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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 (the 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 of SEBI (LODR) Regulations, 2015 (as amended from time to time) 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 SEBI (LODR) Regulations, 2015.

"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" in relation to a company, means— [Section 2(51) of the Companies Act, 2013]

- (i) The Chief Executive office or the Managing Director or the Manager;
- (ii) The Company Secretary;
- (iii) The Whole Time Director;
- (iv) The Chief Financial Officer;

- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) Such other officer as may be prescribed.

"Material Related Party Transactions" 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 consolidated turnover of the company as per the last audited financial statements of the Company. [SEBI (LODR) Regulations, 2015]

Notwithstanding the above, 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 listed entity as per the last audited financial statements of the listed entity.

"Policy" means Related Party Transaction Policy.

"Related party" means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

[Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.]

Sub-section (76) of section 2 of the Companies Act, 2013 defines Related Party with reference to a company, means –

- (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 or his relative is a member or director;
- (v) a public company in which a director and 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 on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is –

- (A) a holding, subsidiary or an associate company of such company;
- (B) a subsidiary of a holding company to which it is also a subsidiary; or
- (C) an investing company or the venturer of the company;

Explanation. – For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) such other person as may be prescribed;

"Related Party Transaction" means a transfer of resources, services or obligations between a listed entity and a related party, 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:

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

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 Terms of the Policy

All Related Party Transactions will be subject to following approval matrix, as may be applicable:

| Provisions | Ceiling on the Amount | Approval Required | | |
|---|--|-------------------|--------------------|---|
| | | Audit Committee | Board of Directors | Shareholders (Ordinary Resolution) |
| Transactions in the ordinary course of business and on arms's length basis. | Upto 10% of the annual consolidated turnover of the Company. | √ | - | - |
| | In excess of above Limits. | √ | √ | √ (All related parties to abstain from voting.) |
| Sale, purchase or supply of any goods or materials, directly or through appointment of agent. | | √ | √ | √* Exceeding 10% of the turnover or Rs. 100 crore, whichever is lower |
| Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent. | | √ | √ | √* Exceeding 10% of the net worth or Rs. 100 crore, whichever is lower |

| | | | | |
|--|--|---|--|---|
| Leasing of property of any kind. | | √ | √ | √* Exceeding 10% of the turnover or 10% of the net worth, or Rs. 100 crore whichever is lower |
| Availing or rendering of any services, directly or through appointment of agent. | | √ | √ | √* Exceeding 10% of the turnover or Rs. 100 crore, whichever is lower |
| Appointment of any related party to any office or place of profit in the Company, its subsidiary company or associate company. | | √ | √ | √* Monthly remuneration exceeding two and half lakh rupees |
| Underwriting the subscription of any securities or derivatives thereof, of the Company. | | √ | √ | √* Remuneration exceeding 1% of net worth |
| * Note: In case of shareholders' approval for such transactions, related parties that are parties to the contract shall abstain from voting. | | | | |
| Any other transaction with related parties, other than those covered above, resulting in transfer of resources, obligations or services | | √ | For Transactions that are not on arm's length basis. | Exceeding 10% of the annual consolidated turnover of the Company Note: All related parties to abstain from voting. |

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.

5.3 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 SEBI (LODR) Regulations, 2015 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 are 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.

5.4. Procedure for approval and review of Related Party Transactions

(i) Subject to the threshold limits specified below, all Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy.

(ii) The threshold limits for approvals will be as follows:

- a. The transactions, for which omnibus approval of the Audit Committee has already been sought, will not require prior approval of the Audit Committee for each transaction entered into pursuant to the same.
- b. Transactions above the value of Rs.1 crore per transaction may be granted omnibus approval by Audit Committee subject to criteria specified under Clause (viii) below. Such transactions shall be reported to the Audit Committee on a quarterly basis.
- c. Where the need for related party transaction cannot be foreseen and the details thereof are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction. Such transactions shall also be reported to the Audit Committee on a quarterly basis.

- d. Transactions other than those referred to in Section 188 of the Companies Act, 2013 between the Company and its wholly owned subsidiary companies would not require the omnibus approval of the Audit Committee. Such transactions shall be reported to the Audit Committee on a quarterly basis.
- (iii) Related Party Transactions that are not in ordinary course of business but on arm's length basis may be approved by Audit Committee. Where such Related Party Transactions fall under Section 188 (1) of the Act, the Audit Committee shall recommend the transaction for approval of the Board.
- (iv) Related Party Transactions that are not on arm's length basis, irrespective of whether those are covered under Section 188 of the Act or not, may be placed by the Audit Committee, along with its recommendations, to the Board for appropriate action.
- (v) All relevant facts pertaining to a Related Party Transaction shall be placed with the Audit Committee, inclusively:
- a. the name of the related party and nature of relationship;
 - b. the nature, duration of the contract and particulars of the contract or arrangement;
 - c. the material terms of the contract or arrangement including the value, if any; and
 - d. any advance paid or received for the contract or arrangement, if any.
 - e. any other information relevant or important for the Committee to take a decision on the proposed transaction.
- (vi) Audit Committee shall be entitled to call for such information/ documents in order to understand the scope of the proposed related party transaction(s) and recommend an effective control system for the verification of the supporting documents.
- (vii) In determining whether approval can be accorded to a Related Party Transaction, the Audit Committee shall consider the following factors:
- a. whether the Related Party Transaction is in the ordinary course of business of the Company;
 - b. whether the terms of the Related Party Transaction is on arm's length basis;
 - c. whether there are any adequate reasons of business expediency for the Company to enter into the Related Party Transaction, after comparing alternatives available, if any;
 - d. whether the Related Party Transaction would affect the independence of any director / key managerial person;
 - e. whether the proposed Related Party Transaction includes any potential reputational / regulatory risks that may arise as a result of or in connection with the proposed transaction; and
 - f. 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 Related Party, the direct or indirect nature of interest of the Related Party in the transaction and such other factors as the Audit Committee deems relevant.

- (viii) If the Audit Committee determines that a Related Party Transaction should be brought before the Board of Directors, 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.

- (ix) If the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a resolution pursuant to Applicable Laws, the Board shall ensure that the same be put up for approval by the shareholders of the Company.

- (x) Where, owing to exigencies, Related Party Transactions have been entered into without being placed for prior approval by the Audit Committee, reasoned explanation for the same must be received from the contracting employees to the satisfaction of the Audit Committee. The Audit Committee may ratify such transactions, or may put forth the transactions before the Board along with its recommendations and the Board may either ratify such transactions or seek to avoid the same.

- (xi) If approval of the Board / shareholders, where applicable, for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board / shareholders, if required, within 3 months of entering in the Related Party Transaction.

In any case where either the Board / shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the shareholders, 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 for ratification. In connection with any review of a Related Party Transaction, the Board has authority to modify or waive any procedural requirements of this Policy.

- (xii) No member of the Audit Committee/ Board shall participate in the review or approval of any Related Party Transaction in which such member is interested, except that the director / Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee / Board.

- (xiii) Exceptions allowed under Applicable Laws for Related Party Transactions shall be exempted from the scope of this Policy unless the Audit Committee/ Board decide otherwise.
- (xiv) Nothing in this Policy shall override any provisions of Applicable Law made in respect of any matter stated in this Policy.
- (xv) The Audit Committee shall review all Related Party Transactions on a quarterly basis.
- (xvi) In addition to the Audit Committee, all the related party transactions shall also be reviewed by the Board of Directors of the Company on an annual basis.

5.5. Additional matters pertaining to Omnibus Approval

- (i) In accordance with the Applicable Laws, the Audit Committee shall grant omnibus approval in line with this Policy and based on the following information:
 - a. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
 - b. the indicative base price or current contracted price and the formula for variation in the price, if any;
 - c. The maximum transaction values and/or the maximum period for which the omnibus approval shall be valid; and
 - d. such other conditions as the Audit Committee may deem fit.
- (ii) Notwithstanding the generality of foregoing, Audit Committee shall not grant omnibus approval for following transactions:
 - a. Transactions which are not in ordinary course of business or not on arm's length basis and covered under Section 188(1) of the Companies Act, 2013;
 - b. Transactions in respect of selling or disposing of the undertaking of the Company;
 - c. Transactions which are not in the interest of the Company;
 - d. Such other transactions specified under Applicable Law from time to time.
- (iii) Notwithstanding the generality of foregoing, the following transactions shall not be deemed Related Party Transactions for the purpose of this Policy and as such no omnibus approval is required to be granted for same:
 - a. Any transaction that involves providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act, 2013, 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.

- b. Reimbursement made of expenses incurred by a Related Party for business purpose of the Company, or Reimbursement received for expenses incurred by the Company on behalf of a Related Party.
- c. Reimbursement of pre-in Company expenses incurred by or on behalf of a Related Party.
- d. Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder, and does not require prior approval by the Audit Committee.

6. 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 authorized 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.

7. DISCLOSURES

As mandated under the Listing Regulations, the Company shall disclose this Policy on its website i.e. www.whbrady.in and in the Annual Report. Disclosures regarding related party transactions will be made in accordance with the Applicable Laws.

8. REVIEW

This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Listing Regulations or as may be otherwise prescribed by the Audit Committee/ Board from time to time.