

Policy on Material Related Party Transactions

1. Background

This policy is framed pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 ("The Regulation"). The said Regulation mandates every Listed Company to formulate a Policy on dealing with the Material Related Party Transactions and shall apply to all the transactions entered into by the Company with its Related Parties as per the applicable laws and regulations, including the Companies Act, 2013 (the "The Act") read with the rules framed thereunder.

2. Definitions

- i. "**Act**" means the Companies Act, 2013 and the rules made there under, as amended from time to time;
- ii. "**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;
- iii. "**Audit Committee or Committee**" shall mean Committee of Board of Directors of the Company constituted in accordance with provisions of the Listing Regulations and the Companies Act, 2013;
- iv. "**Board**" shall mean Board of Directors of the Company;
- v. "**Company**" shall mean VSF Projects Limited;
- vi. "**Material Related Party Transaction**" means a transaction to be entered into with the Related Party individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company;
- vii. "**Net worth**" means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

Explanation: The Turnover or Net Worth referred above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

- viii. **“Ordinary course of business”** means the usual transactions undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association;
- ix. **“Relative”** shall have the same meaning as defined in Section 2(77) of Companies Act, 2013 and Regulation 2(1) (zd) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015;
- x. **“Related Party”** shall have the same meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015;
- xi. **“Related Party Transaction”** means a transaction between the Company and a Related Party which transaction is of the nature specified in sub-clause (a) to (g) of section 188(1) of the Companies Act, 2013, or is a related party transaction as understood under Regulation 2(zc) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xii. **“Turnover”** means the aggregate value of the realisation of amount made from the sale, supply or distribution of goods or on account of services rendered, or both, by the company during a financial year;

3. Procedure for approval of Material Related Party Transaction

i. Approval of the Audit Committee:

All the Related Party Transactions to be entered by the Company shall require prior approval of the Audit Committee. However, the Company may obtain an omnibus approval from the Audit Committee for such transactions, subject to compliances with the conditions as specified in Section 188 of Companies Act, 2013 read with the relevant rules made thereunder and the provisions of Regulation 23 of the Regulations.

Omnibus approval by the Audit Committee: The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such omnibus approval shall specify:
 - (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 and
 - (iii) such other conditions as the Audit Committee may deem fit; Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.
- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given;
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Exception: However, transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

ii. Approval of the Board of Directors:

As per the provisions of Section 188 of the Companies Act, 2013, all the Related Party Transactions which are not in the ordinary course of business or not at arm's length basis, are required to be placed before the Board for its approval.

iii. Approval of the Shareholders of the Company:

All the transactions with related parties exceeding the materiality thresholds and 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 required to be placed before the shareholders for their 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.

4. Amendment

This policy shall be subject to review by the Board of Directors from time to time. The amendment to this policy shall be subject to the recommended by the Audit Committee and approved by the Board of Directors. Any subsequent amendment / modification in the Regulations shall automatically apply to this Policy.