

**MATERIALITY OF RELATED PARTY TRANSACTIONS & DEALING WITH
RELATED PARTY TRANSACTIONS**
Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)



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[Pursuant to SEBI (Listing Obligations and Disclosure
Requirements) Regulations, 2015] (“SEBI LODR”)

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1. SCOPE AND PURPOSE OF THE POLICY

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated September 7, 2021, amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).

Pursuant to this amendment, certain provisions of the Listing Regulations which were hitherto not applicable to debt listed entities were made applicable to “High Value Debt Listed Entities”.

This Policy has been framed as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015].

Related party transactions can present a potential or actual conflict of interest which 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 there under and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 (“Listing Regulations”). Gujarat State Investments Limited (“GSIL” or “the Company” or “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 the 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, the Company 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, as and when required, subject to the approval of the Board.

In case of any inconsistency in the Policy and the Act / SEBI Listing Regulations, as may be amended from time to time, the provisions of the Act / SEBI Listing Regulations would prevail.

OBJECTIVE OF THE POLICY

This Policy provides the criteria for determining the materiality of Related Party Transactions. The objective of this Policy is to ensure proper approvals & reporting of the transactions between GSIL and its Related Parties in compliance of provisions of the Companies Act, 2013, Government of Gujarat’s Directions, RBI- CIC Master Directions, SEBI (LODR) Regulations, 2015 and any other applicable statutory provisions for the time being in force, in this regard.

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This Policy shall supplement the existing policies & practices, delegation of powers etc. already approved by the Competent Authority for entering into such Related Party transactions.

3. DEFINITIONS:

For the purpose of interpretation of this policy, following terms defined as under

"Act" means the Companies Act, 2013, Rules framed thereunder and any amendments or modifications thereof.

"Arm's Length transaction" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.

"Associate Company" as per Section 2(6) of the Companies Act, 2013, Associate Company, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purposes of this clause, significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement. Further, "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

"Audit Committee" means "Audit Committee" constituted by the Board of Directors of the Company under the provisions of SEBI (LODR) Regulations, 2015 and Companies Act, 2013, as may be amended from time to time.

"Company" means Gujarat State Investments Limited or GSIL.

"Government Company" means, as per Section 2(45) of the Companies Act, 2013, any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company.

"Related Party" means an entity shall be considered as related to the Company if:

- (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standard(s).

Further, any person or entity belonging to the promoter or promoter group and holding 20% or more of shareholding of the Company, shall also be deemed to be a related party.

Related Party under Section 2(76) of the Companies Act, 2013

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- 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. any body 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 (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- h. any company which is—
 - (A) a holding, subsidiary or an associate company of such company; or
 - (B) a subsidiary of a holding company to which it is also a subsidiary, or
 - (C) an investing company or the venture of the company which implies a body corporate whose investment in the Company would result in the company becoming an associate company of the body corporate.
- i. A Director, other than an Independent Director, or Key Managerial Personnel of the holding company or his relative.
- j. such other person as may be prescribed under the Companies Act, 2013 or any other statutory provisions for the time being in force.

Related Parties under the applicable Accounting Standards: As per Indian Accounting Standards (Ind AS 24), a related party is a person or entity is one which is related to the entity that is preparing its financial statements (referred to as the 'reporting entity'). It further provides that:

- (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 over 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).

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- 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.

“Related Party Transaction” Section 188 of the Companies Act, 2013 encompasses all contracts or arrangements 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.

Further, as per SEBI (LODR) Regulations, 2015, “related party transaction” means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. Further, a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

“Relative” means person as define under Section 2(77) of the Companies Act, 2013.

“Subsidiary Company” means a company as define under Section 2(87) of the Companies Act, 2013.

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MATERIALITY OF RELATED PARTY TRANSACTIONS

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

Notwithstanding the 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 two percent of the annual consolidated turnover, as per the last audited financial statements of the company.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

The Company has adopted a process for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

b) Identification of related party transactions

The Company has adopted a process for identification of related party transactions in accordance with Section 188 of the Act, subject to such conditions as may be prescribed under the Act from time to time, and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has adopted a process for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

c) Procedure for approval of related party transactions

(i) Approval of the Audit Committee

All Related Party Transactions, any modifications to transactions with Related Parties as per the provisions of the Act, and subsequent material modifications to transactions with Related Parties as defined under Listing Regulations shall require prior approval of the Audit Committee, whether at a meeting or by circular.

All Related Party Transactions to which subsidiary of the Company is a party to but Company is not a party, the value of which exceeds the thresholds as prescribed under Regulation 23 of the Listing Regulations shall require prior approval of the Audit Committee.

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Above prior approval of the Audit Committee shall not be required in cases where the subsidiary is a listed entity and Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

In case of a transaction, other than transactions referred to in Section 188, subject to such conditions as may be prescribed under the Act from time to time, of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

(ii) Omnibus approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall provide details of (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. However, in case of related party transactions which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed ₹ 1 crore per transaction;
- 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; and
- Such omnibus approval shall be valid for 1 year.

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

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management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- 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;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- 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:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction; and
 - comparative analysis, if any, of other such transaction entered into by the Company.

The Audit Committee will be provided with all relevant material information of Related Party Transactions, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

The Independent Directors who are members of the Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall ensure that adequate deliberations are held before approving Related Party Transactions which are not in the Ordinary Course of Business or not on Arm's Length or Material Specific Transactions and assure themselves that the same are in the interest of the Company and its Shareholders.

Approval of the Board of Directors of the Company

As per the provisions of Section 188, subject to such conditions as may be prescribed under the Act from time to time, 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 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 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 requires Board approval;
- Transactions which are viewed to be in the ordinary course of business and at arm's length basis by the Management, but which are also tabled to the Board for its approval from an improved governance perspective; and
- Transactions meeting the materiality thresholds of the Policy, which are intended to be placed before the shareholders for approval.

Where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present/not participate at the Meeting during discussions on the subject matter of the Resolution relating to such contract or arrangement.

The Agenda of the Board Meeting at which the Resolution is proposed to be moved for approval of the Related Party Transaction shall disclose the following details:

- i. The name of the Related Party and the nature of relationship;
- ii. The nature, duration and particulars of the contract or arrangement;
- iii. The material terms of the contract or arrangement, including the value, if any;
- iv. Any advance paid or received for the contract or arrangement, if any;
- v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of contract;

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- vi. 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
- vii. any other information relevant or important for the Board to take a decision on the proposed transaction.

Approval of the Shareholders of the Company

- (a) All Material Related Party Transactions under the Listing Regulations and subsequent Material Modifications thereto shall require prior approval of the Shareholders through a resolution.

For this purpose, no entity falling under the definition of related parties under Listing Regulations shall vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

However, the requirements specified in this sub-clause shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized Stock Exchanges within one day of the resolution plan being approved.

- (b) Transactions with Related Parties, other than Material Related Party Transactions as per the Listing Regulations, which are either not in the Ordinary Course of Business or are not on an Arm's Length Basis and exceeds the thresholds provided under the Act and Companies (Meetings of Board and its Powers) Rules, 2014, shall also require the prior approval of the Shareholders by a Resolution and all Related Parties shall abstain from voting on such Resolution. Material Modifications to the said Related Party Transactions shall also require prior approval of the Shareholders.

Above prior approval of the Shareholders shall not be required in cases where the subsidiary is a listed entity and Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary.

The requirement for seeking Shareholders approval shall not be applicable to transactions between:

- i. the Company and its wholly-owned subsidiary(ies); or
- ii. two wholly-owned subsidiaries of the Company whose accounts are consolidated with the Company

DISCLOSURES

GSIL shall disclose, in the Board's report, transactions prescribed in Section 188(1), subject to such conditions as may be prescribed under the Act from time to time, of the Act with related parties, which are not in ordinary course

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of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, GSIL shall also provide details of all related party transactions exceeding the materiality threshold on a quarterly basis to the stock exchanges.

Further, the Company shall submit to the stock exchanges, on a half-yearly basis, within the timelines as prescribed by SEBI from time to time, the disclosures relating to Related Party Transactions in the format as specified by SEBI from time to time and publish the same on the website of the Company. This policy shall also be uploaded on the website of the Company at www.gsil.co.in and a web link thereto shall be provided in the Annual Report of the Company

**RELATED PARTY TRANSACTIONS NOT APPROVED
UNDER THIS POLICY**

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.

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.

POWER TO AMEND

Chairman of the Company shall have the power to amend any of the clauses of this Policy in the light of changes in statutory provisions, as may be notified, from time to time.

Date: 15.05.2024

Place: Gandhinagar