

Policy on Related Party Transactions



SANSERA ENGINEERING LIMITED

Contents

| | |
|---------------------------------------------------------------------------|---|
| 1. Introduction | 3 |
| 2. Definitions | 3 |
| 3. Purpose | 5 |
| 4. Policy | 5 |
| 5. Omnibus approval by the Audit Committee | 5 |
| 6. Approval of the Board of Directors | 6 |
| 7. Approval of the Shareholders of the Company | 7 |
| 8. Related Party Transactions not approved under this Policy | 7 |
| 9. Disclosure and reporting | 8 |

1. Introduction

As per Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations") Sansera Engineering Limited (the "Company") has formulated a "Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions" (the "Policy") to ensure approval and reporting of transactions between the Company and its Related Parties.

The Board of Directors (the "Board") of the Company has adopted the Policy to uphold the confidence of the stakeholders and to ensure a transparent mechanism that avoids potential or actual conflict of interest on transactions with related parties.

The board of directors of the Company have adopted this Policy on 18th March 2021.

2. Definitions

"Act" means Companies Act, 2013, Rules framed thereunder and any amendments thereto.

"Arm's Length Transaction" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

"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 as per sub-section (6) of Section 2 of the Act.

Explanation: For the purpose of this clause, "Significant Influence" means control of at least 20% (twenty percent) of total voting power, or control of or participation in business decisions under an agreement.

"Audit Committee or Committee" means the Committee of the Board formed under Section 177 of the Act and Regulation 18 of the Regulations.

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

"Body Corporate" or Corporation includes a Company incorporated outside India as per sub-section (11) of Section 2 of the Act, but does not include— (i) a co-operative Society registered under any law relating to Co-operative Societies; and (ii) any other Body Corporate (not being a Company as defined in this Act), which the Central Government may, by notification, specify in this behalf;

"Control" shall include the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner as per sub-section (27) of Section 2 of the Act.

“Compliance Officer” means Company Secretary of the Company.

“Holding Company” in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per sub-section (46) of Section 2 of the Act.

“Key Managerial Personnel” (“KMP”) shall have the same meaning as defined in sub-section (51) of Section 2 of the Act.

“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 during a financial year, exceeds 10 (ten) percent of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company.

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 two percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Materiality Threshold” means limits for Related Party Transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

"Net Worth" means the aggregate value of the paid-up Share Capital and all reserves created out of the profits, securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation as per sub-section (57) of Section 2 of the Act.

“Related Party” means a related party as defined under Section 2(76) of the Companies Act, 2013, applicable accounting standards and Regulation 2(zb) of the Listing Regulations.

“Ordinary Course of Business (‘OCB’)” means a transaction which/wherein:

- is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- is as per historical practice with a pattern of frequency, or
- is in connection with the normal business carried on by the Company, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or
- is common commercial practice, or meets any other parameters/criteria as decided by the Board/Audit Committee.

“Relative” means any person as defined under Section 2 (77) of the Act and rules prescribed there under

“Related Party” shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Regulations

“Related Party Transactions” shall have the meaning as defined under Regulation 2(1)(zc) of the Regulations or as envisaged in Section 188(1) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

3. Purpose

The purpose of the policy is to:

- a) Regulate transactions between the Company vis-à-vis its related parties with a view to ensure that such transactions are executed on an arm’s length basis and in a transparent and fair manner as per the Act and Rules made there under and the Listing Regulations as amended from time to time.
- b) Seek necessary approvals of the Audit Committee/Board/Shareholders, as may be necessary, after providing necessary information to them in the prescribed manner.
- c) Outline the procedures for identification, review, disclosure and reporting of such transactions.

4. Policy

All related party transactions shall require prior approval of the audit committee. Whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards.

5. Omnibus approval by the Audit Committee

- a. As per the terms of reference approved by the Board, The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions.
- b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:
 - i. Repetitiveness/ frequency of the transaction;
 - ii. Justification for the need of Omnibus Approval.
 - iii. The Audit Committee shall satisfy itself 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 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 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 listed entity pursuant to each of the omnibus approvals given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

6. Materiality Thresholds

Regulation 23 of the Regulations requires the Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

The Company has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the Regulations as under:

- a) In case of Transaction involving payments made to a Related Party with respect to brand usage, if it exceeds two percent (2%) of the annual consolidated turnover of the Company as per its last audited financial statements.
- b) In case of any other Transaction, if the amount exceeds ten percent (10%) of the annual turnover of the Company as per last audited financial statements of the Company.

7. Approval of the Board of Directors

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 are required to be placed before the Board for its approval.

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

- 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;
- 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;

- Transactions meeting the materiality thresholds laid down in Clause 6 of the Policy, which are intended to be placed before the shareholders for approval.

8. Approval of the Shareholders of the Company

- (i) All material related party transactions shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
The approval of shareholders will not be required for transactions entered into between the holding company and its wholly owned subsidiaries.
- (ii) In addition to the above, all kinds of transactions specified under Section 188 of the Act as mentioned below need approval of Shareholders:
 - a. are not in the ordinary course of business or not at arm's length basis; and
 - b. exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time).

9. Related Party Transactions not approved under this Policy

- a. Any transaction carried out without appropriate approval in accordance with this policy will be reviewed by the Audit Committee.
- b. The Audit Committee shall examine the facts and circumstances pertaining to failure to report and any failure of the systems. The Committee shall take such action as it deems appropriate, including ratification, revision or termination of such related party transaction.
- c. Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:
 - Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
 - The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
 - Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.
 - While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into

consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

- d. The Audit Committee may require further approval of the Board or Shareholders, if necessary.
- e. In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

Review

- The Board of Directors of the Company shall review and update the Policy once in every year or within such period as mandated by any regulatory amendments.
- The clear threshold limits under this Policy, duly approved by the Board shall be reviewed by the Board at least once every three years and updated accordingly

10. Disclosure and reporting:

- a. Appropriate disclosures as required under the Act and the Listing Regulations will be made in the Annual Return, Board's Report and to the Stock Exchanges. The Policy shall also be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.
- b. The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

This Policy shall be posted on the website of the Company i.e., www.sansera.in