

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

1. Introduction

The Company may enter into transactions with related parties to leverage scale, size and drive operational synergies while ensuring that such transactions are in compliance with the applicable legal requirements.

The Board of Directors of the Company ("the Board"), on the recommendation of the Audit Committee, has adopted this Policy and associated procedures for regulating related party transactions, in line with the requirements of the Companies Act, 2013 ("the Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its related parties. This Policy specifically deals with the review and approval mechanism of material related party transactions keeping in mind the potential or actual conflicts of interest that may arise because of such transactions.

This Policy has been formulated in accordance with Listing Regulations read with the provisions of Section 177 and 188 of the Companies Act, 2013 ("the Act") & relevant rules made thereunder as amended from time to time to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

2. Policy Objective

The Company recognizes that Related Party Transactions ("RPT") may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the best interest of the Company and its shareholders. This policy is framed primarily to ensure the governance and reporting of transactions between the Company and its Related Parties. The policy is

also prepared for the identification and regulation of the RPTs keeping in view the provisions of the Act read with the rules made thereunder and SEBI Regulations.

3. Definitions

- A. **“Audit Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under Companies Act and Listing Regulations.
- B. **“Board of Directors”** means the “Board of Directors” of SARTHAK METALS LIMITED.
- C. **“Company”** means SARTHAK METALS LIMITED.
- D. **“Key Managerial Personnel” or “KMP”** means Key Managerial Personnel of the Company in terms of the Companies Act, 2013 and the Rules made thereunder.
- Managing Director or Chief Executive Officer or the Manager and in their absence a whole-time Director;
 - Company Secretary; and
 - Chief Financial Officer.
 - 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
 - such other officer as may be prescribed;
- E. **“Arm's length transaction”** means a transaction between two related parties that is carried on as if they were unrelated, so that there is no conflict of Interest.
- F. **“Material Related Party Transaction”** would mean the following:
- a transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower

- b. 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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements.
- G. **“Material Modification”** of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.
- H. **“Policy”** means policy on materiality of Related Party Transactions and dealing with related party transactions.
- I. **“Related Party”** means a person or entity:
- which is a related party under Section 2(76) of the Companies Act, 2013, as amended from time to time; or
 - which is a related party under the applicable accounting standards.
 - which is a related party under Regulation 2(1) (zb) of the Listing Regulations.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
- of twenty per cent or more; or
 - of ten per cent or more, with effect from April 1, 2023;**
- in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party:

J. **“Related party transaction”** means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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 the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- i. payment of dividend;
- ii. subdivision or consolidation of securities;
- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

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

K. **“Relative”** as per the Companies Act, 2013, with reference to any person, means anyone who is related to another, if:

- a. they are members of a Hindu Undivided Family;
- b. they are husband and wife; or
- c. one person is related to the other person as;
 - i. Father (including step-father)
 - ii. Mother (including step-mother)
 - iii. Son (including step-son)
 - iv. Son’s wife
 - v. Daughter
 - vi. Daughter’s husband
 - vii. Brother (including step-brother)
 - viii. Sister (including step-sister)

L. "Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

Words and expression used in this policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

4. Policy

a) Dealing with Related Party Transactions

All Related Party Transactions which are in the ordinary course of business and which are on arm’s length basis, shall require approval of the members of the Audit Committee, who are Independent Directors and / or the Board of Directors of the Company in accordance with this Policy.

b) Identification of Related Party Transactions

All Related Party Transactions shall be placed before the Audit Committee of the Company for its approval.

Any employee of the Company who is aware of any transaction that is or maybe perceived to be a Related Party Transaction is required to bring the same to the attention of the Chief Executive Officer or Chief Financial Officer or Company Secretary (or such other person who may be trusted for this purpose by the Audit Committee) who would in turn take necessary steps to place the same before the Audit Committee.

All Directors and Key Managerial Personnel (KMP's) are responsible for informing the Company of their interest in other Companies, firms or concerns at the beginning of every financial year and any change in such interest during the year, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company.

In addition, all Directors and KMPs are responsible for giving notice to the Company Secretary of any potential Related Party Transaction involving them or their Relatives.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary (or such other person who maybe entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

c) Review and Approval of Related Party Transactions

Unless otherwise stated in this Policy, all Related Party Transactions shall require prior approval of the Audit Committee of the Company.

For the aforesaid purpose, all Related Party Transactions must be reported to the Company Secretary who shall place the same before the Audit Committee in accordance with this Policy.

The Audit Committee may grant omnibus approval to Related Party Transactions that are:

- I. Repetitive in nature, and
- II. entered in the ordinary course of business and on arm's length basis.

Such omnibus approval may be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- I. The transaction in question is necessary to be executed as it is in the business interest of the Company;
- II. The requisite information is presented to the Audit Committee's satisfaction to confirm that the transaction is entered in the ordinary course of business and on arm's length basis.
- III. Such omnibus approval shall specify -
 - 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 value and the formula for variation in the value, if any and
 - c. such other conditions as the audit committee may deem fit.
- IV. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of the financial year.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval granted by the Audit Committee earlier.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such Related Party Transaction.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval.

Any member of the Board who has a potential interest in such Related Party Transaction will recuse himself or herself and abstain from discussion or voting on the approval of such Related Party Transaction.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, 2015.

All entities falling under the definition of Related Parties shall not vote to approve the said resolution being placed before the shareholders, irrespective of whether the entity is a party to the transaction or not.

d) Material Related Party Transaction

All Material Related Party Transactions and subsequent material modifications as defined by the audit committee shall be placed for prior approval of shareholders through a Resolution.

e) Disclosure(s)

- i) Details of all Material Related Party Transactions shall be disclosed to the Stock Exchanges on a quarterly basis along with the compliance report on corporate governance.
 - a. The Company shall submit within 15 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.
 - b. The Company shall make above disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023

The Company shall disclose this Policy on its website and provide the weblink in the Annual Report. In addition to the disclosures required under the Accounting Standards, Related Party Transactions that are not at arm's length basis and Material

Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.

f) Governance of the Policy

The Company may constitute a Steering Committee which will be headed by the Chief Financial Officer or Company Secretary and will have such members from Finance, Corporate Secretarial and other functions as may be determined by the Chief Financial Officer and the Company Secretary. The Steering Committee shall meet periodically to ensure that the actions agreed with the Audit Committee and the Board with respect to Related Party Transactions have been implemented. The Steering Committee shall also ensure that the systems and processes are in place for identification and approval of Related Party Transactions as per this policy.

g) Amendments to the Policy

The Audit Committee of the Company shall review this Policy from time to time, but at least once every three years, and may recommend amendments to the same for approval of the Board.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities not being consistent with the provisions laid down in this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

h) Communication

This Policy will be communicated to all Directors, KMPs and Members of the Management Committee and other concerned persons of the Company.