



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

1. **Preamble**

The listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

The Board of Directors (the “Board”) of Likhitha Infrastructure Limited (hereinafter referred as the “Company”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Board/ Audit Committee will review and may amend this policy from time to time.

2. **Objective of the Policy:**

This Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions (“the Policy” or “this Policy”) is framed by Likhitha Infrastructure Limited (“the Company”), pursuant to the provisions of Regulation 23 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and in terms of Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder (“the Act”), including any modification(s) / amendment(s) / re-enactment(s) thereof.

The Policy is intended to ensure proper approval, disclosure and reporting of transactions between the Company and its Related Party.

3. **Definitions**

“**Applicable Law**” includes (a) the Act and rules made thereunder, as amended from time to time; (b) the Listing Regulations, as amended from time to time; (c) Indian Accounting Standards; and (d) any other statute, law, standards, regulations or other governmental circulars, notifications or instructions (including circulars, notifications and guidance issued by the Securities and Exchange Board of India from time to time) relating to Related Party Transactions as may be applicable to the Company.

“**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**” means Committee of Board of Directors of the Company constituted under provisions of Section 177 of the Act and as per Regulation 18 of Listing Regulations.

“**Board**” means the Board of Directors of the Company.

“**Company**” means Likhitha Infrastructure Limited

“**Independent Director**” means an independent director referred to in sub-section (6) of section 149 of the Act and Regulation 16(1)(b) of the Listing Regulations.

“**Key Managerial Personnel**” means defines Key Managerial Personnel as defined under Section 2(51) of the Act -

- i) the Chief Executive Officer or the managing director or the manager;
- ii) the Company Secretary; and
- iii) the Whole-time director;
- iv) the Chief Financial Officer;
- 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;

“Material Modification” shall mean an amendment to the terms of a transaction / agreement / commitment with / to a Related Party, the effect of which will be an increase over the approved limit for a transaction, by an amount more than Rs.10 (Ten) Crore in a financial year or 20% (twenty per cent) of the approved limit, whichever is higher.

Provided that material modifications shall be deemed to include the following, without application of the above criteria:

- a) In case of a loan or deposit or any other means of funding, any deviation in the objects or purposes for which the loan or deposit was given or funding was made or received;
- b) In case of any other transaction or agreement, any amendment which will have an effect of:
 - (i) deferring the consummation of such transaction or agreement by a period beyond one year from the existing approved term / period; or
 - (ii) renewing or extending the term of the transaction or agreement for a period exceeding one year of its existing approved term / period.

Provided further that any modification to the transactions / agreements entered into:

- a) for sale, purchase or supply of any goods or materials or availing or rendering of any services in the ordinary course of business and on arm's length basis;
- b) between the Company and its wholly owned subsidiary;
- c) transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the annual general meeting for approval, shall be excluded from the applicability of above definition.

“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, exceeds **Rupees One Thousand Crores** or **Ten Percent** of the annual consolidated turnover of the company as per the last audited financial statements of the company **whichever is lower**.

“Policy” means Policy on Materiality of Related Party Transaction

“Related Party” means Party as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

“Related Party Transaction” means transaction as defined under Section 188 of the Act and Regulation 2(1)(zc) of the Listing Regulations.

“Relative” means relative as defined under the sub-section (77) of section (2) of the Act and includes anyone who is related to another, if –

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son's wife
- vii. Daughter
- viii. Daughter's husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

“Subsidiary(ies)” means a subsidiary as defined under Section 2(87) of the Act.

Words and expressions used and not defined in the Policy but defined in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, or the Companies Act, 2013 and rules and regulations made thereunder shall have the meanings respectively assigned to them in those legislations as may be amended from time to time.

4. Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel of the Company and its subsidiary, is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or him/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.

Each subsidiary shall furnish an updated list of its Related Parties to the Company.

On the basis of the above, a consolidated list of Related Parties shall be prepared in accordance with the provisions of the Act and SEBI Listing Regulations.

The subsidiaries shall, from time to time, provide to the Company, information of any proposed Material Related Party Transactions and any Material Modification(s), for the purpose of obtaining requisite approvals from the Company.

The subsidiaries shall provide to the Company, on a half-yearly basis, information regarding the transactions entered into with any of the Related Parties of the

Company, or with any of its subsidiaries, for making required disclosures to the stock exchanges.

5. Approval of Related Party Transactions:

Audit Committee:

All related party transactions between the Company and its related parties and subsequent material modifications shall require prior approval of the audit committee (unless it is exempted pursuant to the provisions of the Listing Regulations as amended). The approval of the Audit Committee can be granted by way of a circular resolution.

Only Independent Directors, who are members of the Audit Committee shall approve the RPTs. In case such Independent Director is interested in any potential RPT, then he/she shall abstain from voting when such transaction is being considered.

A related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the Company.

Provided that prior approval of the audit committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and 15 (2) of SEBI LODR are applicable to such listed subsidiary.

However, transactions which have been entered into by the Company in its “ordinary course of business” and which are on an “arm’s length” basis are exempted.

Remuneration and sitting fees paid by the company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee.

Ratification of related party Transactions: the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;

- the transaction is not material in terms of this policy;
- rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- the details of ratification shall be disclosed along with the disclosures of related party transactions to the stock exchanges half yearly
- any other condition as specified by the audit committee:

The Audit Committee may grant omnibus approval for the RPTs proposed to be entered by the Company or its subsidiary which are repetitive in nature and are in the ordinary course of business & at Arm’s Length basis, subject to the compliance of

conditions contained in the Act and rules made thereunder and Regulation 23 of the Regulations.

Criteria for making omnibus approvals:

The Audit Committee is empowered to specify the criteria for making omnibus approvals, which shall include the following:

a.	Maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year	10% of the consolidated turnover based upon the latest available consolidated financial statements
b.	The maximum value per transaction, which can be allowed.	Rs. 1 crore.
c.	omnibus approval shall specify	(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any; and (iii) such other conditions as the audit committee may deem fit
d.	Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval.	Approval covers where need could not be foreseen and details are not available. Disclosure will be limited to the extent of details available.
e.	Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made	Review at every quarterly meetings of the Audit Committee.
f.	Validity	omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year
g.	Transactions, which cannot be subject to the omnibus approval by the Audit Committee.	Transactions, which cannot be subjected to omnibus approval by the Audit Committee, are those, which require specific approval of the Shareholders or Board

While considering any RPT, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and purpose of such transaction along with other relevant information, if any.

Board:

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or Listing Regulations and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to—

- 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

Exception: However, any of the aforesaid transactions shall not be required prior approval of the Board of Directors provided the transaction is in the ordinary course of business and on an arm's length basis.

Disclosures required for obtaining Board approval

The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

- (a) the name of the related party and nature of relationship;
- (b) the nature, duration of the contract and particulars of the contract or arrangement;
- (c) the material terms of the contract or arrangement including the value, if any;
- (d) any advance paid or received for the contract or arrangement, if any;
- (e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (f) 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; and
- (g) any other information relevant or important for the Board to take a decision on the proposed transaction.

Shareholders:

All Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee shall require prior approval of shareholders of the Company through a resolution as stipulated in the Companies Act, 2013 or the Listing Regulations and the concerned Related Party(ies) shall abstain from voting on such resolution.

Material Related Party Transactions shall be determined by applying the following criteria:

Category Transactions	of	Materiality Thresholds under	Materiality Thresholds under the Listing Regulations

	the Companies Act, 2013 (for transactions not in ordinary course of business and not on an arm's length basis)	
Sale, purchase or supply of any goods or materials	10% or more of turnover	Transaction, 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.
Selling or otherwise disposing of, or buying, property of any kind	10% or more of net worth	
Leasing of property of any kind	10% or more of turnover	
Availing or rendering of any services	10% or more of turnover	
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 Rs.2.5 Lakh	
Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth	[Requirement notified under SEBI Listing Regulations (Third Amendment) for determining materiality]
Any other transaction with a Related Party	Transaction, 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	

Explanation:

(1) The turnover or net worth referred in the above shall be computed on the basis of the audited financial statement of the preceding financial year.

(2) The threshold limits under the Companies Act, 2013 mentioned above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of shareholders of the Company and the concerned Related Party shall abstain from voting on such resolution(s).

6. Disclosure by the Company

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.

Disclosure will be made in the Company's Annual Report and to the Stock Exchanges as required under the Companies Act and the Listing Regulations.

7. Interpretation

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Regulations, Accounting Standards or any other relevant legislation / applicable law to the Company. Any question or interpretation with regard to any provision of the policy and also in respect of matters not covered herein will be handled by the Board or Audit Committee or any person authorised by the Board of the Company in this behalf.

8. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.