



# Cello World Limited

(formerly known as 'Cello World Private Limited')

**Admin Office :** Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),

**Tel :** 2685 1027 / 2685 3080, **Fax :** (022) 2685 3333, **e-mail :** cello.sales@celloworld.com, cellothermoware@hotmail.com

**Website:** <https://celloworld.com> **CIN:** U25209DD2018PLC009865

**Regd. Office:** 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

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### POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

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**Under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**



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## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

### 1. INTRODUCTION

Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), requires every listed company to formulate a policy on materiality of related party transactions of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board.

The Board of directors (the “**Board**”) of Cello World Limited (the “**Company**”) has adopted the following policy and the Board may amend this policy from time to time.

### 2. OBJECTIVES OF THE POLICY

The objective of this Policy is to set out:

- a) Identification of the related parties;
- b) The materiality threshold for related party transactions;
- c) The manner of dealing with the transaction between the Company and its related parties based on the Act, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

All related party transactions should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications of related party transactions. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one financial year and shall require fresh approval for the next financial year.

### 3. DEFINITIONS

- a) "**Act**" means the Companies Act, 2013, read with the rules thereunder, as amended.
- b) "**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.
- c) "**Audit Committee**" means the audit committee of the Board of directors of the Company.
- d) "**Board**" means the Board of directors of the Company.
- e) "**Key Managerial Personnel**" or "**KMPs**" means person as defined in section 2(51) of the Companies Act, 2013, as amended from time to time.
- f) "**Material Related Party Transaction**" means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company.
- g) "**Materiality Threshold**" means limits for related party transactions beyond which approval of the shareholders' as specified in Companies Act, 2013 and rules thereof and amendments thereto will be required.
- h) "**Ordinary Course of Business**" with reference to a transaction with a related party means a transaction which is:



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- (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
  - (ii) historical practice with a pattern of frequency;
  - (iii) common commercial practice;
  - (iv) meets any other parameters / criteria as decided by the Board/Audit Committee, from time to time.
- i) **"Policy"** means this policy, as amended from time to time.
- j) **"Related Party"** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or under applicable accounting standards.
- k) **"Related Party Transaction"** means a transfer of resources, services or obligations between a 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, and includes transactions as defined as a "related party transaction" under the relevant provisions of the Companies Act, 2013.
- l) **"Relative"** means any person as per Section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1) (zd) of the SEBI Listing Regulations as amended from time to time, means anyone who is related to another, if:
- (i) They are members of a Hindu Undivided Family; or
  - (ii) They are husband or wife; or
  - (iii) One person is related to the another in the following manner, namely:
    - 1. Father, includes stepfather;
    - 2. Mother, includes stepmother;
    - 3. Son includes stepson;
    - 4. Son's wife;
    - 5. Daughter;
    - 6. Daughter's husband;
    - 7. Brother includes stepbrother;
    - 8. Sister includes stepsister.

#### 4. DISCLOSURE BY DIRECTORS

- a) Every director 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 with respect to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy.
- b) 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.

#### 5. APPROVAL TO RELATED PARTY TRANSACTIONS:

- a) Approval of Audit Committee

All Related Party Transactions will require prior approval of Audit Committee, provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall



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recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:

- (i) Name of party and details explaining nature of relationship;
- (ii) Duration of the contract and particulars of the contract and arrangement;
- (iii) Nature of transaction and material terms thereof including the value, if any;
- (iv) Manner of determining the pricing to ascertain whether the same is on arm's length;
- (v) Business rationale for entering into such transaction; and
- (vi) Any other information relevant or important for the Board to take a decision on the proposed transaction.

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

- (i) 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.
- (ii) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any.
- (iii) Whether the Related Party Transaction would affect the independence of an independent director.
- (iv) Whether the proposed transaction includes any potential reputational risk issues that may arise because of or in connection with the proposed transaction.
- (v) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company.
- (vi) Whether the Related Party Transaction 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.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- (i) 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.
- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- (iii) 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.
- (iv) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the



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Company pursuant to each of the omnibus approval given.

- (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## b) Approval of Board of Directors

The following Related Party Transactions shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction, if not in ordinary course of business or on arm's length basis:

- (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;
- (vi) such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the Company

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## c) Approval of Shareholders

- (i) All Material Related Party Transactions shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- (ii) All Related Party Transactions as per Section 188 of the Companies Act, 2013, if such related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds the thresholds limits as prescribed in the rules thereof (as set out in Annexure I), shall require shareholders' approval by a resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- (iii) However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## 6. REPORTING OF RELATED PARTY TRANSACTIONS

- d) Every contract or arrangement which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- e) The details of material transactions with Related Parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.
- f) 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 of the Company.



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- g) 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.

## 7. AMENDMENTS

The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment / modification in the Act or the SEBI Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.

## 8. EFFECTIVE DATE

This policy shall be effective with effect from July 28, 2023.



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## Annexure I

S No.	Prescribed Transaction Category	Companies Act, 2013
1	Sale, purchase or supply of any goods or materials directly or through agents	Exceeding 10% or more of the annual turnover of the company*
2	Selling or otherwise disposing off, or buying, property of any kind directly or through agents	Exceeding 10% or more of the net worth of the company*
3	Leasing of property of any kind	Exceeding 10% or more of the annual turnover of the company *
4	Availing of or rendering any services directly or by appointing agents	Exceeding 10% or more of the annual turnover of the company *
5	Related party's appointment to any office or place of profit in the company or its subsidiary company or associate company	Monthly remuneration exceeding INR 0.25 million (per month)
6	Underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% or more of the net worth of the company*

\* The Turnover or Net worth referred above shall be computed based on the Audited Financial Statements of the preceding financial year.

Note: Limit Specified above shall apply to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.