



FORCE MOTORS LIMITED

CIN: L34102PN1958PLC011172

Regd. Office: Mumbai - Pune Road, Akurdi, Pune – 411 035.

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

The Policy has been framed as per Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time) ('Listing Regulations') and shall be subject to these Regulations or such other Rules/Regulations.

The Policy is amended by the Board on 4th February 2022 pursuant to amendment to Listing Regulations vide notification No. SEBI/LAD-NRO/GN/2021/55 dated 9th November 2021 and the amended policy is effective from 1st April 2022.

1. Scope:

This policy sets materiality thresholds for related party transactions and provides manner of dealing with related party transactions i.e. transactions between the Company/its subsidiary on one hand and a related party of the Company or of any of its subsidiaries, on the other hand, based on the Companies Act, 2013 ('the Act'), the Listing Regulations and any other laws and regulations as may be applicable to the Company.

All related party transactions shall comply with the provisions of the Act, Listing Regulations and applicable Accounting Standards.

All domestic and international related party transactions shall, wherever applicable, comply with Sections 92BA & 92B of the Income-tax Act, 1961, domestic and international Transfer Pricing Requirements respectively.

All related party transactions shall be entered on arms' length basis as per Companies Act, 2013 and any other Act/Rules/Regulations.

In exceptional circumstances, where permitted by the law, related party transactions may deviate from the principle of arm's length, after approval from the Audit Committee, the Board of Directors and the Shareholders of the Company.

2. Materiality thresholds:

A Related Party Transaction entered into by the Company or any of its subsidiaries 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 annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

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 of the Company as per the last audited financial statements.

The aforementioned thresholds shall be reviewed by the Board at least once in three years.



“Material modification to any Related Party Transaction shall mean any subsequent modification to such transaction, having variance of 25% of the existing limit as approved by the Audit Committee/the shareholders, as the case may be.”

3. Manner of dealing with related party transactions

(a) Identification of related parties:

The Company has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the Listing Regulations.

(b) Identification of related party transactions:

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the Listing Regulations.

(c) Approval of related party transactions:

Approval of Audit Committee shall be obtained for Related Party Transactions, including subsequent material modifications thereof, as required under the Companies Act, 2013 and the Listing Regulations.

The Audit Committee may give omnibus approval for related party transactions proposed to be entered into by the Company or any of its subsidiary in accordance with the conditions specified in the Act, and the rules made there under and the Listing Regulations.

Prior approval of the Audit Committee shall be required where a related party transaction to which any subsidiary of the Company is party but the Company is not a party, if the value of such transaction whether entered individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statement of the Company. Further, w.e.f. 1st April 2023, the prior approval of the Audit Committee will be required if the value of such transaction(s) during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statement of the subsidiary.

Prior consent of the Board and the Shareholders shall be required in respect of the Related Party Transactions or any subsequent material modification thereof, in the following cases and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

- i. Where any transaction is above the threshold limits as specified in the Section 188 of the Act and Rules made thereunder or is a material related party transaction as per para 2 of this policy read with the Listing Regulations, as may be applicable; or
- ii. Where the transactions entered into by the Company, are not in ordinary course of business or are not on the arm's length basis.

The approval of the shareholders shall not be required for the transactions entered into between the Company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.



4. 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 arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also submit to the stock exchange(s), disclosures of related party transactions on a consolidated basis, in such format and within such timelines as may be prescribed by SEBI from time to time, and publish the same on its website.

The Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments.

Pune, 11th February 2022
