

# STANROSE MAFATLAL INVESTMENTS AND FINANCE LIMITED

## POLICY ON RELATED PARTY TRANSACTIONS

### 1. INTRODUCTION

The Board of Directors (the “Board”) of Stanrose Mafatlal Investments and Finance Limited (the “Company”), has adopted the following policy and procedures with regard to dealing with Related Party Transactions and Materiality of Related Party Transactions as defined below. The Board of the Company has adopted this Policy upon the recommendation of the Audit Committee.

### 2. PURPOSE

This policy will regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and provides for materiality of Related Party Transactions.

This Policy is intended to ensure transparency and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as amended from time to time.

### 3. DEFINITIONS

“**Act**” means the Companies Act, 2013 including any amendment or modification or statutory re-enactment thereof.

“**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.

“**Audit Committee**” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 (“SEBI LODR”) and the Act.

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

“**Key Managerial Personnel**” or “**KMP**” means Key Managerial Personnel as defined under the Act and the Rules made there under.

“**Listing Regulations or SEBI LODR**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

“**Manager**” means a manager as defined under section 2(53) of the Act.

“**Managing Director**” means a managing director as defined under section 2(54) of the Act.

**“Material Modification(s)”** means and include any modification to an existing related party transactions, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as case may be, or such modification as may be decided by the Audit committee.

**“Material Related Party Transaction”** means such transaction as specified under Regulation 23 of the Listing Regulations.

**“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.

**“Policy”** means this Policy on Related Party Transaction.

**“Related Party”** means a related party as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations

**“Related Party Transaction”** means such transactions as specified under Section 188(1) of the Act and Regulation 2(1)(zc) of the Listing Regulations.

**“Relative”** means relative as defined under section 2(77) of the Act from time to time.

**“Turnover”** means turnover as defined under section 2(91) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations, Securities Contracts (Regulation) Act, 1956 or any other applicable laws or regulations.

#### **4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:**

##### **A. Identification of Related Parties**

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information already provided:

1. List of Relatives of director or key managerial personnel
2. List of firms in which director, manager or his/her relative is a partner.
3. List of private companies in which director or manager or his/her relative is a member or director.
4. List of public companies in which director or manager is a director and holds either individually or along with his/her relatives more than 2% of the paid-up share capital;
5. List of bodies corporate whose Board of Directors, Managing Director, or Manager is accustomed to act in accordance with the directions, instructions or advice (other than directions, instructions or advice given in a professional capacity) of the director or manager.

6. List of persons on whose directions, instructions, a director or manager is accustomed to act (other than directions, instructions, or advice received in professional capacity).

Each director and Key Managerial Personnel is responsible for providing notice to the Company Secretary at the beginning of every financial year or whenever there is any change in the disclosures already made, of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to review the details about the proposed transaction.

The Company's subsidiaries are required to provide list of its related parties to the Company Secretary of the Company, and also promptly communicate changes, if any, in the initial / annual periodic disclosure submitted by them.

## **B. Review and approval of Related Party Transactions**

### **i. Identification of Related Party Transactions**

All Related Party Transactions requiring approvals and/or reporting shall be identified by the Company on a continuous basis.

### **ii. Audit Committee approval:**

- All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee and only those members of the audit committee, who are independent directors, shall approve related party transactions.
- A Related Party Transaction to which the subsidiary of the 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 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.
- Further, with effect from 1 April 2023, a Related Party Transaction to which the subsidiary of the 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 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to

the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

**iii. List of disclosures to be placed before Audit Committee:**

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the Related Party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction;
- d. Value of the proposed transaction;
- e. 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 and for a Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis;
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
  - (i) details of the source of funds in connection with the proposed transaction;
  - (ii) 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;
  - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
- g. Justification as to why the Related Party Transaction is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis
- j. Any other information that may be relevant.

**iv. Illustrative list of factors to be considered by Audit Committee for approving Related Party Transaction**

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

- a. Whether the terms of the Related Party Transaction are fair, in the Ordinary Course of Business and on Arm's Length Basis to the Company;
- 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 the Directors/KMP;
- 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 Related Party Transaction would present 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/Committee deems relevant.

**v. Shareholders' approval:**

All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders through an ordinary resolution and no Related Party shall vote to approve on such resolutions whether the entity is a Related Party to the particular transaction or not.

**vi. List of disclosures to be placed before Shareholders:**

The Shareholders will be provided with all relevant material information in addition to the requirements under the Companies Act, 2013 for the approval of the proposed Related Party Transaction, including:

- a. A summary of the information provided by the management of the Company to the audit committee;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary,
  - (i) details of the source of funds in connection with the proposed transaction;

- (ii) 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;
  - (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party transactions, on a voluntary basis;
- f. Any other information that may be relevant.

#### **vii. Approval of the Board of Directors**

As required under the provisions of Section 188 of the Act read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, all transactions specified under the said Section 188(1) which are not in the ordinary course of business and / or not at arm's length basis, shall be placed before the Board for its approval.

#### **5. EXEMPTED TRANSACTIONS**

Notwithstanding the foregoing, the Related Party Transactions between the Company and its wholly owned subsidiary or among two wholly owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval, shall not require approval of Audit Committee or Shareholders.

#### **6. STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE AUDIT COMMITTEE**

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. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any

f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied

/amended. Any proposed variations /amendments to these factors shall require a prior approval of the Audit Committee.

Further, where the need of the Related Party Transaction cannot be foreseen and / or all prescribed details are not available, Audit Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Audit Committee shall on quarterly basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of 1 year. However, the Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.

The Board would approve such Related Party Transactions as are required to be approved under the Act and/or SEBI LODR and/or transactions referred to it by the Audit Committee.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such transaction. Further, all Material Related Party Transactions and subsequent material modifications shall require approval of shareholders of the Company through resolution, unless it is exempted pursuant to the provisions of SEBI LODR and the Related Parties shall not vote to approve on such transactions.

All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Act which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Act shall also require the approval of shareholders of the Company through resolution and the Related Parties shall not vote to approve on such transactions.

In case the shareholders decide not to approve a Related Party Transaction, 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 to shareholders for approval.

## **7. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board or the Shareholders shall consider all relevant facts and circumstances regarding such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Audit Committee deems appropriate under the circumstances.

## **8. MATERIAL RELATED PARTY TRANSACTION AND SUBSEQUENT MATERIAL MODIFICATION**

All Material Related Party Transactions and subsequent Material Modification shall be placed before the shareholders for seeking their prior approval through a resolution. The following materiality threshold shall apply for the Material Related Party Transactions and subsequent Material Modification for the purposes of Companies Act, 2013 and Listing Regulations:

- a. Transactions with a Related Party covered under Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, shall be governed by the respective limits provided under the said rules.
- b. Transactions with a Related Party as defined under the Listing Regulations, materiality threshold shall be as per limits specified under the Listing Regulations as amended from time to time.
- c. For payment to a Related Party with respect to brand usage or royalty, materiality threshold shall be as per limits specified under the Listing Regulations as amended from time to time.

## **9. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

- Disclosures with respect to Related Party Transactions shall be made as per applicable provisions of Act and/or Listing Regulations. The Company shall disclose the Policy on its website and a web-link thereto shall be provided in the Annual Report..
- The Company shall disclose the policy on dealing with Related Party Transaction on its website and a web link thereto shall be provided in the Annual Report.
- A register of Related Party Transactions shall be maintained as per the Act and placed before the next Board Meeting and signed by all the directors present at the Meeting.



## **10. AMENDMENT**

Any subsequent amendment/ modification in SEBI LODR and/or applicable laws in this regard shall automatically apply to this Policy.

## **11. INTERPRETATION**

In the event of any conflict between the provisions of this Policy and the Act or SEBI LODR or any other statutory enactments/ rules, the provisions of such Act or SEBI LODR or statutory enactments shall prevail over this Policy.

## **12. REVIEW OF THE POLICY**

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly. However, in case of any regulatory amendments the Policy shall stand amended automatically in line with and to the extent of such amendment.

**The revised policy shall be effective from 24<sup>th</sup> May 2022.**