



SHARDA MOTOR INDUSTRIES LIMITED

Regd. Off: D- 188, Okhla Industrial Area,
Phase I, New Delhi -110020
CIN: L74899DL1986PLC023202

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

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Approved by the Board of Directors	SD/- Shri K N Parikh

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

I. INTRODUCTION

SHARDA MOTOR INDUSTRIES LIMITED (the “Company” or “SMIL”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests.

II. SCOPE & INCLUSION

This policy sets definition of materiality of related party transactions and dealing with related party transactions.

III. TERMS AND REFERENCES

Contracts / arrangements if the transactions to be entered into individually or taken together with previous transactions during a financial year under such contracts / arrangements exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statement or such sum as may be prescribed under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and as amended from time to time.

A transactions involving payments made to related party with respect to brand usage or royalty shall be considered material if the transaction to be entered into individually or taken together with previous transactions during a financial year exceeds two percent of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

IV. POLICY

- a) All related party contracts / arrangements shall be entered on arms' length basis.

- b) In exceptional circumstances, where permitted by law, related party contracts / arrangements may deviate from the principle of arm's length, after approval from Audit Committee and the Board of Directors, as the case may be.

- c) All related party contract / arrangements shall comply with the Companies Act, 2013 (the "Act"), Listing Regulations and applicable Accounting Standards, as amended from time to time.

- d) All domestic related party contracts / arrangements shall, wherever applicable, comply with Domestic Transfer Pricing Requirement under section 92BA of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

- e) All international related party contract / arrangements, if any, shall comply with International Transfer Pricing Requirement under section 92B of Income Tax Act, 1961 including certification from independent accountants under the Transfer Pricing Regulations.

- f) All related party contracts / arrangements shall require approval /prior approval of the Audit Committee or the Board of Directors or the Shareholders of the Company, as the case may be, as required under and subject to the Act and the Listing Regulations.
