

SHRI GANG INDUSTRIES AND ALLIED PRODUCTS LIMITED

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POLICY ON RELATED PARTY TRANSACTIONS

SCOPE

This policy on Related Party Transactions (hereinafter referred to as “RPT Policy” or “Policy”) of Shri Gang Industries and Allied Products Limited (“the Company”) is framed considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“the Act”) read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“SEBI LODR”) including SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulation 2021 dated 09 November 2021 and SEBI circular dated 22 November 2021. The Company has formulated the RPT policy and guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI LODR requires a Company to formulate a policy on materiality of related party transactions (“RPT’s”) and dealing with related party transactions. Regulation 23(2) of the SEBI LODR also requires defining material modifications of RPTs and disclose it as part of the RPT policy.

OBJECTIVE OF THE POLICY

The Objective of the Policy is to set out (a) the materiality thresholds for RPTs and (b) the manner of dealing with the transactions between the Company and its related parties, based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

DEFINITIONS

The following terms used herein shall have the meaning specified:

- i. **“Act”** means the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force.
- ii. **“Applicable Law”** includes (a) the Act and the Rules framed thereunder, (b) SEBI (LODR) 2015 and any other statute, law, standards, regulations or other governmental instruction relating to RPTs and amendments made thereto.
- iii. **“Audit Committee or Committee”** means Committee of the Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013 read with Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.
- iv. **“Board of Director” or “Board”** means the Board of Directors of Shri Gang Industries and Allied Products Limited, as constituted from time to time.
- v. **“Company”** means Shri Gang Industries and Allied Products Limited.

- vi. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- vii. **“Key Managerial Personnel”** means Key Managerial Personnel of the Company under the Companies Act, 2013 and Includes –
- I. Chief Executive Officer or Manager Director or Manager;
 - II. Company Secretary;
 - III. Whole-time Director;
 - IV. Chief Financial Officer;
 - V. such other officer, not more than one level below the Directors who is in whole-time employment, as designated as Key Managerial Personnel by the Board; and
 - VI. such other officer as may be prescribed.
- viii. **“Listing Regulations”** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modifications, clarifications, circulars or re-enactment thereof.
- ix. **“Arm’s Length Transactions”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest;
- x. **“Material Modification(s)”** means and include any modification on such transactions which were approved during the year and will change the complete nature of the transaction and in monetary thresholds, which is having variance of 25% in value of the transaction with the originally approved transaction or any other modification as may be decided by the Audit Committee/Board.
- xi. **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.
- xii. **“Related party”** have the meaning as defined in Section 2(76) of the Act or under the applicable accounting standards and Regulation 2(1) (zb) of the SEBI Regulations or under the applicable accounting standards; **“Related party Transactions”** shall have the same meaning as specified under the Act and Rules made thereunder and Regulation 2(1) (zc) of the SEBI LODR, as amended and shall mean a transaction involving a transfer of resources, services or obligations between.
- The Company or any of its subsidiaries on the one hand and a related party of the Company or any of its subsidiaries on the other hand;
 - 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 with effect from April 1, 2023,
- 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.
Provided that following shall not be considered RPTs:

1. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
2. the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend by the Company;
 - subdivision or consolidation of securities by the Company;
 - issuance of securities by way of a rights issue or a bonus issue and
 - buy-back of securities.
3. Such other RPTs as may be specified by Applicable Laws to be exempt

xiii. **“Material Related Party Transactions”** means a transaction defined as per Sub-regulation 1 & 1A of Regulation 23 of SEBI (LODR) Regulation, 2015, as amended.

MATERIALITY THRESHOLDS

The Board of the Company has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

A. As per Listing Regulations:

- Any transaction with a related party, if the transaction(s) to be 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 or ₹ 1,000 crore, 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

B. As per the Act:

- RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

POLICY

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy.

A. Identification of Related Parties

The Company shall identify and update 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 SEBI Listing Regulations both from the declaration of Directors/ KMPs and from the list of Companies/ body corporates which shall be otherwise treated as related under the Act and Indian Accounting Standards.

B. Identification of Potential Related Party Transactions

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1) (zc) of the Listing Regulations. The Company shall also determine whether the transaction is in the ordinary course of business and at arm's length basis, as per applicable rules & regulation and for this purpose, the Company will seek external expert opinion, if and wherever necessary.

C. Review and Approval of Related Party Transactions

- Prior Approval of the Audit Committee

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee and only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are repetitive in nature and are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of conditions contained in the Listing Regulations and Companies Act, 2013.

Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

- I. The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future);
- II. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the Interest of the Company;
- III. The omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type 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, (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and above details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction;

- IV. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given;
- V. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year;
- VI. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company;
- VII. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis;
- VIII. In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

To review a Related Party Transaction, the Audit Committee shall be provided with necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions and/or prescribed under the Act and the Listing Regulations.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such Transaction, the benefits to the Company and to the Related Party, whether such Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

Prior approval of the Audit Committee shall not be required for:

- i. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI LODR are applicable to such listed subsidiary.
- ii. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
- iii. RPT or subsequent material modifications of RPT (other than those RPT stipulated under Section 188 of the Act) entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv. RPT entered into 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.

Members of the Audit Committee, who are independent directors, shall only approve RPTs. Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

- Approval of the Board of Directors

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction, with such modifications as may be necessary or appropriate under the circumstances.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval.

- I. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e., value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- II. 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;
- III. 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;
- IV. Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

Any member of the Board who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

- **Approval of the Shareholders**

All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, shall be placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval.

The requirement for seeking Shareholders' approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary (ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Further, the requirement for seeking shareholders' approval shall not be applicable for RPTs between the 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.

No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

DISCLOSURES

Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.

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 the ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all Material Related Party Transactions to the stock exchanges as per the applicable law.

The Company shall also on half yearly basis submit disclosures of RPTs, in the format specified by SEBI from time to time, to the stock exchanges and publish the same on its website in accordance with SEBI LODR.

AMENDMENTS

The Board may subject to applicable laws, amend any provisions(s) or substitute any of the provisions(s) with the new provision(s) or replace the RPT Policy entirely with a new policy. The RPT Policy is subject to review from time to time.

In the event of any conflict between the provisions of this RPT Policy and applicable laws, the provisions of such applicable laws shall prevail over this Policy

This Policy is amended and approved by the Board on August 13, 2022.