

RELATED PARTY TRANSACTIONS POLICY

(adopted by the Board of Directors on 14th November, 2014, revised on 21st May, 2019 and thereafter revised on 19th May, 2022)

BACKGROUND AND PURPOSE

The Securities and Exchange Board of India (“SEBI”) with the objectives to align provisions of the Companies Act, 2013 (“the Act”), to adopt best practices on corporate governance and to make the corporate governance framework more effective, vide its circular(s) dated 17th April, 2014 and 15th September, 2014, revised Clause 49 of the Listing Agreement. The provisions of the revised clause, *inter alia*, required formulation of a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Later, the Listing Agreement was replaced by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) in year 2015 with Regulation 23(1) requiring the Company to formulate a policy on materiality of related party transactions and dealing with related party transactions. SEBI Listing Regulations were further amended by the Committee on Corporate Governance under the Chairmanship of Shri Uday Kotak suggesting further changes to the Related Party Governance regime.

In order to adhere to the above requirement and ensure proper approval and reporting of transactions between the Company and its Related Parties, the Board of Directors of Surya Roshni Limited (“the Company”) hereby adopts this Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

DEFINITIONS

For the purpose of this Policy, the following definitions shall apply:

“**Related Party**” means an individual, entity, firm, body corporate or person as defined under section 2(76) of the Act and the SEBI Listing Regulations as may be amended from time to time.

“**Relative**” in relation to an Individual, means persons as defined under section 2(77) of the Act and Rules made thereunder and the SEBI Listing Regulations.

“**Related Party Transaction**” as defined under the SEBI Listing Regulations which includes transfer of resources, services or obligations between the Company and a related party, regardless of whether a 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) 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 term shall have the meaning ascribed to it under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

“Material Related Party Transaction” – As per the SEBI Listing Regulations, 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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the listed entity.

“Material Modifications” shall mean: triggering of any of the following conditions whether individually or in aggregate:

- i. Change in overall transaction value of Related Party Transaction beyond 20 % or
- ii. Change in price of goods and services beyond 20 % or
- iii. Extension in duration of Related Party Transaction contract beyond a period of 6 months or
- iv. As may be decided by the Audit Committee on case to case basis

“Key Management Personnel” shall mean the personnel as defined under section 2(51) of the Act and Rules made thereunder.

“Subsidiary” means a Company as defined under section 2(87) of the Act.

“Associate” means a Company as defined under section 2(6) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act/ SEBI Listing Regulations.

RELATED PARTY TRANSACTIONS – APPROVAL MECHANISM

As per the Companies Act, 2013, any transaction entered into by the Company with a related party which is in its ordinary course of business and which is on an arm's length basis does not require any approval from the Board of Directors or the Shareholders. Instances of such transactions which the Company normally undertakes on an arm's length basis in conducting its business operations and activities cover transactions such as sale or purchase of finished goods, work in progress, raw material, reimbursement of expenses etc.

Audit Committee

As per the SEBI Listing Regulations and the Act, all Related Party Transactions and subsequent modifications thereto require prior approval of the Audit Committee. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of such Related Party Transaction. Related Party Transactions other than a transaction referred to in section 188, entered into the wholly owned subsidiary company shall not require the approval of Audit Committee

The Audit Committee may also grant omnibus approval for Related Party Transactions proposed to be entered into by the Company and which are repetitive in nature subject to the following conditions:

1. The Audit Committee shall with the approval of Board, consider the following criteria's before granting any omnibus approval which shall include the following: -
 - i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - ii. the maximum value per transaction which can be allowed;
 - iii. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - iv. review, at such intervals as the Audit Committee may deem fit, related party transactions entered into by the Company pursuant to each of the omnibus approval made;
 - v. transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
3. The proposal/ agenda seeking omnibus approval shall specify:
 - (i) the name/s of the related party and its relationship with the Company, including nature of its concern or interest (financial or otherwise), nature of transaction, period, material terms and particulars of the proposed transaction, maximum amount of transaction that can be entered into,
 - (ii) the indicative base price / current contracted price and the formula for variation in the price if any,

- (iii) The percentage of the Company's annual consolidated turnover for the immediately preceding financial year, that is represented by the value of the proposed transaction
- (iv) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - details of the source of funds in connection with the proposed transaction;
 - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments: nature of indebtedness; cost of funds and tenure;
 - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and

and (such other details/ information as prescribed under the Act/ SEBI Listing Regulations.;

4. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
5. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
 - ii. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
 - iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - v. Whether the Related Party Transaction would affect the independence of the Directors/ KMP;
 - vi. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
 - vii. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.
6. The Audit Committee can take necessary professional help in order to determine whether the transaction is in ordinary course of business and on arm's length basis. It shall also consider whether the Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts.

Board of Directors

The Board shall consider and approve the following:

- a. Related Party Transaction as specified in Section 188(1) of the Act shall require approval of the Board except when such transactions are in ordinary course and at arm's length.
- b. Transactions other than those mentioned in section 188, which are referred by the Audit Committee, shall be placed for consideration for approval of the Board.
- c. Material Related Party Transactions including Material Modifications thereto.

The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose-

- name of the Related Party and nature of relationship;
- nature, duration and particulars of the contract or arrangement;
- material terms of the contract or arrangement including the value, if any;
- any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- any other information relevant or important for the Board to take a decision on the proposed transaction and/ or as required under the Act/ SEBI Listing Regulations.

Shareholders

Further, the following type of related party transactions shall require approval of the shareholders through Ordinary resolution:

- i) All "material" Related Party Transactions and subsequent material modifications
- ii) All such Related Party Transactions which are not in the ordinary course of business and which exceed the permissible limits as given under Companies(Meetings of Board and its Powers) Second Amendment Rules, 2014 as mentioned below:

S. No.	Transactions	Threshold limit
a)	Sale, purchase or supply of any goods or materials directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company or Rs 100 crore (whichever is lower)
b)	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	Amounting to 10% or more of net worth of the Company or Rs 100 crore (whichever is lower)

c)	Leasing of property of any kind	Amounting to 10% or more of the net worth of the Company or 10% or more of turnover of the Company or Rs 100 crore (whichever is lower)
d)	Availing or rendering of any services directly or through appointment of agent	Amounting to 10% or more of the turnover of the Company or Rs 50 crore (whichever is lower)
	Note: Limits specified in above transactions shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.	
e)	Related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh.
f)	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of the net worth.

MATERIALITY THRESHOLD

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 and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not. 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 Regulation 23(1) of the SEBI Listing Regulations.

PRE-APPROVED / RATIFIED TRANSACTIONS

In terms of this Policy, the Related Party Transactions listed below shall be deemed to be Pre-Approved or Ratified Transactions and are not subject to further review and approval or ratification of the Board of Directors or the Audit Committee:

Directors Compensation

Any transaction that involves the providing of compensation to Directors in connection with his or her duties to the Company or any of its subsidiaries or affiliates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. With respect to Audit Committee, the approval will not be required for transactions other than a transaction referred to in Section 188 of the Act.

Transactions involving Competitive Bids

Any transaction involving Related Party where rates and charges are determined by Competitive Bids.

Regulated Transactions

Transactions expressly approved/ sanctioned by relevant authority/ government in terms of governing statutes/ laws.

Charitable Contributions by the Company

Company spends pursuant to section 135 of the Act and Rules framed thereunder on Corporate Social Responsibility initiatives/ programs/ activities, charitable activities by way of contribution, donation etc. to charitable organizations, foundations, society or university in which a Related Party is a trustee, director, or employee etc.

Transactions where all shareholders receive proportional benefits

Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock received the same benefit on a pro rata basis (e.g. dividends).

Transactions which are similar for All Employees

Transactions, arrangements or relationships that are generally available on the same terms to all employees (other than employees who may be excluded due to foreign regulatory or similar reasons).

Transactions on Uniform Terms & Conditions

Transactions, arrangements or relationships with a Related Party in the ordinary course of business on the same terms and conditions as are available to an unrelated party.

Certain Transaction with other companies

Transactions in which the Related Party's interest is derived solely from the fact that he or she serves as director of another corporation or organization that is a party to the transaction

Certain Transaction with Related party's Entity

Transactions in which the Related Party's interest is derived solely from his or her direct or indirect ownership of an entity that is a party to the transaction when such ownership interest is less than ten percent (10% of the equity interest of such entity).

DISCLOSURE OF INTEREST BY DIRECTORS/ KMPs

Every Director and KMP shall, in adherence of the provisions of Companies Act, 2013 and the SEBI Listing Regulations in this regard, furnish necessary disclosures (annually and whenever there is a change) about his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in the manner prescribed under the Act and SEBI Listing Regulations.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company.

Every Director should forthwith bring to the attention of Board any related party transaction that he or she anticipates/ foresees in order to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

DISCLOSURE ON RELATED PARTY TRANSACTIONS

Related Party Transactions will be brought to management's and the Board's attention on a periodical basis with intimation from Finance department. The same shall be consolidated in form of a Statement of Related Party Transactions and presented to the Audit committee on a quarterly basis for review by the Committee and information of the Board.

The Company shall also disclose, in the Board's report, the details of related party transactions as prescribed under the provisions of the Act and/ or SEBI Listing Regulations.

Details of Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be filed with Stock Exchanges. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report. In addition, the Company shall specifically provide details of all related party transactions within 15 days from the date of publication of its half yearly standalone and consolidated financial results and w.e.f. April 1, 2023, simultaneously with the publication of its half yearly standalone and consolidated financial results, in the prescribed format, and also publish the same on its website.

SANCTION OF TRANSACTIONS WITHOUT PRE-APPROVAL

By Audit Committee

Subject to the provisions of Companies Act, 2013 in this behalf, any Related Party Transaction entered into without pre-approval of the Committee shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the notice of the Audit Committee as promptly as reasonably practical after it is entered into and ratified appropriately by the relevant approving.

In case the Committee decides not to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

By Board and shareholders

If any related party transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be , the same need to be get ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction has not ratified by Board or Shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board or, as the case may be, of the Shareholders and if the related party transaction is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the Company against any loss incurred by it.

If the Audit Committee/Board/Shareholders decides, not to ratify a particular transaction, then it may direct additional actions in accordance with this Policy.

GENERAL

The Board of Directors may review and amend this Policy from time to time but not later than once in three years from its last review or any other timeframe as may be stipulated under the governing laws in force.