Related Party Transactions Policy

Adopted By the Board of Directors of

Avana Electrosystems Limited

Last Reviewed on 21st May 2026

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1. Preface

The Board of Directors of the Company has adopted this policy on Related Party Transactions based on the recommendation of the Audit Committee. Further, the Audit Committee will review the policy from time to time and propose the amendment required, if any, to the Board of Directors.

2. Scope

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions based on the applicable laws and regulations applicable to the Company.

3. Purpose

The policy is framed based on the applicable legislations intended to ensure the proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

4. Definitions

"Arm's Length Transaction"	shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest
"Associate"	shall mean a Company as defined under section 2(6) of the Act and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by Accounting Standard (AS) 18, "Related party disclosures".
"Audit Committee or Committee"	shall mean the Audit Committee of the Board constituted under Section 177 of the Act and Regulations 18 of the Listing Regulation;
"Board"	shall mean the Board of Directors of the Company
"Companies Act, 2013"	means the Companies Act, 2013 read with the Rules framed thereunder [including any modification(s) / amendment(s) / re-enactment(s) thereof]
"Control"	means control as defined in Section 2(27) of the Act and shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
"Key Managerial Personnel"	shall mean the officers of the Company as defined in Section 2(51) of the Act and other applicable provisions, if any, as amended from time to time.

"Policy"	shall mean this Related Party Transaction Policy.
"Material Related Party Transaction"	shall have the meaning as defined in the Applicable Regulatory Provisions. Without prejudice to the foregoing, at present, as per the explanation to Regulation 23(1) of the Listing Regulations, this term means a transaction with a related party if (a) the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per the last audited financial statements of the Company or (b) 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 (or) threshold for material related party transactions as specified in Schedule XII of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015.
"Material Modification"	Material Modification of a related party transaction include modification on account of change in: • Value – Any change in value of transaction by 20% of the original value; or • Period – Any change in period of the existing contracts covered under related party transaction including due to novation/renewal thereof; or • Nature/Basis – Any change in nature of transaction impacting ordinary course of business and arm's length principle; or • Such other parameters the Audit Committee may from time to time specify.
"Ordinary course of business"	shall mean the usual transactions, customs and practices 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. The Board and Audit Committee may lay down the principles for determining ordinary course of business in

	accordance with the statutory requirements and other industry practices and guidelines.
"Relative"	with reference to any person, means who is related to another, if: - They are members of a Hindu Undivided Family; They are Husband or wife or One person is related to the another in the following manner, namely: Father, includes step-father. Mother, includes step-mother. Son, includes step-son. Son's wife. Daughter. Daughter's husband. Brother, includes step-brother. Sister, includes step-sister.
"Related Party"	Related Party means such person or entity who is a related party under the Companies Act, 2013, SEBI Regulations, the applicable accounting standards and other applicable legislations, if any
"Related Party Transactions"	Related Party Transaction means a transfer of resources, services or obligations between a listed entity 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 and would include • transactions specified under Section 188 (1) of the Companies Act, 2013. • transactions specified under Regulation 2(1) (zc) of LODR
"RPT Industry Standards"	RPT Industry Standards refers to Industry Standards on "Minimum Information to be provided for review of the audit committee and shareholders for approval of a related party transaction" formulated by Industry Standards Forum ("ISF") comprising of representatives from three industry association, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, in consultation with SEBI.
"Subsidiary"	means a Company as defined under section 2(87) of the Act, and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements" and by Accounting Standard (AS) 18, "Related party disclosures".

All words or expression in this policy shall bear the meaning as per the definitions under the Companies Act, 2013 including rules ("the Act") made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), [applicable RPT Industry Standards], applicable accounting standards under the Act and other legislations, as amended and applicable from time to time.

5. Approval process

All Related Party Transactions (RPTs) [and subsequent material modifications] must be reported to the Audit Committee ("the Committee") and referred for approval of the Committee in accordance with the policy. [Wherever the approval of Audit Committee is required for Related Party Transactions and subsequent material modifications, it shall be approved only by those members of the Committee, who are independent directors]. In case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the omnibus approval may be granted, as detailed in this policy.

❖ **Identification of Related Party Transactions (RPTs)**

Each Director and Key Managerial Personnel (KMP) shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party as per this policy. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

Each Director and KMP is responsible for providing notice to the Company of any potential Related Party Transaction where they may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs shall ensure so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

❖ **The following shall not be regarded as a related party transaction:**

a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

b) The following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

   I. Payment of Dividend
   II. Subdivision or consolidation of securities

III. Issuance of securities by way of a rights issue or a bonus issue; and
IV. Buy-back of securities.

c) Retail purchases from the Company or its subsidiary [as prescribed under SEBI LODR]
d) such other transactions as may be exempted as per applicable regulations from time to time.

❖ **Review and approval of Related Party Transactions**

a) Approval matrix

Nature of Transaction	Type of Transaction	Threshold	Approving Authority	Requirement
Transactions in the ordinary course of business and at arm's length	All transactions with Related Parties as required under SEBI (LODR)	As prescribed under SEBI (LODR)	Audit Committee	Section 177 of the Act and Regulation 23 of SEBI LODR
Transactions not in the ordinary course of business or not at Arm's length	a. Sale, Purchase or otherwise disposing off 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 to any office or place of profit. f. Underwriting the subscription of any securities or derivatives	a. Amounting to 10% or more of the turnover. b. Amounting to 10% or more of the net worth of the Company. c. Amounting to 10% or more of the turnover of the Company. d. Amounting to 10% or more of the turnover of the Company. e. Monthly remuneration exceeding two and half lakh rupees f. Exceeding one percent of the net worth of the Company.	Audit Committee, Board of Directors and Shareholders (if, exceeds threshold)	Section 188 of the Act and the thresholds prescribed under Rule 15 of Companies (Meetings of Boards and its Powers) Rules, 2014 as amended from time to time.

Material Related Party Transactions	Transactions covered under SEBI LODR	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 percent of the annual consolidated turnover of the Company, whichever is lower, or such other threshold prescribed under SEBI LODR from time to time (or) threshold for material related party transactions as specified in Schedule XII of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015 whichever is lower or such amount as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.	Audit Committee, Board of Directors and Shareholders	Regulation 23 of SEBI LODR as amended from time to time

b) Audit Committee

All Related Party Transactions [covered under the Act, SEBI LODR and applicable accounting standards under the Act and any other applicable legislations] shall require prior approval of the Audit Committee. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the committee will be provided with all relevant material information of the Related Party Transaction, including the nature and terms of the transaction, the purpose of the transaction, value of the transaction, the benefits to the Company and to the Related Party, and [other information that are mandatorily required under the Act, SEBI LODR, [applicable RPT Industry Standards,] applicable accounting standards under the Act and circulars issued thereunder] relevant matters.

The information provided shall specifically cover the following:

A. Type, material terms and particulars of the proposed transaction for approval;
B. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
C. Tenure of the proposed transaction (particular tenure shall be specified);
D. Value of the proposed transaction;
E. The percentage of the Company'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 subsidiary's annual turnover on a standalone basis shall be additionally provided);
F. If the transaction relates to any loan, inter-corporate deposits, advances or investments made or given by the Company 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, inter-corporate 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 Company;

H. A copy of the valuation or other external party report, if any such report has been relied upon;

I. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis if feasible;

J. any other information that may be relevant.

any other information relevant or important for the Committee to take a decision on the proposed transaction.

[The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

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

- Whether the terms of the Related Party Transaction are fair, and on arm's length basis to the Company;
- Whether the Related Party Transaction is beneficial and in the best interest of the Company;

- Whether there are any business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of the directors / KMP;
- Whether any proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

c) Determination of Arm's Length

In order to determine whether a transaction is at arm's length, the Audit Committee / Board will exercise its own judgement based on its assessment from the information furnished and the relevant factors concerning each such transaction. The Audit Committee may also rely on third party professional certifications including the latest available report on transfer pricing carried out by any independent consultant to ascertain whether the transaction is at arm's length. For a new transaction, the Audit Committee may determine the appropriate method including a review and approval by the Company's internal transfer pricing tax team as basis.

d) Ordinary course of business

Related Party Transactions that are part of regular business activities including any activity connected with the business operations, similar business/industry and its size shall be considered to be in the ordinary course of business.

The criteria that may be considered by the Audit Committee are as below:

Nature and scope of transaction and its consistency in general with the operations of the Company.

Possibility of entering into such transactions with third parties.

Size of transaction in relation to the prevailing market/industry trend.

The following are the indicative list of transactions entered in the ordinary course of business:

• Purchase, sale or supply of any goods or materials for the purpose of business either directly or through agents.

• Availing or rendering of any services for the purposes of business.

• Buying, selling or leasing of any property in connection with the business operations.

• Appointment of any related parties in the office or place of profit and payment of remuneration in accordance with the policies of the Company.

• Re-imbursement of expenses incurred in connection with the business.

• Any transaction in which the Related Party's interest arises solely from ownership of securities issued / deposit accepted by the Company and all holders of such securities / depositors receive the same benefits pro rata as the Related Party.

The Audit Committee shall consider all the relevant facts and circumstances related to any transaction and shall determine whether the transaction falls within the scope of ordinary course of business as it deems appropriate.

Any contribution to charitable organization, foundation or institutions in which Related Party is a trustee, director or employee, shall also be considered to be a transaction in the normal course so long as such contribution is as per the Corporate Social Responsibility (CSR) Policy of the Company approved by the CSR Committee of the Board.

e) Omnibus approval

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

• The transactions are repetitive in nature;

• The approval is in the interest of the company;

• Adequacy of justification for the need of omnibus approval;

• Maximum value of transactions in aggregate and maximum value per transaction.

• The omnibus approval to specify – the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,

• the indicative base price / current contracted price and the formula for variation in the price if any; and

• 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.

• Such omnibus approvals shall not require any further approval of the Audit Committee for each specific transaction unless the price, value of material terms of the contract or arrangement have been varied / amended.

• Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

• Audit Committee shall review, at least on a Half-yearly basis, the details of Related Parties Transactions entered into by the company or its unlisted subsidiary pursuant to each of the omnibus approval given.

• Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of one financial year.

Exception–
Omnibus approval shall not be made for transactions in respect of sale or disposal of the undertaking of the company and transactions which are not in the ordinary course of business.

[Prior approval of the Audit Committee shall not be required for:

i. Transactions exempted under Regulation 23(5) of the LODR Regulations;

ii. Quarterly /Half-yearly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of the LODR Regulations;

iii. Transactions with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) do not exceed Rs. 1 Crore.]

f) Ratification

If the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the Related Party Transaction shall be reported to the Audit Committee for its approval at the earliest opportunity.

The members of the audit committee, majority of whom are independent directors, may ratify related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

(i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year does not exceed rupees one crore;

(ii) the transaction is not material Related Party Transaction;

(iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions to be submitted to the Stock Exchanges;

(v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee 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.

A Related Party Transaction entered into without approval under this Policy shall not be deemed to violate this Policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after the Company becomes aware of such transaction.

The Audit Committee shall consider all the relevant facts and circumstances related to the transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of such transaction, and shall take such course of action as the Audit Committee deems appropriate under the circumstances.

g) Board of Directors

The Audit Committee may determine any Related Party Transaction for review by the Board. The Board shall consider and approve such Related Party Transaction at a meeting.

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

h) Material Related Party Transactions - Shareholders approval

All the Material Related Party Transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolution. Such approvals shall be valid as prescribed under Companies Act, 2013, SEBI Regulations and other applicable legislations, if any.

All the transactions, other than the Material Related Party Transaction, with the related parties which are not in Ordinary Course of Business and at Arm's Length Basis shall also require the approval of the shareholders through resolution if it exceeds the limits specified under Section 188 of the Companies Act, 2013, rules and regulation notified thereunder and SEBI LODR from time to time.

To review a Related Party Transaction, the Shareholders will be provided with all relevant material information of the Related Party Transaction, that are mandatorily required under the Act, SEBI LODR, applicable RPT Industry Standards, applicable accounting standards under the Act and circulars issued thereunder relevant matters.

i) Disclosure

The Company shall submit to stock exchanges, disclosures of related party transactions and publish the same on the website, in the manner prescribed under SEBI LODR from time to time.

6. Amendments to the Policy

- The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision /amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

- In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

  The approved Policy shall be uploaded under a separate section on the website of the Company at **https://avanaelectrosystems.com/**