



# TWENTYFIRST CENTURY MANAGEMENT SERVICES LIMITED

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## **Related Party Transaction Policy (Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions) AMENDED TO TAKE EFFECT FROM 9<sup>TH</sup> FEBRUARY 2023**

### **1. PREAMBLE**

The Board of Directors of TWENTYFIRST CENTURY MANAGEMENT SERVICES LIMITED ("Company") has adopted the Related Party Transaction Policy and Procedures with regard to Related Party Transactions as defined below. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

### **2. PURPOSE**

This policy is framed as per requirements of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), the Companies Act, 2013 and amendments issued in the regulatory framework from time to time.

This Policy shall supplement Company's other policies/ procedures/ practices/Delegation of Powers etc., which require approval of the Transactions/ Contracts/Arrangement in specified manner and by specified authority. If there are more than one set of requirements due to application of multiple laws and regulations, the endeavor will be based on the compliance principle, which would meet the higher governance standards.

### **3. DEFINITIONS**

**"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 as defined in Section 188(1) of the Companies Act, 2013.

**"Associate Company"** in relation to another Company means Company as defined in Section 2(6) of the Companies Act, 2013 i.e.

*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 purpose of this clause,—*

*(a) The expression "significant influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;*



*(b) the expression "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 the Audit Committee of the Board constituted from time to time under the Regulation 18 of LODR Regulations and Section 177 of the Companies Act, 2013.

**"Board"** means the Board as defined in Section 2(10) of the Companies Act, 2013.

**"Key Managerial Personnel"** means Key Managerial Personnel (KMP) as defined in Section 2(51) of the Companies Act, 2013 i.e.

- (i) the Chief Executive Officer or Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the whole-time Director;
- (iv) the Chief Financial Officer;
- (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
- (vi) such other officer as may be prescribed

**"Material Related Party Transaction"** means a Material Related Party Transaction as defined in Regulation 23(1) of the LODR Regulations i.e.

*'Transaction with a related party shall be considered material 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.'*

*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 of the listed entity as per the last audited financial statements of the listed entity.'*

**"Ordinary Course of Business"** includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:



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- (i) is normal or otherwise remarkable for particular business(i.e. features in system, processes, advertising, staff training, etc.)
- (ii) is frequent and regular
- (iii) involves significant amounts of money
- (iv) is a source of income for business
- (v) involves significant allocation of resources
- (vi) is involved in a service or product that is offered to customers

**“Related Party”** - an entity shall be considered as related to the Company as defined in the Companies Act, 2013 read with Regulation 2(1) (zb) of the LODR Regulations i.e.

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable Accounting Standards.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

As per Section 2(76) of the Companies Act, 2013, Related Party means:

- (i) A Director or his relative;
- (ii) A Key Managerial Personnel or his relative;
- (iii) A firm, in which a Director, manager or his relative is a partner;
- (iv) a private company in which a Director or manager or relative is a member or Director;
- (v) a public company in which a Director or manager is a Director and holds along with his relatives, more than 2% of its paid-up share capital;
- (vi) 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;
- (vii) 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.

(viii) Any body corporate which is-

- A. A holding, subsidiary or an associate company of such company;
- 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;



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**Explanation**—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- (ix) A Director (other than Independent Director) or KMP of the holding company of such company or his relative.

The Accounting Standard 18, inter-alia, defines related party as “parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.”

**“Related Party Transaction” (RPT)** means all transactions between the Company on one hand and one or more Related Party(ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and/or Regulation 2(1) (zc) of the LODR Regulations, which is as under:

*Transfer of resources, services or Obligations between a Company And A Related Party, Regardless Of Whether A Price is charged.*

**“Relative”** means a relative as defined in Section 2(77) of the Companies Act, 2013.

**“Subsidiary Company”** means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

**“Transaction”** with a Related Party shall be construed to include a single transaction or a group of transactions.

#### 4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions must be put up for prior approval of the Audit Committee in accordance with this Policy whether at a meeting or resolution by circulation. Approval of the Board/ Shareholders may be required, as detailed in this policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy.

Concerned Head(s) of Department are responsible for placing an agenda before the Audit Committee (*including on quarterly basis / for omnibus approval*)





And / or Board of Directors and/or shareholders, as the case may be, of all Related Party Transaction (s) requiring compliance with this policy.

#### 4.1.0 Approval of the Audit Committee

##### 4.1.1 Details to be provided to Audit Committee

The following details / information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

- a. Name of the Related Party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b. particulars of the contract or arrangement including material terms and the value, if any;
- c. any advance paid or received for the contract or arrangement, if any
- d. manner of determining the pricing (indicative base price/current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- e. 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
- f. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

##### 4.1.2 Omnibus Approval as per Rule 6A of the Companies (Meeting of Board and its Powers) Second Amendment Rules, 2015 and the LODR Regulations

A. Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

1. Transactions which are **repetitive** in nature.
2. Audit Committee shall satisfy itself **for justification for the need** of such omnibus approval in the best interest of the Company.
3. 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.1.00 crore per transaction.*

- B. Audit Committee shall review at least on a **quarterly basis**, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- C. The omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year from the date of approval.
- D. Omnibus approval shall not be made for transaction in respect of selling or disposing of the undertaking of the Company.

#### **4.1.3 Consideration by the Audit Committee**

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a. All relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party;
- b. whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis, at the time of entering into the transaction;
- c. 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 or present a conflict of interest for any Director or KMP of the Company;
- e. each Director and Key Managerial Personnel to provide notice to the Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Audit Committee may reasonably request. The notice of any potential Related Party Transaction should be communicated to the Audit Committee in advance so that it has adequate time to obtain and review necessary information about the proposed transaction.





- f. Any Director or KMP who has a potential conflict of interest in any Related Party Transaction shall not participate in any discussion or approval of a Related Party Transaction and shall not be counted in determining the presence of quorum of the meeting when such transaction is considered.
- g. Any other matter as the Audit Committee may deem relevant.

Approval of Audit Committee is required for Related Party transactions as per provisions of the Companies Act, 2013 and **the LODR Regulations**. However, in case of transaction, other than transactions referred to in section 188 of the Companies Act, 2013, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

Approval of Audit committee is only with reference to entering into a transaction with Related Party and other approval(s) of Board and/or Shareholders as the case may be shall be applicable as per Company's policies / procedures / practices / Delegation of Powers etc.

#### **4.1.4 Exemptions from Audit Committee approval:**

Transaction between a holding company and its wholly owned subsidiary company, other than a transaction referred to in section 188(1) of the Companies Act, 2013 i.e. following transactions by TWENTYFIRST CENTURY SHARES AND SECURITIES LIMITED with its wholly owned subsidiary company will not require approval of the Audit Committee:

- Giving of loan; Guarantee / Security / Letter of Comfort in connection with Loan; Payment / Performance Security, Guarantee / Security / Letter of Comfort not in connection with Loan
- Commitment / Release of equity

#### **4.2.0 Approval of the Board and Shareholders**

##### **4.2.1 Under section 188 of the Companies Act, 2013**

In case of specified Related Party Transaction(s) as mentioned in section 188(1) of the Companies Act, 2013 prior approval of Board and/or Shareholders is required for entering into any contract or arrangement with a Related Party as per the following:

- a. **Prior approval of the Board at a meeting - which are not in ordinary course of business or not on arm's length basis.**





- b. **Prior approval of the Shareholders by way of ordinary resolution-** which are **not in ordinary course of business** or **not on arm's length basis** and beyond threshold limits.

**Exemptions from Shareholders approval:**

- (i) In respect of contracts or arrangements entered into by one Government Company with any other Government Company.
- (ii) 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.

S. No.	Specified RPT(s) u/s 188 (1) of the Companies Act, 2013	
	Approval of the Board	Approval of the Shareholders (Threshold limits)
a)	sale, purchase or supply of any goods or materials <del>in ordinary course of business of the Company</del>	10% or more of the turnover of the Company
b)	Selling or otherwise disposing of, or buying, property of any kind	10% or more of net worth of the Company
c)	Leasing of property of any kind	10% or more of the turnover of the company
d)	availing or rendering of any services	10% or more of the turnover of the company
e)	Appointment of any agent for purchase or sale of goods, materials, services or property	As per limit prescribed in clause a), b) and d), in case resulted into appointment of agent
f)	Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakhs
g)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth



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**Explanation(s):**

- Limits specified in sub-clauses a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

No member of the Company shall vote on such ordinary resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a Related Party for such contract or arrangement.

**4.2.2 Under Regulation 23 of the LODR Regulations**

All **Material** Related Party Transactions requires the approval of the shareholders by way of ordinary resolution, however, the same shall be put up to the Board for its approval at a meeting before the approval of shareholders.

**Exemption:**

- (i) Transactions entered into between two Government Companies;
- (ii) 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.

No related Party shall vote to approve the relevant transaction irrespective of whether the entity person is a party to the particular transaction or not.

Further, the policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the board of directors and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

**4.3 Details to be provided to the Board and Shareholders as per section 188 of the Companies Act, 2013**

**4.3.1 The following information shall be provided to the Board for approval of Related Party Transaction(s)–**

- a. The name of the Related Party and nature of relationship;
- b. The nature, duration of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;





- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. 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
- g. each Director and Key Managerial Personnel to provide notice to the Board of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board may reasonably request. The notice of any potential Related Party Transaction should be communicated to the Board in advance so that it has adequate time to obtain and review necessary information about the proposed transaction.
- h. any Director or KMP who has a potential conflict of interest in any Related Party Transaction shall not participate in any discussion or approval of a Related Party Transaction and shall not be counted in determining the presence of quorum of the meeting when such transaction is considered.
- i. any other information relevant or important for the Board to take a decision on the proposed transaction.

**4.3.2** The following information shall be provided to the **Shareholders** for approval of Related Party Transaction(s)–

- a. Name of the Related Party;
- b. Name of the Director or KMP who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

**4.4** **Summary of the approval mechanism under the LODR Regulations and the Companies Act, 2013**

Details of Transaction(s)	Approving Authority
All Related Party Transactions and any subsequent modification	Audit Committee.
RPTs at 4.2.1 above which are not in ordinary course of business or not on arm's length basis or both (less than threshold limits)	Approval and recommendation by Audit Committee to the Board.  Approval by the Board.
RPTs at 4.2.1 above which are in not in ordinary course of business or not on arm's length basis or Both (beyond threshold limits)	Approval and recommendation by Audit Committee to the Board.  Approval and recommendation by the



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Material RPTs at 4.2.2above	Board to Shareholders.  Approval by the Shareholders.
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#### 4.5 Ratification of Related Party Transactions

- a. If prior approval of the Audit Committee / Board/ Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee / Board / Shareholders, as the case may be, within 3 (three) months of entering in the Related Party Transaction.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Audit Committee/ Board / shareholders, as the case may be, and if the contract or arrangement is with a Related Party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.
- c. In any case where either the Audit Committee / Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board / Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the Company.
- d. In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

#### 4.6 Disclosures

- a. Every contract or arrangement entered with Related Parties which are not on arm's length basis with the approval of Board / Shareholders in line with Section 188 of the Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.

d. In case any transaction involving any amount not exceeding one crore rupees is



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- b. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- c. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- d. Name of all Related Parties, nature of relationships and details of all Related Party transactions should be disclosed in the financial statement as per applicable Accounting Standard
- e. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party, which require approval of the Board as per provision of the Companies Act, 2013.
- f. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

## 5. AMENDMENTS

CMD may amend the Policy in case of change in legal framework rules and regulation as covered in the policy. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS



CHIEF EXECUTIVE OFFICER

