

DUNCAN ENGINEERING LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest that may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“**Act**”) read with the Rules framed thereunder and Regulation 23 of SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), **Duncan Engineering Limited** (“**DEL**” or “**the Company**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, DEL has framed this Policy on Related Party Transactions (“**Policy**”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, once in three years, subject to the approval of the Board.

2) ABOUT THE COMPANY

Duncan Engineering Limited (Formerly Schrader Duncan Limited) is India's pioneer in the field of Industrial Pneumatics & Off the Road (OTR).

We are a part of the JP Goenka Group of Companies. Catering to the Indian industries for over four decades, we are ISO 14001: 2015 and ISO 45001:2018 certified and listed on BSE Ltd.

3) 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 Act, SEBI Listing Regulations, and any other laws and regulations as may be applicable to the Company.

4) DEFINITIONS

- a) **“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.
- b) **“Relative”** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act.
- c) **“Related Party”**, with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Act and Clause (zb) of Regulation 2(1) of SEBI Listing Regulations.
- d) **“Related Party Transaction”** shall have the meaning as defined under Regulation 2(1) (zc) of the SEBI Listing Regulations and ~~or~~ as envisaged in Section 188(1) of the Act.
- e) **“Material Related Party Transactions”** shall have the same meaning as defined in Regulation 23 of the SEBI Listing Regulations.
- f) **“Subsequent Material Modifications to approved Related Party Transaction”** means (+)/(-) 20% impact on the consideration due to any change/variation in the terms as compared to earlier approved related party transaction(s).
- g) A **"transaction"** with a related party shall be construed to include a single transaction or a group of transactions in a contract.
- h) **“Ordinary Course of Business (‘OCB’)”** means a transaction which/wherein:
- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
 - is as per historical practice with a pattern of frequency, or
 - is in connection with the normal business carried on by the Company, or
 - the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
 - is common commercial practice, or
 - meets any other parameters/criteria as decided by the Board/Audit Committee.
- i) **“Compliance Officer”** means the Chief Financial Officer of the Company.

With the consent of the Chairman of the Company any further amendments to definitions as per provisions of the Companies Act, 2013 and SEBI Listing Regulations, are to be modified.

Words and expressions used in this Policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed thereunder and the SEBI Listing Regulations, as amended from time to time or any other law or regulation as applicable to the Company.

5) MATERIALITY THRESHOLDS

As per Regulation 23 of SEBI Listing Regulations, 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 crore or ten percent of the annual consolidated turnover** of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Further, 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 consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

6) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

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 promptly.

b) Identification of related parties

The Compliance Officer / Company Secretary shall all the time identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed thereunder and Regulation 23 of SEBI Listing Regulations. The record of Related Parties shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year. The record of Related Parties shall be placed before the Audit Committee.

c) Identification of transactions with Related Parties

The Compliance Officer / Company Secretary will circulate a list of identified Related Parties to the concerned employees which may include the Head of Business Units, Head of Functional Departments, etc. The concerned employees shall submit details of the proposed transaction(s) to the Compliance Officer / Company Secretary. Such details will include all relevant documents like comparable quotations, invoices, or other certificates and other factors justifying the transaction.

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

d) Procedure for approval of Related Party Transactions

I. Approval by the Audit Committee

All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee of the listed entity.

A. Specific approval

The Audit Committee shall consider the information placed before the meeting under the Companies Act, 2013, SEBI Listing Regulations, and such other information as may be prescribed from time to time while deliberating on the approval for Related Party Transactions.

Based on the above information, the Audit Committee will approve or disapprove the Related Party Transaction and thereafter will inform its decision to the Board of Directors.

B. Omnibus approval

The Company may obtain omnibus approval from the Audit Committee for such transactions which are repetitive in nature, subject to compliance with the following conditions:

1. The Audit Committee shall satisfy itself with the need for such omnibus approval and that such approval is in the interest of the company;
2. The omnibus approval shall provide -
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
 - (iii) such other conditions as the Audit Committee may deem fit.
3. However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 1 crore per transaction or subject to such limits specified and conditions to comply as prescribed by the SEBI Listing Regulations and Company Act, 2013 & rules thereunder from time to time.

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given.

Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

4. In compliance with the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:
 - (i) The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual consolidated turnover of the company as per its last audited financial statements.
 - (ii) The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in Clause 5 of the Policy.

C. Transaction of following nature will not be considered for omnibus approval of the Audit Committee:

1. Transactions that are not at arm's length or not in the ordinary course of business.
2. Transactions that are not repetitive in nature.
3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy.
4. Transactions in respect of selling or disposing of an undertaking of the Company.
5. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bonds, 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.

II. Approval by the Board of Directors

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 and at arm's length basis, are required to be placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also required to be placed before the Board for its approval:

1. 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;
2. 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;

3. 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.
4. Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

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:

1. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
2. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
3. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
4. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction; Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - a. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - b. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - c. management assessment of pricing terms and business justification for the proposed transaction;
 - d. comparative analysis, if any, of other such transaction entered into by the company.

III. Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds laid down in Clause 5 of the Policy and subsequent material modifications, shall require prior approval of shareholders.

Clause 5(b) of Regulation 23 of SEBI Listing Regulations provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between DEL and its wholly owned subsidiary/ies (if any) whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions 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 thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are to be placed before the shareholders for its approval.

7) INFORMATION TO BE REVIEWED BY THE AUDIT COMMITTEE AND BOARD OF DIRECTORS FOR APPROVAL OF RELATED PARTY TRANSACTIONS

A. Pursuant to SEBI Circular No. SEBI/HO/CMD1/CIR/P/2021/662 dated November 22, 2021 the Company shall provide following information, for review by the Audit Committee for approval of a proposed Related Party Transactions (RPTs).

- (i) Type, material terms and particulars of the proposed transaction;
- (ii) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (iii) Tenure of the proposed transaction (particular tenure shall be specified):
Value of the proposed transaction;
- (iv) The percentage of the listed entity'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);
- (v) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 1. details of the source of funds in connection with the proposed transaction;
 2. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 3. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
 4. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- (vi) Justification as to why the RPT is in the interest of the listed entity;

- (vii) A copy of the valuation or other external party report, if any such report has been relied upon;
 - (viii) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - (ix) Any other information that may be relevant
- B. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- C. The Audit Committee and Board of Directors shall review any other information as may be prescribed by SEBI or other authorities from time to time and any other information relevant or important to decide on the proposed transaction.

8) INFORMATION TO BE PLACED TO SHAREHOLDERS FOR CONSIDERATION OF RELATED PARTY TRANSACTIONS

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013 and SEBI Listing Regulations, include following information pursuant to SEBI Circular No. SEBI/HO/CMD1/CIR/P/2021/662 dated November 22, 2021 as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the Audit Committee and Board of Directors as specified in point 7 above;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 7(f) above;
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

9) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- a) 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.

- b) 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.

10) INTERESTED DIRECTOR / KMP / SHAREHOLDER NOT TO PARTICIPATE

- a) The Interested Director / KMP shall disclose the nature of his concern or interest at the meeting of the Board in which the Related Party Transaction is discussed and shall not participate in such meeting.
- b) Non-Independent Director of the Audit Committee shall not vote on the resolution, to approve any Related Party Transaction which may be entered into by the Company.
- c) No member of the Company shall vote on the special resolution to approve any Related Party Transaction which may be entered into by the Company if such member is a Related Party irrespective of whether the member is a party to the particular transaction or not.

11) DISCLOSURES

- a) DEL shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with Related Parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.
- b) The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website. The Company shall make such disclosures every six months within fifteen days from the date of publication of its financial results.
- c) The Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.
- d) The Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchange.

- e) As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website viz. www.duncanengg.com.
- f) The Company shall keep one or more registers as specified under Companies Act, 2013 giving the particulars of all contracts or arrangements with any related party.

12) AMENDMENT

The Board reserves its right to amend or modify this policy in whole or in part, at any time, when it deems appropriate or as per any amendments to the applicable provisions of the Companies Act, 2013, including Rules thereof and/or the provisions of the SEBI Listing Regulations.

For and on behalf of the Board of Directors
of **Duncan Engineering Limited**

SD/-
Akshat Goenka
Managing Director
DIN: 07131982

Date: 01.11.2022