

## **SIMMONDS MARSHALL LIMITED**

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### **Related Party Transaction Policy.**

#### **TITLE**

This Policy will be called "Related Party Transaction Policy"

#### **SCOPE, OBJECTIVE AND PURPOSE OF THE POLICY**

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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23") and as amended from time to time, Simmonds Marshall Limited (Company) has formulated this policy for identification of related parties and the proper conduct and documentation of all related party transactions.

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

In the light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

The objective of this Policy is to set out

- i) the materiality thresholds for related party transactions and;
- ii) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

#### **DEFINITIONS**

**Act** means the Companies Act, 2013.

**Arm's Length Transaction** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

**Company** means Simmonds Marshall Limited.

**Key Managerial Personnel/KMP** shall have the meaning as defined in the Companies Act, 2013 and as amended from time to time.

**Director** means every Director of the Company.

**Material Related Party Transaction** means a transaction with Related Party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. In case of payment to a Related Party for brand usage or royalty the materiality threshold will be 5% (five percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company “.

**Ordinary course of business** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

**Policy** means Related Party Transaction Policy as amended from time to time.

**Relative** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

**Related Party** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

**Related Party Transaction** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, transfer of resources, services or obligations between a listed entity and a related party, regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- 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. appointment to any office or place of profit in the company;
- g. underwriting the subscription of any securities or derivatives thereof, of the company

**SEBI Listing Regulations** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended

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 and as amended from time to time.

## **MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP's can cast only negative vote to reject the shareholders resolution on material RPT).

The Company has fixed the following materiality threshold for the purpose of SEBI Listing

Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - 10% of the annual consolidated turnover of the Company as per its last audited financial statements

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

## **MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

### **Identification of Related Parties**

The Company has to identify the related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

### **Identification of Related Party Transactions**

The Company has to identify the related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations.

The Company has to also determine whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary.

## **PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION**

### **Approval of the Audit Committee**

All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:

1. maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
  2. the maximum value per transaction which can be allowed;
  3. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
  4. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
  5. transactions which cannot be subject to the omnibus approval by the Audit Committee
- a. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
- i repetitiveness of the transactions (in past or in future);
  - ii justification for the need of omnibus approval
- b. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
- c. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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 transactions 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 1 crore per transaction.

- d. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
- e. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- g. Any other conditions as the Audit Committee may deem fit

In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year, will be decided by the Audit Committee on the basis of annual consolidated turnover of the company as per last audited financial statements.
- b. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in this Policy.
- c. While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee/Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
  - i Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed, etc;
  - ii Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
  - iii Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
  - iv Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
    - 1. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
    - 2. management assessment of pricing terms and business justification for the proposed transaction;

3. comparative analysis, if any, of other such transaction entered into by the company.
- d. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given
- e. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
  1. Transactions which are not at arm's length or not in the ordinary course of business
  2. Transactions which are not repetitive in nature
  3. Transactions exceeding materiality thresholds as laid down in this Policy
  4. Transactions in respect of selling or disposing of the undertaking of the company
  5. Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, corporate guarantee given/received from related parties
  6. Any other transaction the Audit Committee may deem not fit for omnibus approval

#### **Approval of the Board of Directors of the Company:**

As per the provisions of Section 188 of the Act, 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.

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

- a) 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;
- b) 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;
- c) Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;

- d) Transactions meeting the materiality thresholds laid down in this Policy, which are intended to be placed before the shareholders for approval.

### **Approval of the Shareholders of the Company:**

All the transactions with related parties exceeding the materiality thresholds, laid down in this Policy, are placed before the shareholders for approval.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. Related parties can cast only negative vote to reject the shareholders resolution on material RPT.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

### **DISCLOSURES**

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

The Company shall submit within 30 days from the date of publication of its financial results for the half year, disclosures of related party transactions in the format specified in the relevant accounting standards to the stock exchanges and publish the same on its website.

### **RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

The Audit Committee and the Board will not approve a proposed Related Party Transaction if it considers that the transaction is not in the best interest of the Company.

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.



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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, 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.

#### **RELATED PARTY TRANSACTIONS THAT SHALL NOT REQUIRE APPROVAL**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require the approval of the Nomination and Remuneration Committee of the Company and the Board;
- b. Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly-owned subsidiaries or other Related Parties;
- c. Payment of Dividend;
- d. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require the approval of the CSR Committee.

## **RESPONSIBILITY OF INFORMING RELATED PARTY TRANSACTIONS**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board and Audit Committee of all the Related Party Transactions including those involving him or her or his or her Relative and also any additional information about the transaction that the Board/Audit Committee may reasonably request. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

## **COMMUNICATION**

This Policy will be communicated to all Directors, Key Managerial Personnel, operational employees and other concerned persons of the Company for overall awareness to facilitate statutory compliances.

## **AMENDMENTS**

The Board/Audit Committee shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy and also in connection with any review of a Related Party Transaction, the Audit Committee/Board has authority to modify or waive any procedural requirements of this Policy.