

RELATED PARTY TRANSACTION

POLICY

OF

SOMANY CERAMICS LIMITED

(Revised w.e.f. 01.04.2019)

SOMANY CERAMICS LIMITED
RELATED PARTY TRANSACTION POLICY

1. Preamble

The enactment of the Companies Act, 2013 (the “Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Listing Regulations], as amended from time to time and requirements under the Income Tax Act relating to Transfer Pricing both for International and Domestic transactions, has resulted into a significant importance on the compliances to be made on the Related Party Transactions. Replacement of Listing Agreement with the Listing Regulations and pursuant to the applicable Regulation 23 of the Listing Regulations on Related Party Transaction, the Company required to have in place a revised policy on materiality of Related Party Transactions (“**the Policy**”) and also on dealing with Related Party Transactions, which was earlier approved and adopted by the Board of Directors (the “Board”) of Somany Ceramics Limited (the “Company” or “SCL”) in their meeting held on 16th October, 2014. Hence, the Board of the Company in their meeting held on 24th January, 2017 have approved and adopted the a revised Policy on Related Party Transactions and procedures with regard to Related Party Transactions. The Audit Committee shall review and recommend the amendments in this Policy from time to time in accordance with the applicable laws, rules and regulations thereof, as and when required, subject to the approval of the Board.

In view of SEBI (Listing Obligations and Disclosure Requirement) (Amendment) Regulations, 2018, the Board of Directors at their meeting held on 11th February, 2019 upon recommendation of Audit Committee decided to amend the Policy and adopt a Revised Policy on Related Party Transactions which will be effective from 1st April, 2019.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

2. Purpose

This Policy was earlier framed as per the requirements under Clause 49 of the Listing Agreement. The said clause 49 of erstwhile listing agreement has been replaced with Regulation 23 of Listing Regulations which became applicable w.e.f. December 01, 2015 pursuant to signing of Uniform Listing Agreement with the Stock Exchanges on 9th December, 2015 and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in its Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

3. Implementation

This Policy shall be effective in respect to the transactions that took place on or after 1st April, 2019.

4. Definitions

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of the Companies Act, 2013 and Listing Regulations.

“Board” means Board of Directors of the Company.

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

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Whole-time Director or Chief Executive Officer or Manager of the Company;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Policy” means Related Party Transaction Policy framed by the Company.

“Related Party” means related party as defined under Regulation 2 (zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which is as follows:

An entity shall be considered as related to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable accounting standards or
- (iii) Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company.”

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

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

A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Committee in accordance with this Policy.

5.1 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 Transaction involving him or her or his or her Relative/s, 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.

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

5.2 Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company 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 and such approval shall be applicable in respect of transactions which are repetitive in nature.
- 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.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Further, all Material Related Party Transactions shall require approval of the shareholders through a resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not in accordance with the applicable laws and regulations as amended from time to time.

Further, the above provisions shall not be applicable for the transactions entered into between SCL and its Wholly Owned Subsidiary Companies whose accounts are consolidated with SCL and placed before the Shareholders at the General meeting for approval.

5.3 Review and Approval of Related Party Transactions

Related Party Transactions shall be referred to the next meeting of Audit Committee for their review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction/s shall recuse himself or herself and abstain from any discussions and voting on the approval of such Related Party Transaction/s.

To review a Related Party Transaction, the Committee shall be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In determining whether to approve a Related Party Transaction, the Committee shall consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- 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;
- 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 affect the independence of an Independent Director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- 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

- 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/Committee deems relevant.

If the 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 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.

Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Notwithstanding the foregoing, the following Related Party Transactions shall not require prior approval of Audit Committee or Shareholders:

- i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- ii. 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.
- iii. 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.

6. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the 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 Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy shall be communicated to all operational employees and other concerned persons of the Company.

7. Disclosures

(a) The Company shall disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company as prescribed in Section 188(1) of the Act.

(b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Regulations.

(c) The Company shall disclose this Policy on its website i.e. www.somanyceramics.com and a web link thereto shall be provided in the Annual Report of the Company.

(d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

(e) The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

8. Review of the Policy

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

9. Amendment in Law

Any subsequent amendment/modification in the Listing Regulations and/or applicable laws in this regard shall automatically apply to this Policy.