

POLICY ON RELATED PARTY TRANSACTIONS OF AVANCE TECHNOLOGIES LIMITED

PREAMBLE

The Company recognizes that certain relationships can present potential or actual conflict of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests. Therefore, this policy regarding the review and approval of Related Party Transactions ("RPTs") and the guidelines on materiality of such Related Party Transactions has been adopted by the Company in order to transparently set forth the procedures under which certain transactions with Related Parties (as defined below) must be approved.

PURPOSE

This policy is framed to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and also to comply with the provisions of Section 188 of the Companies Act, 2013 read with Rules framed thereunder and amended from time to time and is intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

APPLICABILITY

This policy shall be applicable to all transactions made with:

- (a) Board of Directors and their relatives;
- (b) Key Managerial Personnel ("KMP") of the Company and their relatives; and
- (c) Related Parties as defined hereinafter.

DEFINITIONS

"Act" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment 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.

"Audit Committee or Committee" means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 of the Companies Act, 2013 and under the regulations of Listing Regulation, 2015.

"Board of Directors or Board" means the collective body of the Directors of the Company.

"Company" means **Avance Technologies Limited**

"Key Managerial Personnel" means Key Managerial Personnel (KMP) as defined in section 2(51) of the Companies Act, 2013 and the Rules made thereunder.

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer; and
- (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

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(vi) such other officer as may be prescribed;

“Material Related Party Transactions” means a transaction with a Related Party 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 per cent of the Annual Consolidated Turnover of the Company as per the last audited Annual Consolidated Financial Statements of the Company, whichever is lower.

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 Company as per the last audited financial statements of the Company.

“Policy” means Related Party Transaction Policy.

“Relative”, shall have the same meaning as defined in section 2(77) of the Companies Act, 2013, namely with reference to any person, means anyone who is related to another, if:

- a) They are members of a Hindu Undivided Family;
- b) They are husband and wife; or
- c) If he or she is related to another in the following manner:
- d) Father including step-father;
- e) Mother including step-mother;
- f) Son including step-son;
- g) Son’s wife;
- h) Daughter; (including step-daughter);
- i) Daughter’s husband;
- j) Brother including step-brother;
- k) Sister including step-sister

“Related Party”, with reference to the Company, shall have the meaning defined in section 2(76) of the Companies Act, 2013 or under applicable accounting standards, namely—

- i. Any Body corporate which is –
 - (a) a holding, subsidiary or an associate company; or
 - (b) a subsidiary of a holding company to which the company is also a subsidiary; or
 - (b) an investing company or the venturer of the Company;
- ii. Director or his relative;
- iii. Key Managerial Personnel or their relatives;
- iv. Enterprises over which Key Managerial Personnel and / or his relatives is able to exercise significant influence
- v. Firm, in which a Director of the Company or his relative is a partner;
- vi. Private Company in which a Director of the Company or his relative is a member or director;
- vii. Public Company in which a Director of the Company is a Director and holds along with his relatives, more than two per cent of its paid-up share capital;
- viii. 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 of the Company;
- ix. any person under whose advice, directions or instructions a Director or Manager is accustomed to act;

Provided that nothing in sub-clauses (viii) and (ix) shall apply to the advice, directions or instructions given in a professional capacity;

- x. any person or entity belonging to the promoter or promoter group of the Company.
- xi. any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

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in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year

x. An entity which is related party under the applicable accounting standards.

“Related Party Transaction” means a contract or arrangement (including any transaction) as envisaged as a related party transaction under section 188 of the Companies Act, 2013 and Regulation 23 of the Listing Regulations, 2015 as amended from time to time.

“Significant influence” means participation in the financial and/or operating policy decisions of an enterprise, but not control of those policies. Generally, if an investing party holds 20% or more of the voting power of an enterprise, it is presumed that the investing party has significant influence over that enterprise. Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations 2015, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

“Material Modification” means a modification to the Related Party Transaction shall be considered material where the value involved or the impact of an event exceeds 2% of the total income of the Company as per the last audited consolidated financial statements or 5% of the net worth of the Company as per the last audited consolidated financial statements whichever is lower.

“Subsidiary Company” or “Subsidiary” in relation to a holding company means a company in which the holding company –

- (i) Controls the composition of the Board of Directors; or
- (ii) Exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Explanation.—for the purposes of this clause,—

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) The expression “company” includes any body corporate.

“Transaction” in relation to a Related Party means the contract or arrangement with the Related Party and shall include, where required, any transaction thereunder with a Related Party in that Financial Year, whether entered into individually or not.

Type of Transactions to be covered:

In accordance with the applicable laws, following transactions shall be covered under this Policy for the Company and its subsidiaries:

(A) Pursuant to the Companies Act, 2013:

- i. Sale, purchase or supply of any goods or materials;
- ii. Selling or otherwise disposing of, or buying, property of any kind;
- iii. Leasing of property of any kind;
- iv. Availing or rendering of any services;
- v. Appointment of any agent for purchase or sale of goods, materials, services or property etc.
- vi. Such Related Party's appointment to any office or place of profit in the Company, its subsidiary company or associate company;
- vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

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(B) Pursuant to Listing Regulations:

A transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Policy

All Related Party Transactions other than those covered under omnibus approval must require prior approval of the Audit Committee in accordance with this Policy. All material related party transactions shall require approval of shareholders.

Approval for certain Related Party Transactions and Material Related Party Transactions

All proposed Related Party Transactions and subsequent material modifications must be reported to the Audit Committee of the Company for obtaining its prior approval in accordance with this Policy. However, the Audit Committee may grant Omnibus Approval for Related Party Transactions proposed to be entered into between the Company and the Related Parties.

Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

Provided further that the Audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

Related Party Transactions involving Subsidiaries of the Company:

a. 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 Consolidated Turnover, as per the last audited financial statements of the Company.

b. With effect from April 1, 2023, 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 such subsidiary.

c. Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended are applicable to such listed subsidiary of the Company.

d. For Related party transactions of unlisted subsidiaries of a listed subsidiary of the Company as referred to in (c) above, the prior approval of the Audit Committee of the listed subsidiary of the Company shall suffice.

Omnibus Approval

In case of RPTs of repetitive nature, the details of the RPT shall be submitted to the Audit Committee to obtain its Omnibus Approval.

The Audit Committee may lay down the criteria for granting the Omnibus Approval and such approval shall be applicable in respect of transactions which are repetitive in nature. 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 would specify, to the extent possible:-

- (a) Names of the Related Party;
- (b) Nature of the transaction/ categories of such transactions;
- (c) Period of the transaction/contract/ arrangement;
- (d) Maximum value for which such a transaction can be cumulatively transacted;
- (e) Guidance on commercial consideration; and
- (f) Any other conditions the Audit Committee deems fit.

In case the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant Omnibus Approval for such RPTs subject to their value not exceeding Rs. 1 crore per transaction.

The Omnibus Approval thus received shall be considered as prior approval for the respective/ classified RPT. This shall eliminate the need/ requirement for obtaining prior approval for such repetitive RPT of similar nature. However, such RPTs will continue to be evaluated for propriety of arm's length and ordinary course of business. The Omnibus Approval thus obtained shall remain valid for a period of one year. On expiry of the said term/period, fresh approval should be obtained for the classified RPTs.

On a quarterly basis, Board will place the agenda before the Audit Committee for review of all RPTs for which Audit Committee has granted Omnibus Approvals.

Further, all Material Related Party Transactions and subsequent material modifications as defined by the Audit Committee of the Company shall require prior approval of the shareholders of the Company through Resolution and no related party shall vote to approve such Resolutions whether the Related Party is a party to the particular transaction or not.

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the complete information to be set out separately as a part of the explanatory statement.

Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if Regulation 23 and sub-regulation (2) of regulation 15 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the requirements specified above shall not apply in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

The provisions of the above paras shall not be applicable in the following cases –

- (a) Transactions entered into between two government companies;
- (b) Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

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(c) Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Approval by Circular Resolution of the Audit Committee

In the event the Board determines that it is impractical or undesirable to wait until a meeting of the Audit Committee to enter into a Related Party Transaction, such transaction may be approved by the Audit Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force.

Decision regarding transaction in ordinary course of business or on an arm's length basis

The Audit Committee/the Board shall, in respect of the RPTs referred to them for approval, after considering the information/ documents placed before them; judge if the transaction is in the ordinary course of business or on an arm's length basis. The Audit Committee/ the Board may seek views of professionals/ specialists (on a need basis) for analyzing the appropriateness of the transactions from 'ordinary course of business' or 'arm's length' perspective.

Policy Review

This Policy is revised based on the extant provisions of Listing Regulations. In case of any subsequent changes in the provisions of the Listing Regulations or any other applicable laws, the Listing Regulations or the applicable laws would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with applicable law.

This Policy shall be reviewed by the Audit Committee, as and when any changes are to be incorporated in the Policy due to change in law, rule, regulation or standard or as may be deemed appropriate by the Audit Committee.

In connection with any review of a Related Party Transaction, the Audit Committee has the final authority to modify or waive any procedural requirements of this Policy.

DISCLOSURE

The particulars of contracts or arrangement with Related Parties referred to in section 188(1) of the Companies Act, 2013 shall be disclosed in the Board's Report under Section 134 of the Companies Act, 2013.