



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS (RPT POLICY)

Evolution History

Date of Initial Approval/Amendment(s)	22 nd May, 2014
Date of First Approval/Review	13 th February, 2019
Date of Second Approval/Review	9 th November, 2021
Date of Third Approval/Review	28 th January, 2023
Approved by the Audit Committee and Board of Directors	Sd/-

SHARDA MOTOR INDUSTRIES LIMITED

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

1) Background

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), Sharda Motors Industries Limited ("SMIL" or "the Company") is required to formulate a Policy for identification of related parties and the proper conduct and documentation of all related party transactions.

Further, Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, SMIL has framed this combined Policy on Related Party Transactions ("Policy") and to ensure high standards of Corporate Governance while dealing with Related Parties.

2) Scope & Inclusion

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

3) Definitions

All terms used in this Policy will have the meanings as assigned to them under the Act and the Rules made thereunder, SEBI Listing Regulations applicable Accounting Standards, as amended from time to time.

4) Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations requires a company to lay down materiality thresholds for transactions beyond which approval of the shareholders through a resolution will be required. SMIL has fixed its materiality thresholds at the level prescribed under explanation to Regulation 23(1) of the SEBI Listing Regulations as under:

- a) In case of Transaction involving payments made to a Related Party with respect to brand usage or royalty, if the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 5 percent (5%) 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 of the Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

5) Material Modification

Regulation 23(2)(a) of the SEBI Listing Regulations, required Audit Committee of the Listed Entity to define Material Modifications, accordingly the Audit Committee of the Board of Directors of SMIL has set out Material modification of Related Party Transaction (“RPT”) in relation to the Company means any modification, either individually or taken together with any previous modifications, made in the nature, value / exposure, or other terms and conditions of any existing RPT having incremental variance of 20% or more in value of the original transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification.

6) Manner of dealing with Related Party Transactions

- a) Identification of Related Parties: list of related parties shall be identified from time to time as prescribed under Section 2(76) of the Act read with the Rules framed there under, Regulation 2(1)(zb) of the SEBI Listing Regulations and applicable Accounting Standards, as amended from time to time.
- b) Identification of related party transactions: related party transactions shall be identified from time to time in accordance with Section 188 of the Act and Rules framed thereunder, and Regulation 2(1)(zc) and 23 of the SEBI Listing Regulations and accordingly shall determine whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek external professional opinion, if necessary.
- c) Review and approval of Related Party Transactions by listed entity

Audit Committee Approval	Board Approval	Members Approval
<ul style="list-style-type: none"> • All Related Party Transactions including Material Modifications thereto. • The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiary 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. • an RPT to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into 	<ul style="list-style-type: none"> • Related Party Transactions referred by Audit Committee for approval of the Board • Related Party Transactions, to be approved by the Board, as required under the applicable Law / Regulations applicable to the Company. • Related Party Transactions which are required to approved by the shareholders’ shall be approved by the Board prior to Shareholders approval. 	<ul style="list-style-type: none"> • Material Related Party Transactions including Material Modifications thereto • Related Party Transactions not in Ordinary Course of Business or not on Arm's length basis and crosses threshold limit as prescribed under the Act / Regulations applicable to the Company

<p>individually or taken together with previous transactions during a financial year exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary company.</p> <p>Provided that</p> <p>I. Members of the Audit Committee, who are independent directors, shall only approve RPTs.</p> <p>II. The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company or its subsidiary is a party subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI Listing Regulations.</p>	<p>Provided that Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.</p>	
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***Notes:**

- *No related party shall vote to approve relevant shareholders resolutions irrespective of whether the entity is a related party to the particular transaction or not.*
- *The requirement for seeking shareholders' approval shall not be applicable to transactions as specified in the Framework for Related Party Transactions.*

7) Disclosure of related party transactions and Reporting's

The particulars of Related Party Transactions shall be entered in the register(s) maintained under the Act, wherever applicable and shall be disclosed in such manner as may be prescribed under the Listing Regulations, the Act and Rules.

8. Review of the Policy

The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise. The policy shall be reviewed by the board of directors at least once every three years including clearly specifying threshold limits and updated accordingly.

Provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications, etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.