

S R INDUSTRIES LIMITED

Policy on Materiality of Related Party Transactions (RPTs) (As per Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also provisions of the Companies Act, 2013)

Preamble

The Board of Directors of S R Industries Limited (the 'Company') has adopted this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions (the 'Policy') in accordance with the provisions of the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable laws and regulations.

The purpose of this Policy is to establish a framework for identifying, reviewing, and approving Related Party Transactions ('RPTs'), ensuring that such transactions are conducted in a fair, transparent, and accountable manner, and are in the best interests of the Company and its stakeholders.

This Policy aims to provide guidance on the materiality of RPTs, the approval process, and the disclosure requirements, thereby maintaining the highest standards of corporate governance and transparency.

Applicability

This Policy shall be applicable to all transactions between the Company and its Related Parties.

Objective

1. **Ensure Transparency and Accountability:** To ensure that all Related Party Transactions (RPTs) are conducted in a transparent and accountable manner, and are in compliance with applicable laws and regulations.
2. **Identify and Review Material RPTs:** To establish a framework for identifying, reviewing, and approving Material RPTs, ensuring that such transactions are fair, reasonable, and in the best interests of the Company and its stakeholders.
3. **Prevent Conflict of Interest:** To prevent conflicts of interest between the Company and its Related Parties, and to ensure that RPTs do not adversely affect the interests of the Company or its stakeholders.
4. **Comply with Regulatory Requirements:** To ensure compliance with the provisions of the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable laws and regulations governing RPTs.
5. **Maintain Highest Standards of Corporate Governance:** To maintain the highest standards of corporate governance, transparency, and accountability in dealing with RPTs, and to ensure that the interests of the Company and its stakeholders are protected.

Definitions

Arm's 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, as defined in Explanation (b) to Section 188 (1) of the Companies Act, 2013.

Audit Committee: means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Listing agreement and Companies Act, 2013, from time to time.

Board: means Board of Directors of S R Industries Limited.

Company: means " S R Industries Limited "

Key Managerial Personnel (KMP): As per the provisions of Section 2 (51) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, “key managerial personnel”, in relation to a company, means-

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the Whole-time director;
- (iii) the Company Secretary;
- (iv) the Chief Financial Officer; and
- (v) such other officer as may be prescribed

Material Related Party Transactions: A Related Party Transaction(s) shall be considered Material, if, (i) such transaction(s) to be entered with related party either taken individually or taken together with previous transactions during a financial year, exceeds rupees Rs. 1,000 Crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

However, 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, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, or (ii) such transaction as defined under Section 188(1) of the Companies Act, which are not in the ordinary course of business and/or not at arm’s length price and, exceeds certain thresholds limits as prescribed under the Companies Act, 2013.

Material Modification: means any upward revision in the existing Related Party Transaction, which either entered individually or taken together with previous transaction during a Financial Year exceeds ten percent of the Annual Consolidated Turnover of the Company, as per its last audited financial statements.

Office or Place of Profit means:

- (i) any office or place held by a director, where the director receives from the Company any remuneration over and above the remuneration to which the director is entitled as a director, including:
 - a. salary;
 - b. fee;
 - c. commission;
 - d. perquisites;

e. rent-free accommodation;

f. any other benefit;

(ii) any office or place held by an individual other than a director, or by any firm, private company, or other body corporate, where the individual, firm, private company, or body corporate receives from the Company any remuneration, including:

a. salary;

b. fee;

c. commission;

d. perquisites;

e. rent-free accommodation;

f. any other benefit;

Ordinary Course of Business: refers to the usual transactions, customs, and practices undertaken by the Company to conduct its business operations and activities. This includes all activities that the Company is authorized to undertake as per its Memorandum and Articles of Association. To ensure clarity and consistency, the Board and Audit Committee may establish principles for determining what constitutes ordinary course of business, taking into account statutory requirements, industry practices, and relevant guidelines.

Related Party: Related party mean as define under (i) such entity is a related party as defined under Section 2(76) of the Companies Act, 2013; or (ii) such entity is a related party under the applicable accounting standard(s) or (iii) Regulation 2(zb) of SEBI Listing Regulation, 2015.

Related Party Transaction: As defined in section 188 of the Companies Act, 2013 and Regulation 2(zc) of SEBI Listing Regulation.

Relative: As per Section 2(77) of the Companies Act, 2013, 'relative', with reference to any person, means anyone who is related to another in the following manner—

- a. as members of a Hindu Undivided Family;
- b. as husband and wife;
- c. Father including the step-father.
- d. Mother including the step-mother.
- e. Son including the step-son.
- f. Son's wife. g. Daughter.
- g. Daughter's husband.
- h. Brother including the step-brother.
- i. Sister including the step-sister.

Subsidiary Company: As per Section 2(87) of the Companies Act, 2013, a 'subsidiary company' or 'subsidiary', in relation to any other company (that is to say the holding company), means a company in which the holding company-

- (i) controls the composition of the Board of Directors; or

(ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation

— For the purposes of this clause—

- a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- the expression "company" includes any body corporate;
- "layer" in relation to a holding company means its subsidiary or subsidiaries;

Criteria for Identifying Related Party Transactions

In terms of the Companies Act, 2013 read with applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transactions, which shall be considered as Related Party Transactions, if entered into between:

1. The Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
2. The Company 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 Company or any of its subsidiaries, with effect from April 1, 2023.

Nature of transaction required for approval

The Company may enter into transactions with Related Parties through contracts or arrangements, as prescribed under Section 188 of the Companies Act, 2013, and the Listing Regulations. These transactions may include, but are not limited to:

1. Sale, Purchase, or Supply: Goods, materials, or services.
2. Property Transactions: Buying, selling, leasing, or disposing of property.
3. Service Arrangements: Availing or rendering services.
4. Agency Appointments: Appointing agents for purchase or sale of goods, materials, services, or property.
5. Office or Place of Profit: Appointing Related Parties to offices or places of profit in the Company, its subsidiaries, or associate companies.
6. Underwriting and Securities: Underwriting subscriptions of Company securities or derivatives.
7. Financial Arrangements: Loans, equity contributions, or other financial arrangements in cash or kind.
8. Settlement of Liabilities: Settling liabilities on behalf of Related Parties or vice versa.
9. Management Contracts: Executing management contracts, including deputation of employees.
10. Other Transactions: Any transaction involving transfer of resources, services, or obligations with a Related Party, regardless of whether a price is charged.

Exemption for approval

Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation 23 of SEBI Listing Regulation.

Ratification of Related Party Transactions by Audit Committee

The members of the Audit Committee, who are independent directors, may ratify Related Party Transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

1. **Transaction Value Limit:** The value of the ratified transaction(s) with a Related Party, whether entered into individually or taken together, during a financial year shall not exceed ₹1 crore.
2. **Materiality:** The transaction is not material in terms of the provisions of sub-regulation (1) of this regulation.
3. **Rationale for Delayed Approval:** The rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification.
4. **Disclosure:** The details of ratification shall be disclosed along with the disclosures of Related Party Transactions in terms of the provisions of sub-regulation (9) of SEBI Listing Regulation.
5. **Additional Conditions:** Any other condition as specified by the Audit Committee.

Consequences of Non-Ratification

Failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee. If the transaction is with a Related Party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Approval required for Related Party Transactions

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking prior approvals of the following: -

i. Audit Committee: All Related Party Transactions, whether entered on arm's length basis or not, shall require prior approval of the Audit committee either by circulation or at a meeting. The Audit Committee may also 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, after obtaining approval of the Board of Directors, lay down the criteria while granting omnibus approval 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 for transactions of repetitive nature and that such approval is in the interest of the Company;
- c. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, viz:-
 - i. Repetitiveness of the transactions (in past or in future),
 - ii. Justification for the need of omnibus approval.
- d. Such omnibus approval shall specify:
 - (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that can be entered into, in aggregate in a year, maximum value per transaction which is allowed,
 - (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.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- e. 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.
- f. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

ii. Board of Directors: All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, shall require **prior** approval of the Board of Directors of the Company but subject to the recommendation of Audit Committee, by means of passing of resolution at a meeting of the Board.

Determination of Ordinary Course of Business

"In the Ordinary Course of Business" refers to all acts and transactions undertaken by the Company that:

1. Normal Routine: Are part of the normal routine in managing the Company's trade or business.
2. Authorized by Memorandum: Are permitted by the Company's Memorandum of Association.
3. Alignment with Business Objectives: Fall under the purview of the Company's business objectives, operational activities, and/or financial activities.
4. Other Criteria: Meet any other criteria as may be decided by the Board or Audit Committee.

Determination of Arm's Length Nature of Related Party Transactions

A Related Party Transaction should be priced at a level that is comparable to what unrelated parties would pay for a similar transaction under similar conditions.

Where any Director is interested in any Related Party Transaction, such Director will abstain from discussion and voting on the resolution relating to such transaction.

iii. Shareholders of the Company: Prior approval of the shareholders of the Company shall be required in case of:

a) All material Related Party Transactions and its subsequent modification as defined by Audit Committee of the Company as per the Listing Agreement, through a Resolution;

b) All other Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution:

S.No.	Nature of transaction as per Section 188 of the Companies Act, 2013	Threshold limit for seeking approval of shareholders
1	Sale, purchase or supply of any goods or materials	Exceeding ten percent of the turnover of the Company or Rs. 100 crore, whichever is lower
2	Selling or otherwise disposing of, or buying, property of any kind	Exceeding ten percent of net worth of the Company or Rs. 100 crore, whichever is lower
3	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 Rs. 100 crore, whichever is lower
4	Availing or rendering of any services	Exceeding ten per cent of the turnover of the company or Rs. 50 crore, whichever is lower
5	Appointment of any agent for purchase or sale of goods, materials, services or property.	As per limits prescribed above in point 1,2 & 4 above.
6	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company;	At a monthly remuneration exceeding ` 2.50 lakh per month.
7	Underwriting the subscription of any securities or derivatives thereof, of the company.	Exceeding 1% of the Net Worth of the Company.

Further, if the shareholders of the Company have passed a resolution approving the overall limit for any or all of the above-mentioned transactions taken together, the overall limit will be applicable for all the transactions taken together.

Explanation:-

- The limits specified in sub-clauses 1) to 4) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.
- All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Exemption:-

As per provisions of section 188 of the Companies Act, 2013 and regulation 23 of SEBI Listing Regulation, **the requirement of obtaining prior approval of shareholders shall not be applicable to:-**

- i. Company and its wholly owned subsidiary whose accounts are consolidated with such the Company and placed before the shareholders at the general meeting for approval.
- ii. Two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Amendments to this Policy

The Board of Directors reserves the right to review, revise, and amend this Policy as needed. The Board may:

1. Amend Existing Provisions: Modify or update any provision of this Policy.
2. Add New Provisions: Insert new provisions to this Policy.
3. Replace Existing Provisions: Substitute existing provisions with new ones.
4. Replace this Policy: Adopt a new policy that supersedes this one.

Any amendments to this Policy will be effective from the date of approval by the Board of Directors.
