



SONATA SOFTWARE LIMITED

CIN- L72200MH1994PLC082110

POLICY ON RELATED PARTY TRANSACTION



I] INTRODUCTION

Sonata Software Limited (the “Company”) is an IT consulting and software services company with the track record of serving leading independent software vendors and enterprise customers around the globe. The Company has established branches and subsidiaries in India and across the World in various countries such as US, Germany, UK, Dubai, Qatar, Australia etc. The Company has been successfully operating in many countries to deliver enhanced and sustained value to every customer and accomplish its goals and vision. Therefore, it is inevitable for the Company to formulate this Policy to keep a track of all the transactions with the Related Party(s) and carry out our business activities in full fledged force without any hitch in the matter of compliances of all the applicable provisions to the Company.

II] OBJECTIVE

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“Listing Regulations”) and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

III] SCOPE

This Policy shall be applied in:

- a. Identifying Related Parties, updating and maintaining the database of such persons/entities;
- b. Identifying the Ordinary Course of Business and Arms’ Length Transactions in relation to the Company and such persons/entities;



- c. Identifying RPT;
- d. Obtaining approval/ratifications (as the case may be) for entering into any transactions with such persons/entities;
- e. Obtaining disclosures from the Directors who are interested either directly or indirectly in the RPT and refraining such Directors from participating in the discussions related to RPT;
- f. Documenting the Arms' Length pricing of transactions; and
- g. Disclosing these transactions in Annual Report or any such documents as prescribed under the applicable Laws.

IV] EFFECTIVE DATE

In the context of the aforesaid objectives, this Policy has been formulated by the Company and adopted by the board of directors of the Company on 30 September 2014 and this date will be deemed to be the effective date of this Policy. This Policy was amended by the Board at its meeting held on 8th February, 2019 and 10th August, 2020 and 17th January, 2022.

V] DEFINITIONS

- 1) **"Act"** means the Companies Act, 2013 (as amended from time to time) and rules prescribed thereunder;
- 2) **"Arm's Length Transaction"** means the transactions carried out between the Related Parties as if they are not related to each other avoiding the 'conflict of interest'.
 - (a) The transactions carried between the Company and the Related Party on similar terms and conditions as of unrelated party, including the price; and
 - (b) Such price charged for the transactions with a Related Party, has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines under the Income Tax Act, 1961;

- 3) **“Associate Company”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- 4) **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 and as per Regulation 18 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 5) **“Board”** means the Board of Directors of Sonata Software Limited and its subsidiaries;
- 6) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (as amended from time to time);
- 7) **“Director”** means the Director appointed to the Board of the Company and its subsidiaries;
- 8) **“Key Managerial Personnel”** means Key Managerial Personnel in relation to a Company as defined sub-section 51 of Section 2 of the Companies Act, 2013
- 9) **“Material Transactions”** means 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 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
- 10) **“Ordinary Course of Business”:**

The term “Ordinary Course of Business” shall mean and include:

- (i) the normal transactions, customs and practices carried on generally in the IT Industry and also by the Company as well, however it shall not include the following transactions:
 - a. Complex equity transactions such as Corporate Restructuring or Acquisitions, Merger, De-Merger and Amalgamation;
 - b. Sales transactions with unreasonably large discounts or returns;
 - c. Transactions under contracts, whose terms are changed before expiry having material adverse impact on the Company.
 - (ii) In regard to the above-mentioned point, following transactions shall inter alia be deemed to have been made in the Ordinary Course of Business:
 - a. Any transaction covered in the Main Objects or the objects incidental to attainment of the Main Objects as envisaged in the Memorandum of Association of the Company,
 - b. Any transaction which is usually carried on by any Software Development Company within India or Overseas.
 - c. Any transaction which has been done by the Company frequently in last three years,
 - d. Any transactions done with a Related Party on a similar basis as of a third party.
 - e. Any transaction or activity that is necessary, normal, regular and incidental to the business and involves significant amount of money by allocating resources which generates income for the Company.
- 11) **“SEBI”** means Securities and Exchange Board of India;
- 12) **“Policy”** means this Related Party Transaction Policy adopted by the Board;
- 13) **“Listing Regulation(s)”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendment thereto.

14) **“Related Party”** means related party as defined under sub-section (76) of Section 2 of Companies Act, 2013 or sub-regulation (1)(zb) of Regulation 2 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or under applicable accounting standards.

Provided that any person or entity forming a part of the promoter or promoter group of the listed entity or any person or any entity, holding equity shares of twenty per cent or more in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party:”

15) **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

16) **“Related Party Transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A transaction with a Related Party shall be construed to include a single transaction or group of transactions in a contract. It shall also explicitly include the following transactions-

- 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 underwriting the subscription of any securities or derivatives thereof, of the Company:

17) **“Material modifications”** All the modifications to the approved transactions shall be material if, post approval,

- a) There is a change in type, material terms, particulars of the transaction;

- b) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (iii) Tenure of the proposed transaction (particular tenure shall be specified);
- (iv) Value of the proposed transaction,

Note: i) Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act or Listing Regulations shall have the meaning respectively assigned to them therein.

- ii) Words imparting the singular shall include the plural and vice versa. Words imparting a gender include every gender.

VII] IDENTIFICATION OF POTENTIAL RPT

- (a) Each Director, Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential RPT involving himself or his relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.
- (b) The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Audit Committee/ Board has adequate time to obtain and review information of the proposed transaction.

VII] APPROVALS REQUIRED

1) Approval of Audit Committee

- (a) All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions

- (a) A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity.
- (b) The Company shall not enter into any RPT without prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPT proposed to be entered into by the Company subject to the following conditions:
- In case of transactions that are repetitive in nature, the Audit Committee, at their discretion, shall lay down certain criteria(s) that help them in determining and analyzing the consequences of granting the omnibus approval and such criteria(s) shall be in accordance with this Policy.
 - The Audit Committee shall lay down valid grounds while deciding the need for such omnibus approval and see to it that such approval is in the best interest of the Company;
 - 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 RPT 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 (One Crore) per transaction.

- Audit Committee shall review the details of RPTs entered into by the Company pursuant to approval given to each of the omnibus transaction, atleast on a quarterly basis;
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"
- Approval of the Audit committee shall be required for
 - a. All RPTs and subsequent material modifications as defined by the Audit committee.
 - b. RPTs where subsidiary is a party, but listed entity is not a party subject to below mentioned threshold
 - i. exceeds 10% of the consolidated turnover of the listed entity,
 - ii. exceeds 10% of the standalone turnover of the subsidiary w.e.f. April 1, 2023.
- (c) The prior approval of the Audit Committee is not required in case of transactions entered between the Company and its wholly-owned Subsidiary whose accounts are consolidated with the Company's accounts and such consolidated accounts are placed before the Shareholders at the General Meeting for approval;
- (d) The notices referred in the above point no. VI (a) received by the Company from the Directors and KMP shall be forwarded to the Company Secretary ("CS") of the Company, with a request to arrange for an Audit Committee Meeting;
- (e) The CS shall organize Audit Committee Meetings upon receipt of notice as mentioned in the above point (d) and shall place such notice along with all relevant information/documents relating to the proposed RPT before the Audit Committee, which inter alia shall include:
- a. Type, material terms and particulars of the proposed transaction.

- b. Name of the related party and its relationship with the listed entity 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 listed entity'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);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity 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.

Justification as to why the RPT is in the interest of the listed entity;

- 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;
- j. Any other information that may be relevant

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

- (f) Any member of the Audit Committee who is covered under the ambit of the Related Party, such member shall abstain from voting, irrespective of the fact that whether such member is a party to the particular transaction or not."

2) Approval of the Board

- (a) The following RPT shall be placed before the Board for approval, after the approval of the Audit Committee:
- (i) Transactions not in Arm's Length;
 - (ii) Transactions not in Ordinary Course of Business; and
 - (iii) Material RPT
- (b) Board shall consider the information/documents placed before it and either approve or reject the proposed RPT.
- (c) A Director who is directly or indirectly interested in the proposed RPT shall disclose the nature of his concern or interest at the Meeting of the Board in which such Contract or arrangement is discussed and shall not be allowed to participate in such Meeting. Provided that where any Director who is not interested at the time of entering into the such Contract or arrangement, he shall, if he becomes interested after the Contract or arrangement is entered into, disclose his interest forthwith when he becomes interested or at the first Meeting of the Board held after he becomes so concerned or interested.
- (d) If any Director or employee of the Company has entered into a Contract or arrangement without the prior consent of the Board (when required) then such Contract or arrangement shall be ratified by the Board at a Meeting within three months from the date on which such Contract or arrangement was entered into.

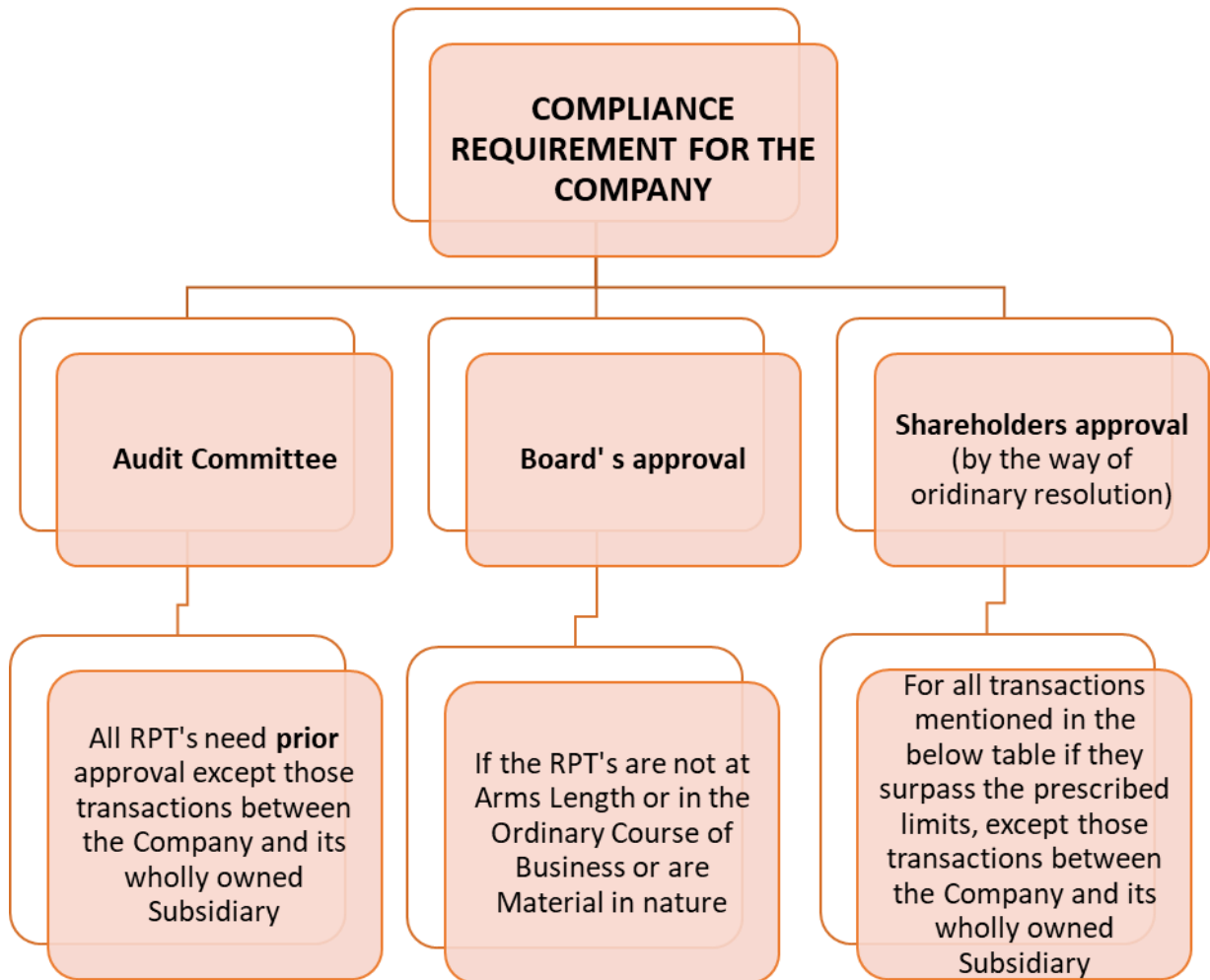
3) Approval of the Shareholders:

All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution

- (a) No transaction, Contract or arrangement shall be carried out or entered into with a Related Party, without the prior approval of Shareholders by way of Ordinary Resolution if the transactional value exceeds the limits that are given in the tabular column under the head 'Transactional Value'.



- (b) All Material RPT's shall be approved by the Shareholders by way of Ordinary Resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:
- (c) The approval of the Shareholders is not required in case of transactions entered into between the Company and its wholly-owned Subsidiary whose accounts are consolidated with the Company's accounts and such consolidated accounts are placed before the Shareholders at the General Meeting for approval;
- (d) The approval of the shareholders is not required in case of transactions entered into between two wholly owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- (e) If any Director or employee of the Company has entered into a Contract or arrangement without the prior consent of the Shareholders (when required) then such Contract or arrangement shall be ratified by the Shareholders at a Meeting within three months from the date on which such Contract or arrangement was entered into.
- (f) All entities, falling under the definition of Related Parties shall not vote to approve the relevant transaction , irrespective of whether the entity is a party to the particular transaction or not.



VIII] TRANSACTIONAL VALUE

<u>Sl NO.</u>	<u>Transactions Covered</u>	<u>Transaction Value</u>
<u>Under the Companies Act, 2013</u>		
I	Sale, purchase or supply of any goods or materials directly or through appointment of agent	10% or more of Annual Turnover
ii	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
iii	Leasing property of any kind	10% or more of the Turnover of the Company
iv	Availing or rendering of any services directly or through agents	10% or more of the Turnover
V	Such Related Party's appointment to any office or place of profit in the Company, its subsidiary or Associate company	Monthly remuneration > Rs. 2.50 Lakhs
Vi	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company	> 1% of Net Worth
<u>Under the Regulation 23 of Listing Regulations</u>		
Vii	All Material Related Party Transactions and subsequent material modifications	

Note: the limits specified in (i) to (iv) shall apply for transaction (s) to be entered into either individually or taken together with the previous transactions during a Financial Year.



IX] DISCLOSURES

1. Section 188 (2) of the Act to be included in disclosures, which states that all Related Party Contracts and arrangements shall be referred to in Board's Report with its prior approval along with the justification for entering into such Contract or arrangement. The Company shall also take the approval on each of such RPT from the Board and shall also get it approved in advance from the duly constituted Audit Committee of the Company.
2. The details of all transactions with related parties shall be submitted on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and the same shall be published on the Company's website.
3. The listed entity shall submit to stock exchanges disclosures of related party transactions in the format as specified under the Listing Regulations from time to time, and publish the same on its website
4. This Policy shall be made available on the Company's web site and a web link thereto shall be provided in the Annual Report.
5. Disclosure of materially significant RPT that may have potential conflict of interest of the Company at large to be included in the report of Corporate Governance in the Annual Report of the Company.

X] REGISTER OF CONTRACTS

1. The Company shall maintain a Register of Contracts giving particulars of Contracts/ arrangements entered into by the Company in accordance with the provisions of the Act;
2. However, entries are not required to be made in the Register if Contract or arrangement for the sale, purchase or supply of any goods, materials or services if the value of such goods and materials or the cost of such services does not exceed five lakh rupees in the aggregate in any year;
3. Every Director or KMP of the Company shall, within a period of thirty days of his appointment, or relinquishment of, his office, as the case may be, disclose to the company the particulars relating to his concern or interest in the other associations which are required to be included in the register of contracts or arrangements in which Directors or KMP are interested.

XI] INDEMNITY

Where any Contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a Ordinary Resolution in the General Meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such Contract or arrangement was entered into. Such Contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a Related Party to authorize any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.



XIII] AMENDMENT

Any change in the Policy shall be approved by the Board of Directors of the Company. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This policy (including the thresholds) shall be reviewed by the Board of Directors atleast once in three years and/or as and when required and updated accordingly.