

# Policy on Related Party Transactions

## 1. PREAMBLE

The Board of Directors (the “Board”) of Sarthak Industries Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions as defined below in compliance with the requirements of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement with the Stock Exchanges in India. Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.

This Policy applies to transactions between 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.

## 2. PURPOSE

The objective of this policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Agreement and any other laws and regulations as may be applicable to the Company.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

## 3. DEFINITIONS

“**Company**” means Sarthak Industries Limited and all its offices.

“**Board**” means the Board of Directors of the Company.

“**Audit Committee**” means a Committee constituted by the Board of Directors of the Company in accordance with guidelines of Listing Agreement and Companies Act, 2013.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and rules prescribed thereunder.

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they were unrelated.

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

**“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.

**“Related Party”** a means related party as defined under the Companies Act, 2013 read with Clause 49 of the Listing Agreement and as amended from time to time.

**“Related Party Transactions”** shall mean such transactions as specific under Section 188 of the Act or rules made thereunder and Clause 49 of the Listing Agreement including any amendment or modification thereof, as may be applicable.

*Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract*

**“Material Related Party Transactions”** shall mean a transaction as defined as material in Clause 49(VII)(C) of the Listing Agreement or any other law or regulation including any amendment or modification thereof, as may be applicable.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contract Regulation Act or any other applicable law or regulation.

#### **4. APPROVAL PROCESS**

The Company will enter into any Related Party Transactions only with the prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting 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 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 the following:
  - Name(s) of the Related Party;
  - Nature of the transaction;
  - Period of transaction;
  - Maximum amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - Such other conditions as the Audit Committee may deem fit.

- d. In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1.00 crore per transaction.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

In the case of Material Related Party Transaction, the approval of the shareholders by way of special resolution is also required and the Related Parties shall abstain from voting on such resolution.

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.

## **5. TRANSACTIONS AT ARM'S LENGTH**

The Company has laid down a framework to assess whether transactions with related parties are done at an arm's length and company adopts generally accepted practices and principles in determining whether the transaction is at "arms' length".

## **6. DISCLOSURE BY DIRECTORS/ KMPs**

### **A. Disclosure of interests**

- All Directors/ KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of any material transaction or Relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form.
- The company shall disclose the policy on dealing with Related Party Transactions on its website and a weblink thereto shall be provided in the Annual Report.

### **B. Disclosure of Related Party Transaction entered with the company**

Each Director and KMPs of the Company is responsible for providing declaration/ notice in the prescribed Form to the Company Secretary about Related Party Transaction

involving the Company and him or her or an entity wherein he/ she or his / her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary in consultation with the management and an independent counsel, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

## **7. APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/ AUDIT COMMITTEE THEREOF**

To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present an improper conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director,, KMP or other Related Party, the direct or indirect nature of the Director, KMP or other Related Party's interest in the transaction and the on going nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **8. SCOPE LIMITATION**

In the event of any conflict between the provisions of this 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.