



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

Evolution History

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| Date of First Approval | 22nd May, 2014 |
| Date of current amendment/approved | 06th February, 2026 |

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 on materiality of related party transactions and on 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) Any other cases, the threshold shall be as specified in schedule XII of Listing Regulations, which is given below: -

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 the following

| Consolidated Turnover of Listed Entity Threshold | Threshold |
|---|---|
| (I) Up to ₹20,000 Crore | 10% of the annual consolidated turnover of the listed entity |
| (II) More than ₹20,000 Crore to upto ₹40,000 Crore | ₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore |
| (III) More than ₹40,000 Crore | ₹ 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5,000 Crores, whichever is lower. |

c) Any such amount as may be revised threshold by the law from time to time.

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 above rupees one crore 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 individually or taken together with previous transactions during a financial year exceeds the lower of the following <ul style="list-style-type: none"> (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or (ii) the threshold for material related party transactions of listed entity as specified in Schedule XII of these regulations <p>Or if the audited financials of subsidiary are not available for at least one year</p> <ul style="list-style-type: none"> (i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary not older than 3 months prior to the date of seeking approval of the audit committee; or (ii) the threshold for material related party transactions of listed entity as | <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. <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> | <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 |

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| <p>specified in Schedule XII of these regulations:</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> | | |
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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) Ratification of Related Party Transactions

The members of the audit committee, who are independent directors, may ratify related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions: -

9. 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.