

**POLICY ON**  
**MATERIALITY OF RELATED PARTY**  
**TRANSACTIONS AND ALSO ON DEALING WITH**  
**RELATED PARTY TRANSACTIONS**

## 1. PREAMBLE

This Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transaction (“Policy”) is prepared and adopted to build a framework for the Related Party Transactions of Simbhaoli Sugars Limited ( “the Company”), in accordance with the Regulation 23 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 entered into between the Company and the Stock Exchanges read with the provisions of the Companies Act, 2013 and relevant rules made there under; as amended from time to time. This Policy shall regulate the transactions between the Company and its Related Parties as per the requirements and disclosures under the applicable laws, rules and regulations.

## 2. PURPOSE OF THE POLICY

Regulation 23 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (“Listing Regulations”) entered by the Company with the Stock Exchanges, and/or subsequent amendment thereof mandates that all listed companies shall formulate their policy on materiality of related party transactions and also on dealing with Related Party Transactions, to ensure the proper approval and reporting of transactions between the Company and its Related Parties. This Policy is also prepared for the identification and regulation of the related party transactions keeping in view the provisions of the Companies Act, 2013 and the Rules there under and Listing Agreement under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 3. APPLICABLE DEFINITIONS

- 3.1. “Act” means the Companies Act, 2013;
- 3.2. “Board or Board of Directors” means the Board of directors of Simbhaoli Sugars Limited;
- 3.3. “Committee” means the Audit committee as defined under the Companies Act, 2013 and the Listing Agreement under the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- 3.4. “Company” means Simbhaoli Sugars Limited (M/s Simbhaoli Spirits Limited known as M/s Simbhaoli Sugars Limited in pursuance to Scheme of Amalgamation, as sanctioned by the Hon'ble High Court of Judicature at Allahabad);
- 3.5. “Key Managerial Personnel or KMP” means key managerial personnel as defined under the provisions of the Companies Act, 2013;



- 3.6. **“Material Related Party Transactions”** 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 as per the last audited financial statements of the Company;
- 3.7. **“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.
- 3.8. **“Related Party”** means related party , 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.
- 3.9. **“Relative”** means relative as defined as per Section 2(77) and the Companies (Specification of definition details) Rules, 2014.

#### 4. THE POLICY

Following is the structure of dealing with transactions with Related Parties with the Company:

- Identification of potential Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

#### 5. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS:

##### A. Determination of Related party Transaction

In terms of the Companies Act, 2013, the transactions, which shall be considered as Related Party Transactions, if entered into between the Company and its Related Party through any contract or arrangement with respect to the provisions as prescribed in Section 188 of the Companies Act, 2013 and Listing Regulations:

- Sale, Purchase or Supply of any goods or materials;
- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;



- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company; and
- Underwriting the subscription of any securities of the Company or derivatives thereof.
- Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged.

#### **B. Nature of Transaction**

All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any director or Key Managerial Personnel of the Company or any Related Party. The criteria for determination of the same are mentioned below:

##### **(i) Determination of Ordinary Course of Business**

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company,

- a. in the normal routine in managing trade or business;
- b. is permitted by the Memorandum of Association of the Company;
- c. the transaction fall under the purview of the business objectives, operational activities and/or financial activities or;
- d. meets any such other criteria as may be decided by the Board/ Audit Committee.

##### **(ii) Determination of Arms' length nature of the Related Party Transaction**

###### **a. Price Determination**

At the time of determining the arms' length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arms' length pricing as per applicable Laws, internal procedures and/or guidelines of the Company,
- (ii) To rely on professional opinion in this regard.
- (iii) Quotations shall be invited from all the players in the market irrespective of the relationship and price of the contract and/or arrangement shall be decided without any deviation and on uniform basis or by any such other mechanism as may be decided by the Audit Committee and / or by Board.

b. Selection of arms' length Related Party Transaction

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and other terms and conditions as may be applicable in case of an unrelated party.
- (ii) Credit Limits extended to the related Party must be usual as for unrelated parties.

## 6. APPROVAL OF RELATED PARTY TRANSACTIONS.

### I. Approval of related party transactions

The related party transactions shall be undertaken based on the recommended actions of the Audit Committee and approved by the Board in its subsequent meeting. All Material Related Party Transactions and such other related party transactions which meets the criteria as prescribed under section 188 or other applicable provisions of the Act, shall require the approval of Shareholders in the general meeting, Further in case of shareholders resolution, the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

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 with the approval of Board, define a criteria's before granting any omnibus approval based on the factors given below:
  - maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - the maximum value per transaction which can be allowed;
  - extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - transactions which cannot be subject to the omnibus approval by the Audit Committee.
- 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 (iv) such other information which is relevant or important for the Audit Committee to take a decision on the proposed transaction;

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.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

#### **7. DISCLOSURE OF RELATED PARTY TRANSACTIONS**

- i. Every related party transaction entered into shall be disclosed in the Board's report to the Shareholders along with the justification for entering into such contract or arrangement.
- ii. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- iii. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
- iv. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board.

#### **8. RATIFICATION OF RELATED PARTY TRANSACTIONS**

##### **By Audit Committee**

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 Audit 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 failure of the internal control systems, 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, discontinuation of the transaction or seeking the approval of the Board/shareholders, payment of compensation for the loss suffered by the related party etc.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

**By Board and shareholders**

If any related party transaction is entered without obtaining the consent of the Board or approval by a resolution in the general meeting as required under Companies Act, 2013 the same need to be get ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction has not ratified by board or shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board and if the related party transaction 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.

**9. REVIEW**

The Board may in its discretion or on the recommendations of the Audit Committee or as per the requirements of the Act or Listing Regulations or other applicable laws, review or amend this Policy, in whole or in part, from time to time.

**Signed**

**Effective Date: Feb 15, 2016**



For SIMBHAOLI SUGARS LIMITED

*K.S.S.*  
KAMAL SAMTANI  
Company Secretary