

# SHRADHA INFRAPROJECTS (NAGPUR) LIMITED

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## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS**

The provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 becomes applicable to all listed Company effective 1st December 2015.

Amongst others, the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 dealt with the Related Party Transactions and to formulate the Policy for materiality of Related Party Transactions and dealing with Related Party Transactions of the Company which provides :-

### Related Party Transactions

- (1) The Company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions.

Explanation- A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- (2) All related party transactions shall require prior approval of the Audit committee constituted by the Board of Directors of the Company.
- (3) The Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely –
  - a) the Audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
  - b) the Audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
  - c) the omnibus approval shall specify :-
    - i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 related party transaction cannot be foreseen and aforesaid details are not available, Audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one Crore per transaction.

- d) 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 approvals given.
  - e) Such omnibus approvals shall be valid for a period not exceeding one (1) year and shall require fresh approvals after the expiry of one (1) year:
- (4) All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the Company is a related party to the particular transaction or not.
- (5) The provisions of sub-regulations (2), (3) and (4) shall not be applicable in the following cases :-
- a) transactions entered into between two government companies;
  - b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation.- For the purpose of clause (a), "government company(ies)" means Government Company as defined in Sub-section (45) of Section 2 of the Companies Act, 2013.

- (6) The provisions of this regulation shall be applicable to all prospective transactions.
- (7) For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the Company is a party to the particular transaction or not.
- (8) All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

## **I. PREAMBLE**

Related Party Transactions have been one of the major areas of focus for the Corporate Governance reforms being initiated by the various legislations in India.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the Companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One of such requirement is that the Companies are required to formulate a policy on 'Materiality of Related Party Transactions and also on dealing with Related Party Transactions'.

The Corporate Governance has been an integral part of the way, the Company – Shradha Infraprojects (Nagpur) Limited has been doing its business since inception. As a part of the Corporate Governance and pursuant to the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘the Listing Regulations’ or ‘SEBI (LODR) Regulations’), the Board of Directors (‘Board’) of the Company has formulated, approved and adopted the following policy and procedures with regard to the Related Party Transactions and dealing with Related Party Transactions of the Company.

This Policy is intended to ensure proper approval and reporting of transactions between Shradha Infraprojects (Nagpur) Limited (‘the Company’), its Indian Subsidiary Companies (‘Subsidiary’) and its Associate Companies (‘Associate’), if any, (the Company, Subsidiary and Associate together referred to as ‘the Group’) and the Related Parties in terms of the applicable laws and regulations.

## **II. DEFINITIONS**

- a) “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.
- b) “Audit Committee” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the Companies Act, 2013 and the Listing Regulations.
- c) “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.
- d) “Board” means the Board of Directors of Shradha Infraprojects (Nagpur) Limited.
- e) “Company” means Shradha Infraprojects (Nagpur) Limited.
- f) “Key Managerial Personnel (KMP)” means key managerial personnel as defined under the Companies Act, 2013, viz
  - i. the Managing Director or the Chief Executive Officer or the manager and in their absence, a Whole-time Director;
  - ii. the Company Secretary, and
  - iii. the Chief Financial Officer
- g) “Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds the thresholds as defined under the Companies Act, 2013.
- h) “Ordinary Course of Business” for the purpose of this policy, will cover the businesses of the Company & its ‘Group’, usual transactions, customs and practices of a business including incidental and/or facilitative activities of the business of the Company and its ‘Group’. The following factors have been considered for determination of whether the transactions are in ordinary course of business :
  - i. The objects of the Company permit the activities undertaken;
  - ii. There is a historical practice to conduct such activities;
  - iii. A pattern of frequency to conduct such activities over a period of time; and

- iv. The transactions are common in industrial practice.
- i) "Policy" means this Policy, as amended from time to time.
- j) "Related Party" in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 as amended from time to time and includes the following :-
  - i. a director or his relative;
  - ii. a Key Managerial Personnel or his relative;
  - iii. a firm, in which a director, manager or his relative is a partner;
  - iv. a private company in which a director or manager or his relative is a member or director;
  - v. a public company in which a director or manager is a director and holds, along with his relatives, more than two percent (2%) of its paid-up share capital;
  - vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - vii. any person on whose advice, directions or instructions a director or manager is accustomed to act;
  - viii. any company which is –
    - (a) a holding, subsidiary or an associate company of such company; or
    - (b) a subsidiary or an associate of a holding company to which it is also a subsidiary or an associate;
  - ix. a director or key managerial person of the holding company or his relative; and
  - x. the Company is a related party under the applicable accounting standards.
- k) "Related Party Transaction" means any transaction directly/indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- l) "Relative" means relative as defined under the Companies Act, 2013 and includes any one who is related to another if
  - a. they are members of a Hindu Undivided Family;
  - b. they are husband and wife ; or
  - c. Father (including step-father);
  - d. Mother (including step-mother);
  - e. Son (including step-son);
  - f. Son's wife;
  - g. Daughter;
  - h. Daughter's husband;
  - i. Brother (including step-brother);
  - j. Sister (including step-sister);

### **III. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Every Director, Key Managerial Personnel, Management, Committee Member and/or such other Designated Person of the Company is responsible for providing notice to the Board or the Audit Committee, of any potential Related Party Transaction involving him/her or his/her 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 Related Party Transaction requiring compliance with this policy.

All Directors are required to declare and disclose their concerns or interests in any company or companies or bodies corporate at the first Board meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the Directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of this Policy.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

### **IV. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

The Audit Committee is required to approve only related party transactions which are at arm's length and in ordinary course of business.

Transactions with related parties which are in ordinary course of business of the Company and at arm's length shall be periodically disclosed to the Audit Committee/Board of Directors.

However, in case, there are any transactions which are not at arm's length or which are concluded to be not in ordinary course of business, the Company would need the following additional approvals as mentioned hereunder :-

- (i) In case of transactions which are 'material' in nature and/or not in the ordinary course of business or not at arm's length, the management shall present the following information to the Audit Committee/Board of Directors for approval of those Related Party Transactions as per the provisions of the Companies Act, 2013:
  - a) name of the related party and nature of relationship
  - b) the nature, duration of the contract and particulars of the contract or arrangement;
  - c) the material terms of the contract or arrangement including the value, if any;
  - d) any advance paid or received for the contract or arrangement including the value, if any;
  - e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as of the contract;
  - f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and

- g) any other information relevant or important for the Board to take a decision on the proposed transaction.

After reviewing such information, the members of the Audit Committee (without the participation of the interested Committee member(s), if any) shall approve or disapprove such transactions.

If the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve any Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

The Company shall also seek prior approval of shareholders by way of a special resolution (where the concerned related party shall not vote on such a resolution) for all Material Related Party Transactions and/or for such related party transactions whose value exceeds the limits as prescribed under the Companies Act, 2013 and the rules made there under.

- (ii) The Audit Committee may grant omnibus approval for such Related Party Transactions which are unforeseen and repetitive in nature provided, the validity of such transactions is upto one (1) year and the value does not exceed Rs. 1 crore per transaction.
- (iii) If any material information with respect to any approved transaction has changed, the management shall provide the updated information to the Committee.

In terms of the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the approval of the Audit Committee, Board and the Shareholders shall not be required for the transactions entered into between the Company and its wholly owned subsidiaries, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or shareholders :-

- i. Any transaction that involves paying of compensation to a Director or Key Managerial Personnel 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. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by Company and all holders of such securities receive benefits pro rata as the Related Party.

## **V. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event, the Company becomes aware of any transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction (including reasons of failure to report such transaction) and evaluate

all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

## **VI. DISCLOSURES**

The Company shall make the following disclosures:

- a. The particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties shall be made in the Boards' Report which forms a part of the Company's Annual Report.
- b. This Policy shall also be uploaded on the website of the Company and a web link there to shall be provided in the Annual Report.
- c. The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Regulation 27(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- d. Quarterly/Periodical update to the Audit Committee on all the related party transactions entered into by the Company.

## **VII. POLICY REVIEW**

This Policy is framed based on the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. In case of any subsequent changes in the Regulations which make 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 law. This Policy shall be reviewed by the Board of Directors as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification in the Policy would be approved by the Board of Directors and the decision of the Board in this respect shall be final and binding. This Policy has been approved by the Board of Directors of the Company at their meeting held on 15<sup>th</sup> September 2017.

## **VIII. POLICY SEVERABLE**

This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.