

SBEC SYSTEMS (INDIA) LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTION AND ALSO ON DEALING WITH RELATED PARTY TRANSACTIONS

1. INTRODUCTION

The Board of Directors of SBEC Systems (India) Limited has adopted following policy & procedures with regard to Materiality of Related Party Transactions and dealing with Related Party Transactions (RPTs) of the Company with effect from 01st April, 2022.

2. SCOPE AND PURPOSE OF THE POLICY

Regulation 23(1) of the SEBI (LODR) Regulations, 2015, as amended requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors. The Regulation further requires that the Audit Committee of the Company shall define “**material modifications**” and disclose it as part of the policy on materiality of related party transactions and on 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 & framed by the Board of Directors for complying with above requirements.

3. DEFINITIONS

2.1 “The Act” means the Companies Act, 2013, together with the Rules notified thereunder including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as “Act”).

2.2 “Regulation 23” means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

2.3 “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.

2.4 “Associate Company” shall mean “Associate Company” as defined in Section 2(6) of the Companies Act, 2013.

2.5 “Subsidiary Company” shall mean “Subsidiary Company” as defined in Section 2(87) of the Companies Act, 2013.

2.6 “Board” shall mean the Board of Director of the Company, as constituted from time to time.

2.7 “Company” means SBEC Systems (India) Limited.

2.8 “Audit Committee” means Committee of Board of Directors of the Company constituted under the applicable laws from time to time.

2.9 “Employee” shall mean the employees and office-bearers of the Company.

2.10 “Key Managerial Personnel” shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Companies Act, 2013.

2.11 “Relative”, with reference to any person, means one who is related to another in any of the following manner —

- (i) if they are members of a Hindu Undivided Family
- (ii) if they are husband and wife
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

2.12 “Related Party” have the meaning as defined in Section 2(76) of the 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.

2.13 “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.

2.14 “Material Related Party Transaction” means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

- In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements;
- In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements;

2.15 “Material Modification” means an increase in value of transactions approved by Audit Committee by 20%.

3. “OFFICE OR PLACE OF PROFIT” MEANS ANY OFFICE OR PLACE:

- (i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is

entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.”

4. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

For the purpose of identification of Potential Related Party Transactions, each director and Key Managerial Personnel shall give notice of disclosure of interest on an annual basis and upon any subsequent modifications in the last disclosure provided. The Company shall ensure that no transaction is entered into with any Related Party without requisite approvals.

5. 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 .

The RPTs which cross the Materiality thresholds under Companies Act, 2013 as mentioned below shall be entered by the Company only with prior approval of shareholders of the Company through resolution, as per applicable provisions of the Act and the SEBI LODR Regulations, 2015, as may be amended from time to time.

S. No.	Nature of Transactions	Materiality as per Companies Act, 2013	Materiality as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015
1	Sale, purchase or supply of any goods or materials directly or through appointment of agents.	10% or more of annual turnover of the audited financial statement of the preceding financial year of the Company.	All transactions with one party exceeding Rs. 1000 Crores or 10% of the annual consolidated turnover (whichever is lower) of the audited financial statement of the preceding financial year of the Company.
2	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents	10% or more of the net worth of the Company as per the audited financial statement of the preceding financial year.	

3	Leasing of property of any kind	10% or more of annual turnover of the audited financial statement of the preceding financial year of the Company.	
4	Availing or rendering of any services (Directly or through agent)	10% or more of annual turnover of the audited financial statement of the preceding financial year of the Company.	
5	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Remuneration exceeds Rs. 250,000/- per month	
6	Underwriting the subscription of any securities of the company or derivatives thereof	Remuneration exceeds 1% of net worth	

6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

Approval of the Audit Committee

1. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c) Such omnibus approval shall specify
 - i. the name/s of the related party, nature of transaction, period of 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 and
 - iii. such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d) 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.
- e) The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company.
- f) Any Director or Key Managerial Personnel who is interested in any Related Party Transaction shall not be present at the meeting of the Board or Audit Committee during discussions on the subject matter of the resolution relating to such transaction.
- g) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

7. TRANSACTIONS REQUIRING APPROVAL OF SHAREHOLDERS OF THE COMPANY:

- i. All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company or as permitted in Law; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.
- ii. All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders, by way of a resolution passed at the general meeting of the Company or as permitted in Law.

However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following cases:

- i. Transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- ii. Transactions entered into between the company and its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

Approval by Circulation of Resolution by the Committee

In the events if the Company management determines that it is impractical or undesirable to wait for holding a meeting of Committee to enter into a related party transaction, such transaction may be approved by the Committee by way of circulation 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.

8. DISCLOSURE BY DIRECTORS/ KEY MANAGERIAL PERSONNEL

- i. Each Director and Key Managerial Personnel of the Company shall promptly notify the Company / Company Secretary of any potential Related Party Transaction involving him/her or his/her Relatives, including any additional information about the transaction that the Company Secretary of the Company shall reasonably request. The Company Secretary, in consultation with other members of management and an independent counsel, as deemed appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Ratification of a Related Party Transaction after its commencement or even its completion may be appropriate in some circumstances.
- ii. Every Director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.
- iii. Where any Director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he/she shall, if he/she becomes concerned or interested after the contract or arrangement is entered into, disclose his/her concern or interest forthwith when he/she becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- iv. A contract or arrangement entered into by the Company without disclosure or with participation by a Director or Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- v. In addition, each Director or Key Managerial Personnel is required to make disclosures of the entities in which they or their Relatives are or are deemed to be interested, in the prescribed format under Applicable Law.

9. GUIDELINES ON DETERMINATION OF ARM'S LENGTH NATURE OF THE RELATED PARTY TRANSACTIONS.

At the time of determining the Arm's Length Basis of price charged for the Related Party Transaction, the Audit Committee shall inter-alia take into consideration the following guidelines:

- (i) Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefits of safe harbor is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

The Company relies on professionals and experts in the field of Company Law, Accounting and Taxation to review, certify and report on transactions, including those with Related Parties.

10. DISCLOSURES

- i. Appropriate disclosures as required under the Laws shall be made in its Annual Return, Boards' Report and at such other places and to the Stock Exchanges on which equity shares of the Company are listed and such other authority as may be prescribed under the Laws.
- ii. The Company shall disclose this Policy on its website and a web link thereto shall be provided in the Annual Report.
- iii. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

11. REVIEW OF THE POLICY

The policy shall be reviewed by the board of directors at least once in every three years and updated accordingly.

The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
