



**RELATED**

**PARTY**

**TRANSACTIONS**

**(RPT)**

**POLICY**

**OF**

**SHARDA CROPCHEM**

**LIMITED**



## **SHARDA CROPCHEM LIMITED**

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### **RELATED PARTY TRANSACTIONS POLICY:**

#### **1. Preamble:**

M/s. Sharda Cropchem Limited (“Company”) believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour.

This Related Party Transactions Policy (Policy) is framed as per requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Regulations”) and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties and to ensure fairness in the conduct of related party in terms of the applicable laws.

#### **2. Applicability:**

This Policy will be applicable to the Company with respect to all Related Party Transactions (RPT) covered within the scope of Section 188 of the Companies Act, 2013 read with rules made thereunder and/or SEBI Regulations, as may be amended from time to time.

#### **3. Definitions:**

“**Act**” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

“**Arm’s Length basis**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

For determination of Arm’s Length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax, 1961.

“**Associate Company**” means any company in which the Company has a significant influence but which is not a Subsidiary Company of the Company having such influence and includes a Joint Venture Company.

Explanation- For the purpose of this clause, “significant influence” means Control of atleast 20% of total share capital, or business decision under an agreement.

“**Key Managerial Personnel**” in relation to a Company means

- i. The Chief Executive Officer or the Managing Director or the Manager;
- ii. The Company Secretary;
- iii. The Whole-time Director;
- iv. The Chief Financial Officer;
- v. Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. Such other officers as may be prescribed.



### **“Material Related Party Transaction”**

Any transaction is considered as material during a financial year, if it exceeds Rs.1,000 Crores or 10% of the annual consolidated turnover of the listed entity as per the last audited financial statement of the listed entity, whichever is lower. However, payments made to related party with respect to brand usage or royalty will be considered material if the transactions entered into individually or taken together with previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Related Party”** as per Companies Act shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 as follows

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his relative is a member or director;
- v. a public company in which a director or manager is a director and holds along with his relatives, more than 2 % of its paid-up share capital;
- vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:

**Provided that** nothing in (vi) and (vii) above shall apply to the advice, directions or instructions given in professional capacity;

(viii) any body corporate which is-

- a) a holding, subsidiary or an associate company of such company;
- b) a subsidiary of a holding company to which it is also a subsidiary; or
- c) an investing company or the venture of the company.

(ix) such other persons as may be prescribed by Central Government.

Provided further that:

(a) any person or entity forming a part of the promoter or promoter group; or

(b) any person or any entity, holding equity shares:

- i. of 20% or more; or
- ii. of 10% or more, (with effect from April 1, 2023);

either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”



**Related Party Transactions”** means a transaction involving a transfer of resources, services or obligations between:

- (i) The Company or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, (with effect from April 1, 2023);

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:

**Provided that the following shall not be a related party transaction:**

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

**“Relatives”** with reference to any person shall have the meaning as defined in Section 2(77) of the Companies Act, 2013 read with clause 4 of the Companies (Specification of definition details) Rules, 2014

#### **4. 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 Transactions involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of interest and Audit Committee will determine whether the transaction does, in fact constitute a Related Party Transactions requiring compliance with this policy.

The Company shall also identify the Related Party Transactions with Directors or Key Managerial Personnel of the Holding Company/ies or their relatives.



### **Audit Committee Requirements:**

- All related party transactions and subsequent material modification shall require prior approval of the Audit Committee and only Independent Director's, shall approve related party transactions.
- the audit committee 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.
- a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- with effect from April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.
- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the conditions contained in SEBI Regulations.
- The audit committee shall lay down following criteria for granting omnibus approval:
  - Transaction is consistent with the main and/or ancillary objects of the Company
  - Transaction not specified under the extraordinary disclosure of the previous audited financial statement
  - Repetitiveness of the transactions more than once during the current year or last three financial year with any party
- Such approval shall be valid for one year and shall require fresh approvals after the expiry of one year.
- The Audit Committee shall review on quarterly basis the details of the RPT entered by the Company.



- Any member of the Committee who has a potential interest in any Related Party Transactions shall abstain from discussion and voting on the approval of the said Transaction.
- Transactions entered into between 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 shall not require prior approval of the Audit Committee.
- No Prior approval of Audit Committee, Omnibus approval or Shareholders' is required for any related party transactions between two wholly owned subsidiary of listed holding company.

#### **Board of Director's Requirements:**

- Transactions with the related parties as defined under the Companies Act, 2013 within the scope of Section 188 of the Act, which are either not in Ordinary Course of Business or are not at Arms' Length, shall require prior approval of the Board of Directors.
- Where any Director is interested in any contract or arrangement with a related party such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

#### **Shareholder's Requirements:**

##### **As per the requirements of Companies Act, 2013**

- All materials Related Party Transactions and subsequent material modifications as defined by the Audit Committee under sub regulation (2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity, is a related party to the particular transaction or not.
- Transactions with the related parties as covered within the scope of Section 188 of the Act which are either not in the 'Ordinary Course of Business' or are not on an 'Arms' Length Basis' and exceeds the threshold under Section 188 of the Act and the Rules made thereunder, shall require prior approval of the Shareholders through Resolution.
- No member of the Company shall vote in the resolution where such member is a related party in the context of the contract or arrangement which is being considered.

##### **As per the requirements of SEBI Regulations**

- All Material Related Party Transactions covered within the scope of SEBI Regulations shall require approval of Shareholders through Resolution and no related party shall vote.



- All the entities falling under the definition of related parties (as defined under SEBI Regulations) shall abstain from voting irrespective of whether entity is a party to the particular transaction or not.
- However the above shall not be applicable to transactions between Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the General Meeting for approval.

#### **5. Related Party Transactions not Approved under this policy:**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transactions. The Audit Committee shall also examine the facts and circumstances of the case and take any such action it deems appropriate.

#### **6. Disclosure:**

- The listed entity shall submit to the stock exchanges disclosures of related party transactions every six months within fifteen days from the date of publication of its results, in the format as specified by the Board from time to time and publish the same on its website.

The listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 01, 2023.

- Disclosure shall be given by listed entity and its subsidiaries of 'Loans and advances in the nature of loans to firms/companies in which directors are interested by name and amount':

#### **7. Amendments in Law:**

This policy shall, overall, be governed by Companies Act 2013 and the SEBI Regulations as may be amended from time to time.

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

This Policy was last updated in Board Meeting dated 22<sup>nd</sup> January, 2022.