

POLICY ON RELATED PARTY TRANSACTIONS

(Under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR), 2015)

1. PREAMBLE:

The Board of Directors (the “Board”) of Sumeet Industries Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions (RPTs) as defined below in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made there under including any subsequent amendments thereto (the “Act”) and SEBI (LODR), 2015 in order to ensure the transparency and procedural fairness of such transactions. The Audit Committee will review and may amend this policy from time to time.

This Policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. PURPOSE:

This policy is framed as per the requirements of Regulation 23 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [including any modification(s) / amendment(s) / re-enactment(s) thereof] (“SEBI LODR”) and in terms of Section 188 of the Companies Act, 2013 and is intended to ensure proper approval, disclosure and reporting requirements of transactions between the Company and its Related Parties.

3. DEFINITIONS:

- i. “Act” shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- ii. “Arms-Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- iii. “Audit Committee” means “ Audit Committee “ of Board of Directors of the Company constituted under the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of SEBI(LODR),2015 from time to time.
- iv. “Board of Directors” or “Board” means the Board of Directors of the Company, as constituted from time to time.
- v. “Company” means Sumeet Industries Limited.
- vi. “Associate Company” means any other 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 at least twenty per cent of total share capital, or business decisions under an agreement.

vii. **“Key Managerial Personnel”** means mean **“Key Managerial Personnel”** as defined in Section 2 (51) of the Companies Act, 2013 read with related rules issued thereon. Key Managerial Personnel 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; and
- (v) such other officer as may be prescribed under the Companies Act, 2013 and Rules there under.

viii. **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

ix. **“Ordinary course of Business”** means a transaction which is:-

- (i) Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- (ii) Historical practice with a pattern of frequency; or
- (iii) Common commercial practice; or
- (iv) Meets any other parameters/criteria as decided by Board/Audit Committee.

x. **“Material Related Party Transactions”** would mean the following:

In accordance with Regulation 23 of the Listing Regulations, w.e.f. 01/04/2022 a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be consider material if the transaction(s) to be entered into individually or take together with previous transactions during a financial year, exceed five percent (or such other limit as may be specified in the applicable Regulation as amended from time to time) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

xi. **“Material Modification”** of related party transaction will mean and include any

modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be (w.e.f. April 1, 2022).

- xii. **“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.
- xiii. **“Policy”** means Related Party Transaction Policy.
- xiv. **“Related Party”** “Related Party” means, a person or an entity:
- (i) which is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time; or
 - (ii) which is a related party under the applicable accounting standards.
 - (iii) which is a related party under Regulation 2(1) (zb) of the Listing Regulations.

Provided that any person or entity forming a part of the promoter or promoter group of the Company or any person or entity, holding equity shares of 20% or more in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year shall be deemed to be a related party (effective from 1st April 2022). The threshold is set to be lowered to 10% w.e.f. 1 April 2023.

- xv. **“Related Party Transaction”** or RPTs means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, specifically including transactions under Section 177 and Section 188 of the Act including rules thereof, as defined in applicable accounting standards and as defined in Regulation 2(1) (zc) of the Listing Regulations.

Further, w.e.f. April 1, 2022 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between a listed entity 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;

Further, w.e.f. April 1, 2023 “related party transaction” would mean a transaction involving a transfer of resources, services or obligations between 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.

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:

4. POLICY AND PROCEDURE

➤ Policy

All Related Party Transactions where the Company is a party to such transactions, must be reported to the Audit Committee and referred for approval by the Committee in accordance with this policy.

➤ Procedures

A. 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.

The company has to receive such notice of any potential Related Party transactions well in advance to place it before the Audit committee, so that the Audit Committee has adequate time to obtain and review information about the proposed transactions.

Where, owing to business exigencies, Related Party transactions that are in the ordinary course of business and/or on arm’s length basis, have been entered into without prior approval by the Audit Committee, the details of such transactions shall be put up for ratification/approval of the Audit Committee at the first Audit Committee Meeting scheduled after entering into such transactions. The Audit Committee may ratify such transactions or cancel the said transactions at their discretion.

B. Review and approval of Related Party Transactions:

1. Audit Committee approval:

As per Regulation 23 of the Listing Regulations and Section 177 of the Companies Act, 2013, all the Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder or Listing Regulations from time to time, subject to the following:

2. Omnibus Audit Committee approval:

- i) The Audit Committee may grant omnibus approval for Related Party Transactions provided it is satisfied that there is a need to grant such approval and the same is**

in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:

- i. Transactions are repetitive/frequent in nature;
- ii. Transactions are conducted at Arm's Length basis;
- iii. Transactions are in the ordinary course of business;

ii) Such omnibus approval shall specify the following:

- Name/s of the related party,
- Nature of transaction
- Period of transaction
- Maximum amount of transaction that can be entered into
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- 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.

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.

iii) Provided that where the need for related party transaction cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs. 1.00 Crore per transaction.

iv) The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the same.

3. Board of Directors and Shareholders' approval:

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:

4. Board of Directors and Shareholders' approval in terms of Companies Act, 2013:

All Related Party Transactions which are either not on arm's length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommend by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

Transactions covered	Transaction value
Sale, Purchase or supply of any goods or materials directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	Amounting to 10 % or more of Net Worth
Leasing of property of any kind*	Amounting to 10 % or more of Turnover
Availing or rendering of any services directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration > Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of Net Worth

* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

The concerned related party (ies) which are related to that transaction shall not vote to approve such relevant resolution.

5. Board of Directors and Shareholders' approval in terms of Listing Regulations:

The Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23(1) the Listing Regulations (w.e.f. 01/04/2022 Provided that a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.). Accordingly, in terms of Regulation 23 of the Listing Regulations, all Material

Related Party Transaction and subsequent material modifications as defined by the audit committee shall be recommended by the Board of Directors to the Shareholders for their approval by way of Ordinary Resolution.

No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

6. Exemption from obtaining approval in terms of the Listing Regulations:

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

- i. Transactions entered into between Sumeet Industries Limited and its wholly owned subsidiary, if any, whose accounts are consolidated with Sumeet Industries Limited.
- ii. Transactions entered into interse wholly-owned subsidiaries of Sumeet Industries Limited, if any, whose accounts are consolidated with Sumeet Industries Limited.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

The Company shall avail exemptions granted under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein.

5. TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL

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 [including following

- (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.]

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Audit Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

7. DISCLOSURES

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- Material RPTs shall be provided in the notice to shareholders.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The Company shall submit enhanced disclosure of information related to RPTs to be provided to the stock exchanges every six months in the format specified by the SEBI with the following timelines:
 - i. within 15 days from the date of publication of financials;
 - ii. simultaneously with the financials w.e.f. April 1, 2023 and also publish the same on its website.

The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report. This Policy will be communicated to all operational employees and other concerned persons of the Company.

7. POLICY REVIEW

This policy is framed based on the provisions of the Companies Act, 2013, and rules thereunder and the requirements of the SEBI LODR.

In case of any subsequent changes in the provisions of the Companies Act, 2013 and SEBI LODR or any other regulations (“the Regulations”) which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in the Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors. Provided that this policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

8. AMENDMENTS AND UPDATES

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deems appropriate. In addition to guidelines for ongoing Related Party transactions, The Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related party transactions. The Board shall have the power to amend any of the provisions of this Policy , substitute any of the provisions with a new provision or replace this policy entirely with a new policy.

ANNEXURE 1

Transactions that, require prior approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/ arrangements as follows :

As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188, with criteria as mentioned below -

- Sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company , as mentioned in clause (a) and clause (e) respectively of subsection (1) of section 188;
- Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company , as mentioned in clause (b) and clause (e) respectively of subsection (1) of section 188;
- Leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
- Availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188:

* These limits shall however, apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
