

ARCHANA SOFTWARE LIMITED
POLICY ON RELATED PARTY TRANSACTION

1. INTRODUCTION

1.1 The Board of Directors (the "Board") of Archana Software Limited (the "Company") has adopted this policy upon the recommendation of the Audit Committee and the said Policy includes materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and SEBI(Listing Obligation and Disclosure Requirements) Regulations, 2015.

1.2 This Policy applies to transactions between the Company and one or more of its related parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVES

2.1 This policy is intended to ensure proper approval and reporting of transactions applicable, between the Company and any of its Directors, officers or certain entities or persons related to them, in the best interest of the Company and its Stakeholders.

2.2 Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related parties.

3. DEFINITIONS

3.1 **'Act'** means the Companies Act, 2013 including any amendment or modification thereof.

3.2 **'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.

3.3 **'Audit Committee'** means the Committee of the Board formed under Section 177 of the Act and SEBI(Listing Obligation and Disclosure Requirements) Regulations, 2015.

3.4 **'Board of Directors'** or 'Board' means the Board as defined in section 2(10) of the Companies Act, 2013.

3.5 **'Company'** means Archana Software Limited.

3.6 **'Director'** means a person as defined in Section 2(34) of the Companies Act, 2013.

3.7 **'Key Managerial Personnel'** means the following managerial personnel as defined under the Companies Act, 2013;

- (i) the Chief Executive Officer or the Managing Director or Manager;
- (ii) the Company Secretary;
- (iii) the Whole-Time Director;
- (iv) the Chief Financial Officer and
- (v) such other officer as may be prescribed under the Companies Act 2013.

- 3.8 **'Material Related Party Transactions'** means any transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover of the company as per the last audited financial statements of the company.
- 3.9 **'Ordinary course of business'** means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association and the Articles of Association of the Company as amended from time to time.
- 3.10 **'Related Party'** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and SEBI (Listing obligation and Disclosure Requirements) Regulations, 2015 and applicable accounting/secretarial standards.
- 3.11 **'Relative'** means relative as defined in Section 2(77) of the Act and rules prescribed thereunder.
- 3.12 **'Related Party Transactions'** means any transactions involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.
- 3.13 Words and expression used in this policy shall have the same meanings respectively assigned to them in the Companies Act, 2013, SEBI (Listing obligation and Disclosure Requirements) Regulations, 2015 and/or any other applicable rule, regulations as the context may require.

4. POLICY

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

4.1 Identification of Related Party Transactions

Every Director and Key Managerial Personnel will be responsible for providing notice to the Board or the Audit Committee of the list of related parties as covered under Sec. 2(76) of the Companies Act as well under Accounting Standard 18. This list of related parties shall be updated on an annual basis and further changes informed as soon as possible. Each Director as well as KMP shall inform in advance the Company of any potential Related Party Transactions involving him or her or his or her Relative, including any additional information about the transactions that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transactions does, in fact, constitute a Related Party Transactions requiring compliance with this Policy.

4.2 Material Transactions will be determined as per the following rules:

Category of Transactions	Material Related Party Transactions – Companies Act 2013	Material Related Party Transactions – SEBI
Sale, purchase or supply of any goods or materials,	10% of turnover or Rs.100 crore, whichever is lower	10% of annual consolidated turnover of the Company as per last audited financial statement
Selling or otherwise disposing of, or buying, property of any kind,	10% of net worth or Rs.100 crore, whichever is lower.	
Leasing of property of any kind,	10% of net worth or 10% of turnover or Rs.100 crore, whichever is lower	

Availing or rendering of any services,	10% of turnover or Rs.50 crore, whichever is lower	
Such related party's appointment to any office or place of profit in the Company, Its subsidiary company and associate company;	At a monthly remuneration exceeding Rs. 2.5 Lakh	
Underwriting the subscription of any securities or derivatives thereof, of the Company.	1% of net worth	
Any other transaction	Not Applicable	

4.3 Procedure for approval of Related Party Transactions

a) Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:-

- The Audit Committee shall lay down the criteria for granting for omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions.
- 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 shall provide details of (i) the name/s of the related party, nature of transactions, period of transactions, maximum amount of transactions 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.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

- The Audit Committee shall review, at least on a quarterly basis the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- The omnibus approval shall be valid for a period one year and shall require fresh approvals from the Audit Committee after the expiry of one year from the grant of each approval.

b) Approval of the Board

As per the provisions of Sec. 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis or both are placed before the Board for its approval.

c) Approval of Shareholders

All material Related Party Transactions shall require approval of the shareholders through special resolution, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length or both and the related parties shall abstain from voting on such resolutions.

4.4 Related Party Transactions that shall not require Approval

- (i) Any transaction that involves the providing of compensation to a Director or Key Managerial Personnel, in accordance with the provisions of the Act, in connection with his or her duties to the Company or any of its Subsidiaries or Associates, including the reimbursement of reasonable business and travel expenses incurred in the Ordinary Course of Business;
- (ii) Indemnification and advancement of expenses made pursuant to any agreement or by-laws of the Company;
- (iii) Any transaction which is in the Ordinary Course of Business and on an Arm's Length basis as determined in terms of this Policy;
- (iv) Transactions that have been approved by the Board under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or other Related Parties;
- (v) Payment of Dividend;
- (vi) Contribution to Corporate Social Responsibility, subject to approval of Corporate Social Responsibility Committee and within the overall limits approved by the Board of the Company;
- (vii) Any other exception which is consistent with the Applicable Law, including any Rules or Regulations made there under, and must be approved in advance by the Audit Committee.

4.5 Reporting / Review

- (i) All Related Party Transactions shall be reported to the Audit Committee and after review, the Audit Committee shall refer the same to the Board for its noting in accordance with this Policy.
- (ii) Related Party Transactions shall be referred to the next regularly scheduled meeting (s) of Audit Committee for its review and approval.
- (iii) For the purpose of review, the Audit Committee, shall be provided with all relevant material information of the RPT, including the terms of transactions, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;
- (iv) Any member of the Audit Committee who has an interest in any Related Party Transaction shall recuse himself or herself and shall not participate in the discussion and voting on the approval of such Related Party Transactions.
- (v) 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.

4.6 Factors to be considered by the Board/Audit Committee while approving a Related Party Transaction

- (i) Whether the terms of the Related Party Transactions are fair to the Company and are on arm's length basis and would apply on the same basis, if the transaction did not involve a Related Party;
- (ii) Whether there are any overwhelming business reasons for the Company to enter into the Related Party Transaction and nature of possible alternative transactions, if any;

- (iii) Whether the Related Party Transaction would affect the independence of an Independent Director;

- (iv) Whether ratification of such Related Party Transaction, if done, would be detrimental to the Company;

- (v) Whether the Related Party Transaction would pose an improper conflict of interest for any Director, or a Key Managerial Personnel of the Company, having regard to the size of the transaction, the overall financial interest, which may accrue to the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of interest of the Director, KMP or other Related Party in the transaction and any other factors the Board/Audit Committee may consider necessary.

4.7 Right of the Board/ Audit Committee

- i) In the event a Related Party Transaction that has been commenced without approval of the Audit Committee or the Board, the company shall immediately report such transaction to the Audit Committee and the Board. If the Board / Audit Committee determine not to ratify, then the Board / Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to enable it for ratification.

- ii) While reviewing any Related Party Transaction, the Board / Audit Committee has authority to modify or waive any procedural requirements specified in this Policy.

5. TRANSACTIONS AT ARM'S LENGTH

The Company shall adopt generally accepted practices and principles in determining whether the transaction is at "arm's length"

6. CONSEQUENCES OF NON-COMPLIANCE OF THE POLICY FOR ANY RELATED PARTY TRANSACTION

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee by the Company under the Service Rules or Employee Standing Orders. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

7. DISCLOSURE OF THE POLICY

The Company will disclose the Policy on dealing with Related Party Transaction on its website and a web link thereto shall be provided in the Annual Report.

8. AMENDMENTS TO THE POLICY

The Audit Committee will, from time to time, review and may amend the policy as per the changing legal requirements and / or as and when required subject to approval of the Board. This Policy may be amended by the Board at any time either suo-motu and / or pursuant to amendments to the Companies Act 2013 and rules made thereunder, SEBI (Listing obligation and Disclosure Requirements) Regulations, 2015 or such other rules, regulations, guidelines as may be notified by Securities Exchange Board of India.
