

# Shantai Industries Limited

## POLICY ON RELATED PARTY TRANSACTIONS

*(Under Section 188 of the Companies Act, 2013 and Clause 49 (VII) (C) of the Listing Agreement)*

### 1. PREAMBLE:

The Board of Directors (the “Board”) of Shantai Industries Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions (RPTs) as defined below in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made there under including any subsequent amendments thereto (the “Act”) and revised Clause 49 of the Listing Agreement in order to ensure the transparency and procedural fairness of such transactions.

This Policy is applicable to the Company and is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

### 2. PURPOSE:

The objective of this policy is framed as per the requirement of the Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties.

### 3. LEGAL PROVISIONS:

The RPTs is governed by the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, Accounting Standards 18 (AS 18) and Part VII (C) of Clause 49 of the Listing Agreement. Whereas, Section 188 of the Companies Act, 2013 and the Listing Agreement deal with disclosure and approval requirements, AS 18 deals with disclosure of RPT in the Financial Statements.

### 4. DEFINITIONS:

- a) “Audit Committee” means Committee of Board of Directors of the Company constituted under the provisions of Section 177 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.
- b) “Board” means the Board of Directors of Shantai Industries Limited.
- c) “Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.
- d) “Arms-Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- e) “Material Related Party Transaction” means a transaction with a related party if the transaction / transactions to be entered into individually or taken together with previous

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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.

- f) “Related Party” means related party as defined in the Clause 49 of the Listing Agreement which is as follows:

An entity shall be considered as related to the Company, if:

- (a) such entity is a related party under Section 2(76) of the Companies Act, 2013 ; or
- (b) such entity is a related party under the applicable Accounting Standards.

Section 2(76) of the Companies Act, 2013 and the relevant Rules referred to above, define “related party” with reference to a Company as under :

- (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 is a member or Director;
- (v) a Public Company in which a Director or Manager is a Director or holds along with his relatives, more than 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:

*Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;*

viii) any Company which is -

- a) a holding, Subsidiary or an Associate Company of such Company; or
  - b) a Subsidiary of a holding Company to which it is also a Subsidiary.
- (ix) Director or Key Managerial Personnel of the holding Company or his relative.

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Accounting Standards 18 (AS 18) defines “related party” as under:

*“Parties are considered to be related if at any time, during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.”*

“Control” has been defined in AS 18 as under:

- a) ownership, directly or indirectly, of more than one half of the voting power of an enterprise; or
- b) control of the composition of the Board of Directors in case of company or of the composition of the corresponding governing body in case of any other enterprise; or
- c) a substantial interest in voting power and the power to direct, by statute or agreement, the financial and/ or operating policies of the enterprise
  
- d) “Relative” means relatives as defined under the Companies Act, 2013 and includes anyone who is related to another, if -
  - i. They are members of a Hindu Undivided Family;
  - ii. They are husband and wife; or
  - iii. One person is related to the other in the following manner, namely:-
    - (a) Father (including step-father);
    - (b) Mother (including step-mother);
    - (c) Son (including step-son);
    - (d) Son’s Wife;
    - (e) Daughter;
    - (f) Daughter’s Husband;
    - (g) Brother (including step-brother); and
    - (h) Sister (including step-sister).
  
- e) “Related Party Transaction” as per the Companies Act, 2013 means any contract or arrangement with a related party with respect to:
  - (a) Sale, purchase or supply of any goods or materials;
  - (b) Selling or otherwise disposing of, or buying, property of any kind;
  - (c) Leasing of property of any kind;
  - (d) Availing or rendering of any services;
  - (e) Appointment of any agent for purchase or sale of goods, materials, services or property;
  
  - (f) Such related party’s appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company; and
  - (g) Underwriting the subscription of any securities or derivatives thereof, of the Company;

*Clause 49 (VII)(A) of the Listing Agreement and AS 18 define, a related party transaction as transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.*

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## 5. APPROVAL OF RELATED PARTY TRANSACTIONS (RPTs):

### I. Approval of Audit Committee

RPTs shall require prior approval of Audit Committee, whether at a meeting or by Resolution by Circulation.

### II. Procedure for Approval

The Audit Committee will be provided with all relevant material information of RPTs, including the terms of the transactions, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving RPTs which are not in Ordinary Course of Business and not on Arm's Length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may fix up Limits within the management may carry out such Transactions without any approval of the Audit Committee for the specific transactions as long as these are carried out on the principles approved by the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

### III. Omnibus Approval of Audit Committee

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company subject to the following conditions:

- (a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy on RPTs 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 the need for such omnibus approval and that such approval is in interest of the Company.
- (c) 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.
- (d) Such omnibus approvals shall be valid for a period of not exceeding one year and shall require fresh approval after the expiry of one year.
- (e) Such omnibus approval shall specify,

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- The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- The indicative base price/current contracted price and formula for variation in the price if any; and
- Such other conditions as the Audit Committee may deem fit.

*Provided that where the need for RPTs cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding Rs. 1 Crore per transaction.*

## **IV. Approval of Board of Directors**

As per the provisions of Section 188 of the Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the Ordinary Course of Business or not at Arm's Length basis are placed before the Board for its approval.

where any Director is interested in any contract or arrangement entered with a related party, such Director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

## **V. Shareholders' approval**

Shareholder's approval shall be sought in the following cases:

- All the Material Related Party Transactions shall require approval of the shareholders through Special Resolution and the related parties shall abstain from voting on such resolution.
- Clause 49(VII)(E) provides that 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.
- Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the Ordinary Course of Business or not on an arm's length basis, under provisions of Section 188 of the Companies Act, 2013 shall also requires the prior approval of the Shareholders and the Related Parties shall abstain from voting on such resolution.

## **6. REVIEW OF POLICY:**

The Board / Audit Committee will periodically review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate.

## **7. AMENDMENTS:**

In any circumstance where the terms of this policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take

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precedence over the policy until such time as this policy is amended to conform to the law, rule, regulation or standard.

## **8. DISCLOSURE:**

The RPTs shall be disclosed in the Company's applicable filings as required by the Companies Act, 2013 and Listing Agreement and the said Policy shall be disclosed on the Company's Website and in the Annual Report as prescribed.