

COMPETENT AUTOMOBILES COMPANY LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. PREAMBLE

The Board of Directors (the “Board”) of Competent Automobiles Company Limited (the “Company”) has, on the basis the recommendation of the Audit Committee, adopted this Policy on materiality of related party transactions and on dealing with related party transactions (this “Policy”) is in line with the requirement of the Companies Act, 2013 (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”).

This Policy applies to transactions between the Company and its Related Parties. It provides a framework for governance and reporting of Related Party Transactions.

2. SCOPE AND APPLICABILITY

This Policy applies to the transactions between the Company and its Related Parties. Transactions covered under this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”. This Policy on Related Party Transaction shall be governed by Section 188 of the Companies Act, 2013 read with the Rules made thereunder and the SEBI Listing Regulations.

3. DEFINITIONS

“**The Company**” shall means the Competent Automobiles Company Limited (CACL).

“**Act**” or “**Companies Act, 2013**” means the Companies Act, 2013 (“the Act”) and the Rules made thereunder as modified or amended from time to time.

“**Arm’s length Transactions**” 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**” means Committee of Board of Directors of the Company constituted under the provisions of the SEBI Listing Regulations and the Act.

“**Board**” means the Board of Directors of CACL, as constituted from time to time.

“**Control**” means as defined under the Act includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholder’s agreements or voting agreements or in any other manner.

“**Holding Company**” means as specified under Section 2(46) of the Act.

“**Key Managerial Personnel**” (‘KMP’) means as a person who is a KMP, as defined under Section 2(51) of the Act.

“Material Related Party Transactions” means, a transaction with a related party as specified under Regulation 23 of the SEBI Listing Regulations or as amended from time to time. Accordingly, transaction shall be considered 'material' if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs.1,000 Crore or 10% of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower.

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 5% of the annual consolidated turnover, as per the last audited financial statements of the company.

“Material Modifications of Related Party Transaction” means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

“Related Party Transaction” means any transaction or arrangement in which the Company and Related Party are contracting parties either directly or indirectly as defined under Section 188 of the Companies Act, 2013 and sub-regulation (zc) of Regulation 2 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments issued from time to time.

“Related Party” means a Related Party as defined under Section 2(76) of the Act, or under Regulation 2(1)(zb) of the SEBI Listing Regulations or under the applicable accounting standard, as amended from time to time.

“Relative” with reference to a Director or a Key Managerial Personnel mean persons defined under Section 2(77) of the Act as amended from time to time.

“SEBI Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Act or SEBI Listing Regulations.

4. ORDINARY COURSE OF BUSINESS

In the “Ordinary Course of Business” means usual transactions, customs and practices undertaken by the Company, including, but not limited to sale or purchase of goods, or services, taking premise on lease/ rent, transfer, providing of guarantees or collaterals, in the normal routine in managing trade or business and includes all such activities which the Company can undertake as per the Memorandum and Articles of Association of the Company.

5. DEALING WITH RELATED PARTY TRANSACTIONS (INCLUDING MATERIAL MODIFICATION THERETO)

I. Approval of the Audit Committee:

1. The following related party transactions shall require prior approval of the Audit committee of the Company.

a. All Related Party Transactions of the Company and subsequent material modifications therein;

- b. All related party transaction to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company or exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
2. The following information shall be placed before the Audit Committee for review and approval of any proposed Related Party Transactions:
- a. Name of the related party and nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise).
 - b. Type/Nature, tenure/duration of the proposed contract or arrangement;
 - c. Material terms and conditions of the proposed contract or arrangement including the value, if any;
 - d. Advance paid or received for the contract or arrangement, if any;
 - e. Manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - f. 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 the subsidiary's annual turnover on a standalone basis shall be additionally provided).
 - g. If the transaction relates to any loans, 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,
 - 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.
 - h. nature of indebtedness
 - i. cost of funds; and
 - j. tenure.
 - k. Justification as to why the RPT is in the interest of the Company.
 - l. A copy of the valuation or other external party report, if any such report has been relied upon.
 - m. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.
 - n. Any other information relevant or important for the Audit Committee or Board as the case may be to take a decision on the proposed transaction.
 - o. Minimum information specified in the Industry Standards and Certificate from the CEO or CFO or any other KMP of the Company that the RPTs to be entered into are not prejudicial to the interest of public shareholders; and the terms and conditions of the RPT are not unfavourable to the Company, as compared to the terms and conditions, had similar transaction been entered into with an unrelated party.
3. The Status of long term (more than one year) or recurring RPT shall be placed on an annual basis for review by the audit Committee, by the respective head of the department.

4. Omnibus Approval by the Audit Committee: -

- a. The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary. The criteria to be considered by the Audit Committee for granting omnibus approval includes the following: -
 - i. Transactions are frequent/regular/repetitive in nature and are in the normal course of business of the Company.
 - ii. Justification for need of omnibus approval and whether such approval is in the best interest of the Company.
- b. The proposal for omnibus approval placed before the Audit Committee shall include the following information:
 - i. the name(s) of the related party,
 - ii. nature of transaction,
 - iii. period of transaction,
 - iv. maximum amount of transactions that shall be entered into,
 - v. the indicative base price / current contracted price and the formula for variation in the price if any;
 - vi. minimum information about the RPTs as per the provisions of the Industry Standards; and
 - vii. such other conditions as the audit committee may deem fit.

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 rupees one crore per transaction.

- c. The Omnibus approval shall be valid for period not exceeding one year or and shall require fresh approval after expiry of one year.
- d. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- e. Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company or its subsidiary pursuant to each of the omnibus approval given.

II. Approval of the Board of Directors

1. In the event of any transaction under RPT to be entered into by the Company not in its ordinary course of business or not done at arm's length, such transactions shall not be entered except with the prior consent of the Board of Directors given by a resolution at a meeting of the Board. The nature of contract or arrangement inter-alia includes the following: -
 - 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.

The expression "office or place of profit" means any office or place: -

- a. Where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - b. Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
2. Where any Director is interested in any Related Party Transaction, such Director shall abstain from discussion and voting on the resolution relating to such transaction.

III. Approval of the Shareholders of the Company:

Prior approval of the shareholders of the Company shall be required in case of:

1. All Material Related Party Transactions (Material RPT); and subsequent modification therein.
2. All Related Party Transactions, which are not in ordinary course of business and/or not entered on arm's length basis, whose value exceeds the threshold limits as prescribed in Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2014, as given below:

Sr. No.	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold limit* for seeking approval of shareholders
(a)	Sale, purchase or supply of any goods or materials, directly or through appointment of agent	10% or more of the turnover of the Company.
(b)	Selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent	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, directly or through appointment of agent	10% or more of the turnover of the company.
(e)	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 Lakh
(f)	Underwriting for the subscription of any securities or derivatives thereof, of the company.	At a remuneration exceeding 1% of the Net Worth of the Company.

**For the 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 as defined in the Companies Act, 2013.*

3. All the information specified in the Act, SEBI Regulations and Industry Standards, shall be provided to the shareholders for approving the RPT.

IV. Summary of the approval mechanism under SEBI Listing Regulations and the Companies Act, 2013:

Details of Transaction(s)	Approving Authority
All related party transactions (other than those which are exempted) and any subsequent material modifications	1. Audit Committee
RPTs u/s 188 of the Companies Act, 2013 which are not in Ordinary Course of Business or not on arm's length basis or both and less than threshold limits of materiality.	1. Audit Committee 2. Board of Directors of the Company
RPTs u/s 188 of the Companies Act, 2013 which are in not in ordinary course of business or not on arm's length basis or both and beyond threshold limits.	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company.
Material RPT and subsequent material modifications	1. Audit Committee 2. Board of Directors of the Company 3. Shareholders of the Company.

6. RELATED PARTY TRANSACTIONS OF SUBSIDIARIES OF THE COMPANY

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.

However, with effect from 1st April, 2023 as prescribed under the SEBI Listing Regulations, 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 the subsidiary.

7. VOTING REQUIREMENT

Any member of the Audit Committee/ Board of Director/ Shareholder who has a potential interest in any Related Party Transaction will not vote to approve the relevant transaction.

8. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or on an arm's length basis along with the justification for entering into such transaction.

The detail of all material transactions with related parties shall be disclosed quarterly along with the Company's Compliance Report on corporate governance, in accordance with the SEBI Listing Regulations.

The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.

9. REVIEW OF POLICY

The policy will be reviewed once every three years and updated accordingly with the changes, if any. In case of any amendment/ clarification/ circular/ notification, etc., issued by the relevant authority, not being consistent with the provisions laid down in this policy, then such amendment/ clarification/ circular, etc., shall prevail upon the provisions mentioned herein and this policy shall stand amended accordingly from the effective date as laid down under such amendment/ clarification/ circular/ notification, etc.

Amendment Date: 12th February, 2025