



Policy on Related Party Transactions

SHIVAM AUTOTECH LIMITED

SHIVAM AUTOTECH LIMITED www.shivamautotech.com
CIN: L34300HR2005PLC081531

Registered Office: 10, 1st Floor, Emaar Digital Greens, Tower A,
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Policy on Related Party Transaction

[Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time]

1. APPLICABILITY AND EFFECTIVE DATE

This policy will be applicable to the company to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy and the revised Policy shall be effective from the date as mentioned in relevant Regulation, Act or any other applicable law for the time being in force.

2. SCOPE AND PURPOSE OF THE POLICY

This policy is framed as per requirements of the Companies Act, 2013 read with the rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23") as amended from time to time and intended to ensure proper approval and reporting of transactions between the company and its Related Parties.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy on Related Party Transactions ("Policy"). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

3. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

4. DEFINITIONS

4.1 "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 as defined in explanation (b) to section 188 (1) of the Companies Act, 2013 (the Act).

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4.2 "Audit Committee" means the audit committee of the board constituted from time to time under Regulation 18 of SEBI (Listing, Obligations and Discloser Requirements) Regulation, 2015 and section 177 of the Companies Act, 2013.

4.3 "Board" means Board of Directors of Shivam Autotech Limited.

4.4 "Company" means Shivam Autotech Limited.

4.5 "Key Managerial Personnel" means Key Managerial Personnel (KMP) as defined in section 2(51) of the Companies Act, 2013 as under:

- a) The Chief Executive Officer or Managing Director or Manager;
- b) The Company Secretary;
- c) The whole-time director;
- d) The Chief Financial Officer;
- e) 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
- f) Any other person as defined under the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, from time to time.

4.6 "Material Related Party Transaction" 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 rupees one thousand crore or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever of lower.

4.7 "Material Modifications" means such change to the terms of an approved Related Party Transaction, which would have been material information in the Audit Committee's decision to approve the Related Party Transaction, including but not limited to material changes of any on-going RPT, as originally approved by the audit committee and/ or shareholders, having a significant impact in the nature, value, duration, purpose, terms and covenants of the Related Party Transaction.

For the avoidance of doubt, it is provided that the following changes shall in all circumstances be deemed to be a Material Modification:

- i. any change of atleast 10 per cent or five crores whichever is lower in the value of the Related Party Transaction;
- ii. any change in the parties to the Related Party Transaction; and
- iii. any change in the duration of the Related Party Transaction beyond a period of 180 days / 6 months.

The Audit Committee shall decide from time to time any other criteria for defining the material modification in any related party transaction.

4.8 "Ordinary Course of Business" includes but not limited to the term for activities that are necessary, normal and incidental to the business. These are common practices and customs of

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commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. Indicative factors for determining term ordinary course of business:

- a) is normal or otherwise remarkable for your particular business (i.e. features in your system, processes, advertising, staff training etc.)
- b) is frequent or regular
- c) involves subsequent amount of money
- d) is a source of income for your business
- e) involves significant allocation of resources
- f) is involved in a service or product that is offered to customers.

4.9 "Related Party" have the meaning as defined in Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, i.e Related party means a related party as defined under Section 2(76) of Companies Act, 2013, or under the applicable accounting standards.

Provided that any person or entity forming a part of the promoter or promoter group of the Company or holding equity shares of twenty percent or more in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year, shall be deemed to be a related party.

Provided further that with effect from April 01, 2023, the threshold of twenty percent as mentioned in first proviso shall be revised to "ten percent or more" pursuant to the Listing Regulations.

- **"Related Party Transaction"** have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended, from time to time. It includes transfer of resources, services or obligations between 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,

Provided that with effect from April 01, 2023, transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and any other person or entity on the other hand, the purpose of which is to benefit a related party of the Company or any of its subsidiaries.

4.10 "Relative" with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

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Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

5. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required. None of the related parties of a company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not

The Company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI Listing Regulations:

- Other transactions with a Related Party - to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements of the Company, whichever is lower.

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Board of Directors of the Company once in every three years and updated accordingly.

6. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

All transactions with the related parties entered into shall be subject to the approval of the Audit Committee in accordance with the policy. The approval of the Audit Committee can be granted by the way of circulation also.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy and the applicable laws.

Identification of Potential Related Party Transactions:

Each Director and KMP 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 request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

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The Company expects to receive 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.

6.1 Approval of the Audit Committee- Mechanism

- All Related Party Transactions and subsequent Material Modifications shall require prior approval of Independent Directors who are members of the Audit Committee, at the meeting.
- All Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.

Provided that with effect from April 01, 2023, the annual consolidated turnover shall be replaced with annual standalone turnover as per the last audited financial statements of the Company.

- Prior approval of the Audit Committee shall not be required for a Related Party Transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of the Listing Regulations are applicable to such listed subsidiary. For such Related Party Transactions, the prior approval of the audit committee of the listed subsidiary shall suffice.
- Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.
- The Audit Committee shall review the status of long term (more than one year) or recurring Related Party Transactions on an annual basis.

The following details/information to be reviewed by the Audit Committee for approval of Related Party Transaction(s):

- Name of the related party and its relationship with the company, including nature of its concern or interest (financial or otherwise):**
- Type, material terms and particulars of the proposed transaction**
- Tenure of the proposed transaction (particular tenure shall be specified):**
- Value of the proposed transaction:**
- The percentage of the company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction:**
- If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company:**
 - details of the source of funds in connection with the proposed transaction:**

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- ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments, then details of nature of indebtedness, cost of funds and tenure of indebtedness;
- iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT is in the interest of the Company;
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- i) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

6.2 Omnibus Approval

Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

1. The Audit Committee shall (after obtaining the approval of the Board) lay down the criteria for granting the omnibus approval in line with this policy in respect of Transactions which are **frequent/ regular/ repetitive** in the nature and are in the normal course of business of the company.
2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the company.
3. 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 base price/ current contracted price and the formula for variation in the price, if any, and
 - c) Any other information 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 rupees one crore per transaction.

4. Audit Committee shall review, at least on a **quarterly basis**, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

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5. The omnibus approval shall be valid for the period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.

In case of transaction, other than transactions referred to in [section 188](#), and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board;

In case any transaction involving any amount not exceeding one crore rupees is entered into by a [director](#) or officer of the [company](#) without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the [related party](#) to any [director](#) or is authorised by any other director, the [director](#) concerned shall indemnify the [company](#) against any loss incurred by it.

6.3 Consideration by the Audit Committee

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a) All relevant facts and circumstances including the terms of transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party;
- b) Whether the terms of the Related Party Transactions are in ordinary course of the Company's business and are on an arm's length basis, at the time of entering into transactions;
- c) Business reasons for the company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d) whether the Related Party Transactions would affect the independence or present the conflict of interest for any Director of KMP of the company;
- e) Director or KMP shall not participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the Director / KMP shall provide all material information concerning the Related Party Transaction to the audit committee;
- f) any other matter the audit committee deems relevant.

6.4 Approval of the Board and Shareholders - Mechanism

A. Approval of the Board of Directors

- a) 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 a 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.

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- b) All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board shall consider and approve the related party transaction at a meeting.
- c) Any member of the Board who is interested or has potential interest (as mentioned under section 184(2) of the Act), in any related party transaction shall not be present at the meeting during discussions on the subject matter of the resolution relating to such related party transaction.

The following information shall be provided to the **Board** for approval of Related Party Transaction(s)-

- a. The name of the related party and the 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;
- d. Any advance paid or received for the contract or arrangement, if any;
- e. The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a part of contract;
- f. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- g. Any other information relevant or important for the Board to take a decision on the proposed transaction.

B. Approval of shareholders

All the material related party transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, shall require prior approval of the shareholders through resolution. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not.

Notwithstanding anything contained above, the related party transaction which crosses the materiality threshold and subsequent material modifications thereof shall require shareholders' prior approval by a resolution.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

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Exemptions:

- i. Transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- ii. Transactions entered into between two government companies;
- iii. Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iv. Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

The following information shall be provided to the **Shareholders** for approval of Related Party Transaction(s)-

The notice sent to the shareholders seeking prior approval for any Related Party Transaction, shall include the following information as a part of the explanatory statement:

- a) name of the related party;
- b) name of the director or key managerial personnel who is related, if any;
- c) nature of relationship;
- d) nature, material terms, monetary value and particulars of the contract or arrangements;
- e) any other information relevant or important for the members to take a decision on the proposed resolution.
- f) A summary of the information provided by the management of the Company to the Audit Committee, as is required under this Policy;
- g) Justification for why the proposed transaction is in the interest of the Company;
- h) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
- (i) details of the source of funds in connection with the proposed transaction;
- (ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
- (iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- (iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.

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- i) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- j) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction, on a voluntary basis;
- k) Any other information that may be relevant.

7. DISCLOSURES/REPORTING

Particulars of RPTs shall be disclosed in such manner as may be prescribed under the Listing Regulations and/or the Act (including rules made thereunder), from time to time. This Policy shall be disclosed on the Company's website and a web link thereto shall be provided in the Annual Report of the Company.

8. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by the Committee once in three years and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise. However, amendments in the Listing Regulations/other applicable laws shall be binding even if not incorporated in this Policy.

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