



## **SANDHAR TECHNOLOGIES LIMITED**

### **POLICY FOR DETERMINATION OF MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS**

*Effective from 01<sup>st</sup> April, 2022.*

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## **PREAMBLE:**

The Board of Directors (the "Board") of Sandhar Technologies Limited (the "Company") recognizes the importance of stakeholders' interest and their trust in the Company. To uphold this confidence the board has adopted a policy and procedures for determining materiality of and dealing with related party transactions (the "Policy")

## **OBJECTIVE:**

This Policy is framed keeping in view of the best interests of its stakeholders and the Corporate Governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and also the Companies Act, 2013 (the "Act"), as amended from time to time and is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties along with materiality of such transactions.

The objective of this Policy is to set out:

- a) the materiality thresholds for related party transactions;
- b) the manner of dealing with the transactions between the Company and its related parties based on the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company;
- c) the guiding principles and mechanism to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.
- d) seek necessary approvals of the Audit Committee / Board / Shareholders, as may be necessary, after providing necessary information to them in the prescribed manner.

## **DEFINITIONS**

**"Act"** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

**"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. For determination of Arm's Length basis, guidance may be taken from the provisions of Transfer Pricing under the Income Tax Act, 1961.

**"Audit Committee or Committee"** means "Audit Committee" constituted by the Board of Directors of the Company under provisions of SEBI Listing Regulations and Companies Act, 2013 as amended from time to time.

**"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time.

**"Control"** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Material Related Party Transaction or Materiality Thresholds”** in terms of Listing Regulations means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:

- (i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- (ii) In case of any other transaction(s), if the amount exceeds Rs 1,000 crores or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

**“Material Modification”** of related party transaction will mean and include any modification to an existing related party transaction having variance of 25% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (w.e.f. April 1, 2022).

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined under Section 2(76) of the Companies Act, 2013 and the rules framed thereunder or under the applicable accounting standards:

The following shall also be treated as the Related Party –

- a. all persons or entities forming part of promoter or promoter group irrespective of their shareholding;
- b. any person/entity holding equity shares in the listed entity, either directly or on a beneficial interest basis at any time during the immediately preceding financial year:
  - i. to the extent of 20 % or more
  - ii. to the extent of 10% or more w.e.f. April 1, 2023.

**“Related Party Transaction or transaction (“RPT)”** means transaction in the nature of contract involving transfer of resources, services or obligations between the Company (“Sandhar Technologies Limited”) and the Related Party, regardless of whether a price is charged.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

The RPT shall include transactions between –

- a. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand;
- b. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries w.e.f. April 1, 2023.]

## **POLICY AND PROCEDURE:**

- ***Policy***

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

- **Procedures**

### **A. Identification of Related Party Transactions**

Every Director and Key Managerial Personnel 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. 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.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors / Key Managerial Personnel as well as based on the list of related parties of the Subsidiary Companies, in the manner prescribed in the Act and the rules made thereunder and Listing Regulations as amended from time to time.

## **MANNER OF DEALING WITH AND APPROVAL OF RELATED PARTY TRANSACTION(S):**

### **A. Approval of Related Party Transaction by Audit Committee.**

1. All Related Party Transactions and subsequent material modifications thereto, where the Company or its subsidiaries is a party shall require prior approval of the Audit Committee of the Company.

[Members of the audit committee, who are independent directors, shall only approve related party transactions].

RPTs where Company's subsidiary is a party but 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 of the Company, as per the last audited financial statements of the Company:

with effect from April 1, 2023, a related party transaction to which the Company's subsidiary 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 standalone turnover, as per the last audited financial statements of such subsidiary.

Provided that prior approval of the audit committee of the Company shall not be required for RPTs where a listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and 15 (2) of Listing Regulations are applicable to such listed subsidiary.

2. The Audit Committee shall review the information as prescribed under the Act and Listing Regulations, for approval of a proposed Related Party Transaction.
3. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
- ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Related Party Transaction would affect the independence of the Directors/KMP;
- vi. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
- vii. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

#### **B. OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS :**

The Audit Committee may grant omnibus approval for Related Party Transactions propose to be entered into by the Company subject to compliance of the conditions contained in the Companies Act, 2013 and SEBI Listing Regulations as amended from time to time.

1. The Audit Committee shall grant omnibus approval as per following criteria:
  - i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
  - ii. The proposal for omnibus approval shall provide:
    - a. the name/s of the Related Party, nature of transaction, period of transaction;
    - b. maximum amount of transaction that can be entered into;
    - c. basis for arriving at the contracted price as per the Company's standard operating procedure;
    - d. Specific reason for entering into contract with the Related Party (e.g. proximity to the plant, preference of the OEM, quality of service/ product delivered);
    - e. 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
    - 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.

g. Any other information relevant or important for the Audit Committee to take decision.

iii. However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs. 10 million per transaction.

2. Audit Committee shall review, at least on a quarterly basis, details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
3. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
4. Omnibus approval shall not be granted in respect of selling, buying, leasing and disposing of the undertaking of the Company, which are not in ordinary course of business and/or at arm's length basis.
5. Any member of the Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the Related Party Transaction.
6. To review a Related Party Transaction, the Committee shall be provided with the necessary information [(as prescribed under the Act and/or the Listing Regulations, from time to time)], to the extent relevant, with respect to actual or potential Related Party Transactions.
7. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

### **C. APPROVAL OF RELATED PARTY TRANSACTION BY BOARD**

The Board shall consider and approve the RPT as required to be approved under the Act or rules made thereunder and/or SEBI Regulations and/or transactions referred to it by the Audit Committee including the following:

1. As per the provisions of Section 188 of the Act all Related Party Transactions specified under the said Section and which are not in the ordinary course of business or are not at arm's length.
2. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval
3. All material Related Party Transactions and Material Modifications thereto, shall require approval of the Board of Directors, before the same is / are recommended for approval of the shareholders of the Company.
4. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

#### **D. APPROVAL OF RELATED PARTY TRANSACTION BY SHAREHOLDERS**

1. All material Related Party Transactions and Subsequent Material Modifications thereto shall require prior approval of shareholders through resolution.
2. In addition to the above, transactions with Related Party(ies) as mentioned in the table below, which are not in the ordinary course of business or are not at arm's length shall require approval of shareholders by way of a resolution.

<b>Sr. no.</b>	<b>Details of transactions to be entered individually or taken together during a financial year</b>	<b>Minimum threshold requiring Shareholders Approval</b>
A.	Sale, purchase or supply of any goods or material directly or through appointment of agent.	Amounting to ten percent 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.	Amounting to ten percent or more of net worth of the Company
C.	Leasing of property of any kind.	Amounting to ten percent or more of the turnover of the Company
D.	Availing or rendering of any services directly or through appointment of agent.	Amounting to ten percent or more of the turnover of the Company
E.	Appointment to any office or place of profit in the company, its subsidiary companies or associate companies at a monthly remuneration.	Remuneration exceeding Rs. 2.5 Lakh per month
F.	Remuneration for underwriting the subscription of any security or derivatives thereof of the Company.	Remuneration exceeding one percent of the net worth

3. The turnover or net worth shall be on the basis of the Company's audited financial statements for the preceding financial year.

#### **EXCEPTIONS:**

Approval of the Audit Committee / Board / shareholders of the Company, as mentioned in (A), (B) and / or (C) above shall not be required for transactions entered into between:

- a. the Company and its wholly owned subsidiary(ies); or
- b. two wholly owned subsidiaries of the Company;

where accounts of such wholly owned subsidiary(ies) are consolidated with that of the Company and placed before the shareholders at the general meeting for approval.

#### **TRANSACTION WHICH DO NOT REQUIRE APPROVAL:**

- a. Issue of specified securities on a preferential basis, subject to compliance of the requirements of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2021;



- b. Following corporate actions undertaken by the Company which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
- i. Payment of dividend;
  - ii. Subdivision or consolidation of securities;
  - iii. Issuance of securities by way of a rights issue or bonus issue; and
  - iv. Buy-back of securities.

#### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY :**

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

#### **DISCLOSURES**

1. Details of Related Party Transaction as prescribed under the Act and/ or Listing Regulations with shall be disclosed in the Directors Report.
2. Details about material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
3. The Company shall submit enhanced disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI with the following timelines:
  - i. within 15 days from the date of publication of financials;
  - ii. simultaneously with the financials w.e.f. April 1, 2023.and also publish the same on its website.
4. The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **AMENDMENTS & POLICY REVIEWS**

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI Listing Regulations.

In case of any subsequent changes in the provisions of the Companies Act, 2013 and SEBI Listing Regulations or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

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