

POLICY ON RELATED PARTY TRANSACTION

INTRODUCTION:

Pursuant to the Regulation 23 of SEBI (Listing obligations and Disclosures Requirement) Regulations, 2015 read with section 188 of the Companies Act 2013, the Board of Directors (“the Board”) of SDF Industries Limited (“the Company”) has adopted the Policy on Related Party Transaction (“the policy”). The policy has been approved by the Board on 13.08.2014.

1. OBJECTIVE

The Company has formulated this policy to determine the materiality of related party transactions and to lay down the procedure in dealing with the related party transactions. This policy is to regulate the transactions between the Company and its Related Parties as per the laws and regulations applicable to the Company.

2. DEFINITIONS

“Audit Committee” means “Audit Committee” constituted by the Board of Directors of SDF Industries Limited, from time to time, under the provisions of the Listing Agreement with the Stock Exchanges and the Companies Act, 2013.

“Related Party” means person or entity as defined:

- (i) under section 2(76) of the Companies Act, 2013 and
- (ii) under the applicable accounting standards.

“Key Managerial Personnel” means the key managerial personnel of the Company as defined under Section 2(51) of the Companies Act, 2013 and the rules made there under.

“Related Party Transaction” means any transaction directly or indirectly between the Company and any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

“Material Related party Transaction under Listing Agreement” means the transaction / transactions with a related party, to be entered into individually or taken together with previous transactions during the financial year, exceeds ten percent of the annual turnover of the Company as per the last audited financial statements of the Company.

“Material Related party Transaction under Companies Act” means the transaction / transactions with the related party, to be entered into individually or taken together with previous transactions during the financial year, –

- (a) As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 of the Companies Act 2013, falling under one or more of the criteria mentioned below:

- (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten per cent of the turnover of the Company or Rupees One Hundred Crores, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
 - (ii) Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten per cent. of net worth of the Company or Rupees One Hundred Crores, whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - (iii) Leasing of property of any kind exceeding ten per cent. of the net worth of the Company or ten percent of turnover of the Company or Rupees One Hundred Crores, whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
 - (iv) availing or rendering of any services, directly or through appointment of agent, exceeding ten per cent of the turnover of the Company or Rupees Fifty Crores, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:
- (b) is for appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding Rupees Two and Half Lakhs as mentioned in clause (f) of sub-section (1) of section 188: or
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one per cent, of the net worth as mentioned in clause (g) of sub section (1) of section 188.

The Turnover or Net Worth referred in the above definition shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

“Relative” shall mean “relative” as defined in section 2(77) of the Companies Act, 2013 and rules prescribed there under.

“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.

POLICY

This policy is framed to be in compliance with the Companies Act, 2013 and the Equity Listing agreement with Stock Exchange.

2.1. IDENTIFICATION OF POTENTIAL RELATED PARTY AND TRANSACTIONS

Each director and Key Managerial Personnel (KMP) is responsible for providing notice to the Board or the Audit Committee of the list of related parties as covered under Section 2(76) of the Companies Act, 2013 as well as under Accounting Standard. This list of related parties shall be updated on an annual basis and further changes informed as soon as possible.

Each director as well as KMP shall inform in advance to the Company 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.

2.2. APPROVAL

3.2.1 Related Party Transactions

- a) Shall require prior approval of Audit Committee.
- b) Shall require approval of the Board of Directors, if the transaction is not in the Ordinary Course of Business and / or at arm's length.

3.2.2. Material Related Party Transactions under Listing Agreement (Whether it is in the ordinary course of business and / or on arm's length basis)

- a) Shall require prior approval of Audit Committee.
- b) Shall require approval of the Board of Directors.
- c) Shall require approval of the shareholders and the Related Parties (irrespective of whether being a party to the particular transaction or not) shall abstain from voting on such resolutions.

3.2.3. Material Related Party Transactions under Companies Act

3.2.3.1 (When the transaction is in ordinary course of business and on arm's length basis)

- a) Shall require prior approval of Audit Committee.
- b) May require approval of the Board of Directors.

3.2.3.2 (When the transaction is not in the ordinary course of business and / or not on arm's length basis)

- a) Shall require prior approval of Audit Committee.
- b) Shall require approval of the Board of Directors.
- c) Shall require approval of the shareholders and the Related Party, who is the party to that particular transaction shall abstain from voting on such resolutions.

The interested director shall not be present at the Audit Committee meeting / Board meeting during the discussions on the subject in which he is interested and shall not vote on the resolution relating to the contract / arrangement / transaction in which he is interested.

The following Related Party Transactions shall not require approval of Audit Committee or Board or Shareholders:

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

2.3. PROCEDURE FOR REVIEW AND APPROVAL

Related Party Transactions will be referred to the Audit Committee for review and approval. Any member of the Audit Committee / Board who has a potential interest in any Related Party Transaction shall not be present at the Audit Committee meeting / Board meeting during the discussions on the subject in which he is interested and shall not vote on the resolution relating to the contract / arrangement / transaction in which he is interested.

To review and approve a Related Party Transaction, the Audit Committee / Board will be provided with:

- a. the name of the related party, the interested director/KMP and nature of relationship;
- b. the nature, duration of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;
- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. 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
- g. any other information relevant or important to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction or not, the Audit Committee / Board will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a. Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. 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;
- c. Whether the Related Party Transaction would affect the independence of an independent Director ;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- f. Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Audit Committee deems relevant.

Audit Committee shall review, on a quarterly basis, the details of the Related Party Transactions entered into by the Company.

OMNIBUS APPROVAL

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature 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.
- 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. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

2.4. RELATED PARTY TRANSACTIONS WHEN 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 of 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 Transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Audit Committee under this Policy, and shall take any such action it deems appropriate.

Where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy subject to the compliance of statutory requirements.

The Audit Committee shall place its recommendations in this regard to the Board for its approval.

Where any contract or arrangement is entered into by a director or KMP, without obtaining the approval of the Audit Committee or Board or Shareholders as required above and if it is not ratified by the Board or Shareholders within three months from the date on which such contract or arrangement was entered, shall be dealt as per Section 188 of the Companies Act.

3.5. AMENDMENT TO THE POLICY

The Board on its own and/or on the recommendations of the Audit Committee can amend this policy, as and it deems fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the competent authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s),circular(s)etc. shall prevail and this policy shall stand amended accordingly without any further action, from the effective date as laid down under such amendment(s), clarification(s),circular(s) etc.

3.6 DISCLOSURE

- (1) This Policy will be communicated to all the operational employees and other concerned persons of the Company.
- (2) Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- (3) Every contract or arrangement entered with the Related Party, covered under Section 188(1) of the Companies Act, 2013 shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (4) 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.
- (5) The Company shall disclose the name of the related party, the nature of relationship, the transaction details and such other details as required under Accounting Standard, in the Annual Report.
