

***POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND
DEALING WITH RELATED PARTY TRANSACTIONS
(Pursuant to Section 188 of the Companies Act, 2013 and Regulation 23 of the
Listing Regulations)***

1. Background

Section 188 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 prescribe the approval mechanism for Related Party Transactions (RPTs), which, depending upon the value of transactions could vest with Board of Directors or Shareholders of the Company.

Further, Section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 prescribe the terms of reference of the Audit Committee which inter alia includes review and approval of RPTs.

Regulation 23(1) of SEBI (LODR) Regulations, 2015 requires listed entities to formulate a policy on 'Materiality of Related Party Transactions and on dealing with Related Party Transactions' (RPT policy). The Board shall review and update the policy at least once every three years, including the fixation of various threshold limits. While prescribing the role of Audit Committee and the Board of the Company in formulating the RPT Policy, the Regulations cover the monitoring aspects of RPTs executed by the Company from time to time.

2. Scope

The Company recognizes that Related Party Transactions ("RPT") may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. The policy is also prepared for the identification and regulation of the RPTs keeping in view the provisions of the Act read with the rules made thereunder and SEBI Regulations.

3. Definitions

In this Policy, unless the context otherwise requires:

“Audit Committee” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

“Arms’ Length Transactions” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

“Board of Directors” or “Board” means the “Board of Directors” of Gautam Gems Limited, as constituted from time to time.

“Key Managerial Personnel” means “Key Managerial Personnel” as defined under the Companies Act, 2013 and the rules made there under.

“Related Party” shall have same meaning as defined in the SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 as amended from time to time.

“Related Party Transaction” shall have the same meaning as defined in the SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 as amended from time to time.

“Relatives” shall have the same meaning as defined under the Companies Act 2013 and under the applicable Accounting Standards from time to time

“Material Related Party Transaction(s)”: Transaction(s) to be entered into individually or taken together with previous transaction during a financial year, exceeding the threshold limit as may be prescribed under the SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 and the Companies Act 2013 as amended from time to time.

“Material Modification”: Material modifications in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant related party transaction / contract / arrangement by 10% or rupees fifty crore, whichever is higher or such modification as may be prescribed under SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 from time to time.

“Material Related Party Transaction” means a transaction with a related party if the transaction/ transactions 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.

All other terms and references used but not defined herein shall have the same meaning as assigned to them under the Act, the Listing Regulations and rules, regulations, notifications and circulars issued thereunder.

4. Policy and Procedure

All Related Party Transactions of the company and its subsidiaries must be reported to the Audit Committee for its approval in accordance with this Policy.

Identification of Potential Related Party Transactions:

- a) Each director and Key Managerial Personnel are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.

The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

- b) Each director/Key Managerial Personnel is responsible for providing written notice to the Company Secretary of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with other members of management and with the Audit Committee, as may be deemed appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.
- c) Every director/ Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contracts or arrangement.
- d) Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of Board held after he becomes so concerned or interested.
- e) A contract or arrangement entered into by the company without disclosure or with participation by a Director/Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

f) The Company strongly prefers to receive such notice of any potential Related Party transaction well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and refer it to the appropriate approval authority. Ratification of a Related Party Transaction after its commencement or even its completion may be done by the appropriate authority as it may deem fit.

5. Review and Approval of Related Party Transactions:

I. All proposed Related Party Transactions or Material Modification(s) therein must be reported by the Chief Financial Officer and/or Head of Accounts Department to the Company Secretary. Thereafter, such transactions and / or Material Modification(s) therein shall be referred for prior approval by the Audit Committee in accordance with this Policy.

However, the Audit Committee may grant omnibus approval for Related Party Transactions including any Material Modification(s) therein 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, at least on a quarterly basis, the details of RPTs entered into by the company and its subsidiaries 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.

Any member of the 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.

II. To review and approve a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, 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 information provided shall specifically cover the following.

The below list is not exhaustive and such other information including but not limited to below information shall be provided to the audit committee as may be prescribed by the regulator from time to time.

- a. the name of the related party and nature of relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - b. the Type, material terms and particulars of the proposed transaction;
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. the Value of the proposed transaction;
 - e. 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);
 - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary;
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, interoperate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - g. Justification as to why the RPT is in the interest of the listed entity;
 - h. A copy of the valuation or other external party report, if any such report has been relied upon;
- III. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.

IV. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a. Whether the transactions are to be entered into by the Company in its ordinary course of business or not;
- b. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- c. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- e. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- f. Where the ratification of the Related Party Transaction including any Material Modification(s) therein is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
- g. Whether the Related Party transaction including Material Modification(s) therein would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

V. If the Committee determines that a Related Party Transaction including Material Modification(s) therein should be brought before the Board or the Board in any case elects to review any such matter the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above to the Audit Committee shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

VI. Following related party transactions, if not in the ordinary course and not at arm's length basis, shall be brought before the Board of Directors mandatorily under Companies Act, 2013:

- 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:

VII. All the Material Related Party Transactions including any Material Modification(s) therein i.e. transaction/transactions to be entered into individually or taken together with previous transaction during a financial year, exceeding the limit as may be prescribed under the applicable laws from time to time shall require approval of the shareholders through resolution and the Related Parties shall abstain from voting to approve such resolution. The shareholders shall be provided with such information as may be prescribed under the applicable laws from time to time.

Explanations:

Transaction to be entered into with related party shall be considered as individually or taken together with the previous transactions during a financial year.

Decision regarding transaction in ordinary course of business and on arm's length basis:

The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is in ordinary course of business and at arm's length basis.

In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

6. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY:

In case of Audit Committee:

In the event the Audit Committee becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee by considering statutory requirement and business exigency. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the 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 Committee determines not to ratify the transaction; shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

In case of Board of Director:

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board, the same may be ratified by the Board. If it is not ratified by the Board then such contract or arrangement shall be voidable at the option of the Board.

In case of Shareholders:

Where any contract or arrangement is entered into by a related party without obtaining approval by a Resolution in the general meeting and if it is not ratified by the Shareholders within three (3) months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board.

If the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.