POLICY ON RELATED PARTY TRANSACTIONS

SCOPE 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 Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), **Shervani Industrial Syndicate limited (SISL)** has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions. Also, Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. 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 would review and amend the Policy, as and when required, subject to the approval of the Board.

OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

DEFINITIONS

"**Arm's length transaction ('ALP')**" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"**Related Party**", with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

"**Related Party Transaction**" **(RPT)** means –
For the purpose of the Act, specified transaction mentioned in clause (a) to (g) of Sub-section 1 of Section 188; For the purpose of Clause 49, any transaction involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

MATERIALITY THRESHOLDS

Clause 49 of the Listing Agreement requires a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company for the purpose of Clause 49(VII)(C) of the Listing Agreement.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties

SISL has formulated guidelines for identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement.

b) Identification of related party transactions

SISL has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement and has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary.

c) Procedure for approval of related party transactions

Approval of the Audit Committee
All related party transactions require prior approval of the Audit Committee.

Omnibus approval
The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

1. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

2. The omnibus approval shall provide –
   a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
   b. the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%) and
   c. such other conditions as the Audit Committee may deem fit.
   However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

3. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the company pursuant to each of the omnibus approval given;

4. Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

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:

a. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;

b. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;

c. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;

d. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;

e. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

    i. market analysis, research report, industry trends, business strategies, financial forecasts, etc.;

    ii. third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;

    iii. management assessment of pricing terms and business justification for the proposed transaction;

    iv. comparative analysis, if any, of other such transaction entered into by the company.

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 and 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, in Audit Committee's view requires Board approval.

d. Transactions meeting the materiality thresholds laid down Clause 5 of the 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 meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval.