



POLICY ON RELATED PARTY TRANSACTIONS

Introduction

This Policy applies to transactions between Sarda Plywood Industries Limited (**the “Company”**) and one or more of its Related Parties. It provides a framework for governance and reporting of related party transactions including material transactions in compliance with the provisions of section 188 of 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).

Objectives

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The Board of Directors (the “Board”) of the Company has adopted the Related Party Transaction Policy (this “Policy”) to set forth the procedures under which the transactions with related parties shall be considered for approval/ ratification.

I. Definitions:

“Act” means the Companies Act, 2013, (including any statutory modifications(s) or re-enactments(s) thereof, for the time being in force) read with the rules made there under, as may be amended from time to time.

“Audit Committee” or “Committee” means Committee of Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013 and the Listing Agreement.

Key Managerial Personnel (KMP) means key managerial personnel as defined under Section 2(51) of the Act -

- a. the Managing Director or Chief Executive Officer or the Manager;
- b. the Whole-time Director;
- c. the Chief Financial Officer; and
- d. the Company Secretary.

“Material Related Party Transaction” means a transaction with a related party which individually or taken together with previous transactions during the financial year, exceeds ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“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.

“Ordinary Course of Business” for the purpose of this Policy will cover the businesses of Sarda Plywood Industries Ltd & its Group, usual transactions, customers and practices of a business including incidental and/ or facilitative activities of the business of the Company & Group. The following factors have been considered for determination of whether the transactions are in ordinary course of business:



- a. the objects of the company permit the activities undertaken
- b. there is a historical practice to conduct such activities
- c. a pattern of frequency to conduct such activities over a period of time, and
- d. the transactions are common in industrial practice

“Associate Company” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

“Related Party” is defined under the Section 2(76) of the Companies Act, 2013 and Clause 49 of the Listing Agreement and as amended from time to time.

“Related Party Transaction” means any transaction between the Company and any related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes -

- 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 the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company.

(The above is an indicative list and not an exhaustive one)

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

“Relative” As per Section 2(77) of the Companies Act, 2013, a person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- a. Member of the Hindu Undivided Family
- b. Spouse
- c. Father (Provided that the term “Father” includes step - father)
- d. Mother (Provided that the term “Mother” includes step - mother)
- e. Son (Provided that the term “Son” includes step - son)
- f. Son's wife
- g. Daughter
- h. Daughter's husband
- i. Brother (Provided that the term “Brother” includes step - brother)
- j. Sister (Provided that the term “Sister” includes step - sister)

II. Identification of Potential Related Party Transactions

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

All Directors are required to declare and disclose their concerns or interests in any company or



companies or bodies corporate at the first Board Meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of 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.

III. Procedure for approval of Related Party Transactions

i) Review and Approval of Related Party Transaction

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

ii) Approval by Circular Resolution of the Committee

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

iii) Approval of the Audit Committee

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

Omnibus Approval

- The Audit Committee may grant omnibus approval for such related party transactions which are unforeseen and repetitive in nature provided, the validity of such transaction is upto one year and the value does not exceed Rs.1 crore per transaction and that such approval shall specify:
 - 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; and
 - c. such other conditions as the Audit Committee may deem fit.
- 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

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 transactions;
- 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:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;
 - Comparative analysis, if any, of other such transaction entered into by the company.

iv) 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 are 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:

- 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;
- 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;
- 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.

v) Approval of the Shareholders of the Company

- **All the material related party transactions** shall require prior approval of the shareholders by way of special resolution. For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.
- **Related Party Transactions which are not in ordinary course of Business or not at Arm's Length basis and which exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014** shall require the prior approval of the shareholders through special resolutions and the Related Parties shall abstain from voting on such resolution.



vi) Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

IV. Limitation

In the event of any conflict between the provisions of the Policy and of the Listing Agreement/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement/Companies Act, 2013 or statutory enactments, rules shall prevail over this policy.

V. Disclosures

The Company shall make the following disclosures:

- a. The particulars of the contract and arrangement along with the justification for entering into such contracts/ arrangements with the Related Parties shall be made in the Board's Report which forms a part of the Company's Annual Report
- b. This Policy shall also be uploaded in the website of the Company And a web link thereto shall be provided in the Annual Report
- c. The details of all material transactions with related parties shall be disclosed on quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Clause 49 of the Listing Agreement.
- d. Quarterly/ periodical update to the Audit Committee on all the related party transactions entered into by the Company.

VI. Dissemination of Policy

This Policy or the important provisions of this policy shall be disseminated to all the functional and operational heads and other concerned persons of the Company.
