

## **SIMMONDS MARSHALL LIMITED**

### **POLICY ON RELATED PARTY TRANSACTIONS**

#### **1. PREAMBLE**

The Company is committed to practicing the maximum transparency in the conduct of Related Party Transactions in sync with its corporate governance philosophy based on the objective of continuing ethical conduct in fulfilling its responsibilities and recognizes that Related Party Transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc. with the interest of the Company.

The Board of Directors (the "Board") of Simmonds Marshall Limited(**Company**) has adopted the following policy on Related Party Transactions to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

#### **2. OBJECTIVE**

This policy is framed as per the requirement as per Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchange and in accordance with the provisions of Section 188 of the Companies Act, 2013 read with The Companies (Meetings of Board and its Powers) Rules, 2014. Related Party Transaction (**RPT**) transactions are appropriate only if they are in the best interest of the Company and its stakeholders in addition to being in conformity with the applicable laws. The Company is required to disclose each year in the Financial Statements RPT as well as the policy concerning RPT.

There being two sets of regulations governing RPT and Company being a listed entity, more stringent of the two shall be adhered to in the conduct of RPT by the Company.

Policy has been designed to ensure the transparency of approval process and disclosures requirements for fairness in the conduct of RPT in accordance with the applicable laws. This policy shall supplement the Company's practices applicable to or involving the transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ('Audit Committee'), shall review, approve and where permitted ratify Related Party Transactions based on this Policy in terms of the requirements under the above regulatory provisions as applicable.

### 3. **APPLICABILITY**

This Policy shall come into force with effect from 1st April, 2014 and shall be applicable to transactions made with:-

- (a) Board of Directors & their Relatives
- (b) Key Managerial Personnel (KMP) of the Company and their Relatives, and
- (c) Other Related Parties, as defined hereinafter.

### 4. **DEFINITIONS**

- **"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing agreement.
- **"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. (Section 188 of the Companies Act, 2013).
- **"Board of Directors" or "Board"** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013).
- **"Control"** includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:
- Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position; [As per SEBI (SAST) Regulation]
- **"Key Managerial Personnel"** means, [Section 2(51) of the Companies Act, 2013]  
Managing Director;  
Chief Executive Officer or manager;  
Whole- time director;  
Chief Financial Officer; and  
Company Secretary
- **"Material Related Party Transaction"** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed(s) ten percent of the annual turnover of the company as per the last audited financial statements of the company, ([Clause 49 of the Listing Agreement](#))

- **"Policy"** means Related Party Transaction Policy.
- **"Related Party"** means related party as defined in [Clause 49 of the Listing Agreement](#) and Section 2(76) of the Companies Act, 2013 read with The Companies (Meetings of Board and its Powers) Rules, 2014 which is as follows:

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person's family is related to a company if that person:

a. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager is a member or director;
- v. a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. any body corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- vii. any person under whose advice, directions or instructions a director or manager is accustomed to act;
- viii. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- ix. any company which is -
  - (A) a holding, subsidiary or an associate company of such company; or
  - (B) a subsidiary of a holding company to which it is also a subsidiary;
- x. Director or key managerial personnel of the holding company or his relative with reference to a company; or
- xi. Such other person(s) as may be prescribed.

b. has control or joint control or significant influence over the company; or  
 c. is a key management personnel of the company or of a parent of the company;  
 or

2. An entity is related to a company if any of the following conditions applies:

- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or

- c) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- d) Both entities are joint ventures of the same third party; or
- e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
- g) The entity is controlled or jointly controlled by a person identified in (1).
- h) A person identified in (1) (b) has significant influence over the entity (or of a parent of the entity).

- **"Related Party Transaction"** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. ([Clause 49 of the Listing Agreement](#))

For example, transaction with Company's associate companies/joint venture company, if any whether in India or overseas will come under this category. This applies to every company including private companies.

Pursuant to Section 188 of the Companies Act, 2013, Related Party Transactions mean, any contract or arrangement with a related party, with respect to—

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

"Relative" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if -

They are members of a Hindu undivided family;  
 They are husband and wife;  
 Father (including step-father) Mother (including step-mother)  
 Son (including step-son)  
 Son's wife  
 Daughter  
 Daughter's husband  
 Brother (including step-brother) Sister (including step-sister)

- **"Approval by disinterested shareholders"** means, voting by shareholders in favour of the Special Resolution (with three fourth approving this), other than Directors and Promoters/Promoter Group.

## **5. POLICY**

### **5.1 Broad Principles**

Any transaction with the subsidiary companies / related parties will be governed by the following broad principles:

- Globally distributed Delivery Model.
- The sub-contracting will happen where skills and Intellectual Property are available.
- Geography to which delivery to be made will also be taken into account while sub-contracting.
- The transactions can be either from Parent Company to Subsidiary Company (ies) and vice versa and also among the Group Companies.
- Price at arm's length - transfer pricing rules and regulations will apply.
- All Related Party Transactions must be referred to Audit Committee for prior approval by the Committee in accordance with this Policy-
- Irrespective of the value;
- Even if the transaction is exempted;
- Including any modification of such contracts.

### **5.2 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, including any additional information about the transaction that the Board/Audit Committee may reasonably require. Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with the Policy.

The Company strongly advocates receipt of 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.

## What is not a Related Party Transaction? (Transactions that are exempted)

The transaction entered into by the company is:

In ordinary course of business (this is not a defined term in the Act and will have to be interpreted on a case to case basis) i.e. a business as stated in main object(s) clause of the Memorandum of Association of the company and should be a business which is usual or customarily carried on by the company at regular intervals; but on the contrary [Clause 49 of the Listing Agreement](#) does not specify any exemption for Related Party Transactions entered in ordinary course of business. **And**

On arm's length basis i.e. a transaction between two related parties that is conducted as if they were unrelated or in other words at competitive market rates prevailing, so that there is no conflict of interest. The price and other terms in the contract with the Related Party are to be similar as would be applicable to any third party.

However, in both the above circumstances a proof / evaluation is required to affirm that the transaction is not RPT. This would need to be consistent with domestic transfer pricing requirements as well under the Income Tax Act, 1961.

### 5.3 Prohibitions related to Related Party Transactions

i. all Related Party Transactions shall require prior approval of Audit Committee.  
ii Notwithstanding the foregoing, the following Related Party Transactions (only if they are not Material Related Party Transactions) shall not require approval of the Shareholders;

1 Sale / Purchase / supply of any goods or materials Not exceeding **10%** of annual turnover or **Rs. 100 Crores**, whichever is lower

2 Selling /Disposing / Buying of Property Not exceeding 10% of net worth or **Rs. 100Crores**, whichever is lower

3 Leasing of property Not exceeding 10% of net worth or 10% of **turnover or Rs. 100**

**Crores**, whichever is lower

4 Availing / rendering of any services Not exceeding 10% of **turnover or Rs. 50 Crores**, whichever is lower

5 Appointment to hold place of profit in Co, its Sub / Associate Co Not exceeding Monthly remuneration of Rs. 2.5 Lakhs

6 Remuneration for underwriting of securities or derivatives not exceeding 1% of net worth of the Company

### 5.4 Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant and complete material information of the Related Party Transaction, including the nature, terms and duration of the transaction, the business purpose, justification 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 will 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 arm's 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 a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, 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.
- Whether the Company has obtained the opinion of an Independent Chartered Accountant that the proposed transaction is in compliance with the relevant provisions of the Companies Act, Income Tax Act and the Listing Agreement with Stock Exchanges.

### **Approval of the Board**

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 the Board to approve the Related Party Transaction, then the considerations set out above shall apply to the Board's review

and approval of the matter, with such modification(s) as may be necessary or appropriate under the circumstances.

Such approval of the Board should be obtained only at a duly convened meeting and cannot be obtained by way of a circular resolution or by delegating to any Committee of the Board [**Section188(1)**]

### **Approval of Shareholders**

All "material" transactions, even if exempted have to be approved by the "disinterested" shareholders by way of Special Resolution within three months from the date of entering into such contracts.

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i. Any transaction at 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.
- ii. 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 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 such action it deems appropriate. In any case, where the Committee decides 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 the authority to modify or waive any procedural requirements of this Policy.

### **7. REPORTING REQUIREMENTS**

The Company shall report in the Annual Report, the transactions that require the approval of the Board and shareholders with justification for entering into such contract or arrangement.

### **8. PENALTIES**



Notwithstanding the quantum of penalties having been raised in the Companies Act, 2013, violation of the provisions governing RPT also stipulate imprisonment up to one year. Section 188(3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Any director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall,—

(i) in case of listed company, be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and

(ii) in case of any other company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

## **9. REVIEW**

The policy shall be reviewed by the Audit Committee and the Board, from time to time as may be necessary. This Policy will be communicated to all related parties, operational employees and other concerned persons of the Company and also uploaded on the web site