previous transactions during Financial Year exceeds Ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Notwithstanding stated 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 five percent of the annual



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consolidated turnover of the Company as per the last audited financial statements of the Company.

- ix. “Policy”** means this Policy, as amended from time to time.
- x. “Related Party”** means a related party which is defined under the provisions of Regulation 2(1)(zb) of the of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (including amendments /modification / reenactment made thereto) which *inter alia* states that “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, however, 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.

The definition of ‘*Related Party*’ as given under Section 2(76) is as under:

“Related Party”, with reference to a company, means—

- (a) a director or his relative;
- (b) a key managerial personnel or his relative;
- (c) a firm, in which a director, manager or his relative is a partner;
- (d) a private company in which a director or manager or his relative is a member or director;
- (e) 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;
- (f) anybody 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;
- (g) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (f) and (g) shall apply to the advice, directions or instructions given in a professional capacity;
- (h) any body corporate which is —
 - (h.1) a holding, subsidiary or an associate company of such company; or
 - (h.2) a subsidiary of a holding company to which it is also a subsidiary;
 - (h.3) an investing company or the venturer of the company;

[Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]



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- (i) a director other than an Independent Director or key managerial personnel of the holding company or his relative.

The definition of '*Related Party*' as given under Indian Accounting Standard (Ind AS) 24 is as under:

A related party is a person or entity that is related to the Company ("the Company" or "Reporting entity" for this clause) that is preparing its financial statements.

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
- i. has control or joint control of the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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



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Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (a) that person's children, spouse or domestic partner, brother, sister, father and mother;
- (b) children of that person's spouse or domestic partner; and
- (c) dependents of that person or that person's spouse or domestic partner.

Compensation includes all employee benefits (as defined in Ind AS 19, Employee Benefits) including employee benefits to which Ind AS 102, Share-based Payments, applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
- (d) termination benefits; and
- (e) share-based payment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Government refers to government, government agencies and similar bodies whether local, national or international.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

The terms 'control' and 'investment entity', 'joint control' and 'significant influence' are defined in Ind AS 110, Ind AS 111, Joint Arrangements, and



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Ind AS 28, Investments in Associates and Joint Ventures, respectively and are used in this Standard with the meanings specified in those Ind ASs.

xi. “Relative” as defined under the Companies Act, 2013, means a person who is related to another in any one of the following manner:

- (a) They are members of a Hindu undivided family; or
- (b) They are husband and wife; or
- (c) Father (including step-father),
- (d) Mother (including step-mother)
- (e) Son (including step-son),
- (f) Son’s Wife,
- (g) Daughter
- (h) Daughter’ husband
- (i) Brother (including step-brother)
- (j) Sister (including step-sister)

xii. “Related Party Transaction” as defined under the Companies Act, 2013, and Regulation 2(1)(zc) of the of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 means the following transaction or contract or arrangement:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or Property;
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company.
- (h) any transaction for transfer of resources, services or obligations between a Company and Related Party, regardless of whether a price is charged.

Explanation: A **“transaction”** shall be construed to include single transaction or a group of transactions in a contract.

xiii. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, Securities Contract Regulation Act or any other applicable law or regulation as applicable to the Company.



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4. PROCEDURE:

(a) Disclosure by Directors / Key Managerial Personnel (KMP)

Every Director / KMP of the Company shall at the beginning of the financial year provide information about his / her (including relatives) nature of interest or concern as prescribed under the Companies Act, 2013, to the Company. Thereafter, any changes therein need to be informed to the Company immediately but shall not be later than the next Board Meeting.

(b) Identification of transactions with Related Parties

The Company Secretary / Chief Financial Officer will circulate list of identified Related Parties to the concerned employees which may include Head of Business Units, Head of Functional Departments etc. The concerned employees shall submit details of proposed transaction(s) to the Company Secretary / Chief Financial Officer.

The Company Secretary will place the details of proposed transaction before the Audit Committee.

(c) Information to be placed before the Audit Committee and then before the Board of Directors of the Company.

(d) The Audit Committee shall review and if deemed fit approve the same and recommend to Board, with their observations, of the Company for consideration and approval.

(e) The Board shall review and if deemed fit approve the same with or without modifications.

Approval of Audit Committee:

Every Related party transaction shall be subject to prior approval of the Audit Committee whether at a meeting or by resolution by circulation. However, the Audit Committee may grant prior omnibus approval for related party transaction which are of repetitive in nature and are in ordinary course of business and satisfy the arm's length basis subject to the compliance of the Regulation 23 of the LODR.

Any member of the Audit Committee having potential conflict of interest in any related party transaction will not remain present at the meeting or shall abstain from any discussion and voting on the approval of such related party transaction



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and shall not be counted in determining the presence of such quorum when such transaction is considered.

To review the related party transaction, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential related party transactions and/or prescribed under the Act, LODR and Listing Agreement.

While reviewing any related party transaction the Audit Committee shall take into account all the relevant facts and circumstances, including the benefits to the company and the related party, whether such transaction includes risk that may arise as a result of or in connection with the proposed transaction.

Criteria for granting omnibus approval by Audit Committee:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual turnover of the company as per last its audited financial statements.
- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the Material Related Party Transactions as defined in Clause 3(viii) of the Policy.
- c. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - i. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 - ii. Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - iii. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
 - iv. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - v. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;



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3. management assessment of pricing terms and business justification for the proposed transaction;
 4. comparative analysis, if any, of other such transaction entered into by the company
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given excepting the transaction of appointment of related party in office or place of profit.
- e. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
1. Transactions which are not at arm's length or not in the ordinary course of business.
 2. Transactions which are not repetitive in nature.
 3. Transactions exceeding Material Related Party Transactions as defined in Clause 3(viii) of the Policy.
 4. Transactions in respect of selling or disposing of the undertaking of the company.
 5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

Approval of Board of Director's:

If the Audit Committee determines, the proposed Related Party Transaction is in ordinary course of business and on arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:

- (a) Review of factors considered by the Audit Committee for its approval to the proposed Related Party Transaction.
- (b) Any other factor which Board deems relevant.

Based on the above factors, Board will approve or disapprove the Related Party Transaction.

If the Audit Committee determines, the proposed Related Party Transaction is not in ordinary course of business and / or not on arm's length basis, the Board shall consider following factors while deliberating Related Party Transactions for its approval:



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- Whether proposed Related Party Transaction is within threshold as specified in this policy.
- Justification for entering into proposed Related Party Transaction.
- any other factor which Board deems relevant.

Prior approval of Shareholders:

All the transactions with related parties exceeding the Material Related Party Transactions as defined in Clause 3(viii) of the Policy, are placed before the shareholders for approval. For this purpose, all entities falling under the definition of related parties shall abstain from voting 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 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.

5. DISCLOSURE

- (a) Every Related Party Transaction entered into which is not in the ordinary course of business and/ or not on an arm's length basis, shall be disclosed in the Board's Report along with the justification for entering into such transaction.
- (b) All Material Related Party Transactions shall be disclosed quarterly along with Compliance Report on Corporate Governance, if any.
- (c) The Company shall disclose the policy on materiality of related party transactions and dealing with related party transactions on its website.

6. AMENDMENT

The Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate, in accordance with any amendment to the applicable provisions of Companies Act, 2013, including rules thereof and /



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or the regulations of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

7. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

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