



Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions

1. APPLICABILITY

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.

2. PURPOSE

This policy is framed as per requirement of Listing Regulations entered by the Company with the Stock Exchanges and is intended to ensure proper approval and reporting of transactions between the company and its Related Parties.

This policy shall supplement company's other policies & practices/ delegation of authorities / manual of authorities etc. which require the approval of the Contracts or Arrangement in specified manner and by specified authority. If there exist more than one set of requirements due to application of multiple laws and regulations, the endeavor must be based on the compliance principal which would meet the governance standards.

3. DEFINITIONS

"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.

"Associate Company" means associate company as defined in section 2(6) of the Companies Act, 2013 as under:

"Associated company", in relation to another company, means a company in which that other company has significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.-For the purpose of this clause, "significant influence" means control of at least twenty percent of total share capital, or of business decisions under an agreement;

"Audit Committee" means the audit committee of the board under the provisions of the Listing Regulations and section 177 of the Companies Act, 2013.

"Board" means Board of Directors of SHIVAM AUTOTECH LIMITED;

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

- i. The Chief Executive Officer or Managing Director or Manager;
- ii. The Company Secretary;
- iii. The whole-time director;
- iv. The Chief Financial Officer; and
- v. Such other officer as may be prescribed

GURGAON WORKS : 58th Km. Stone, Delhi-Jaipur Highway, Village Binola,
Distt. Gurgaon-122 413 Haryana India TEL : 011 49242100
FAX : +91 124 49242116 E-mail : admn@shivamautotech.com

REGISTERED OFFICE : 303, 3rd Floor, Square One Mall, Saket, New Delhi - 110017
TEL.: +91 11 49242100-30, FAX: +91 11 29564205
E-mail : admn@shivamautotech.com Website : www.shivamautotech.com
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"Listing Regulations" means SEBI (Listing Obligations and Disclosure) Regulations, 2015

"Material Related Party Transaction" means a Material Related Party Transaction as defined under the Listing Regulations as under:

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 ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.'

"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 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:

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

"Related Party" an entity shall be considered as related to the company as defined in the Companies Act, 2013 read with Listing Regulations

"Related party transaction" is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including but not limited to the following:

- 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) appointment to any office or place of profit in the company

A transaction 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 recognized stock exchange(s);

"Relative" means a relative as defined in section 2(77) of the Companies act, 2013 read with Rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 as under:

1. Members of HUF
2. Spouse
3. Father includes step-father
4. Mother includes the step-mother
5. Son includes the step-son

GURGAON WORKS : 58th Km. Stone, Delhi-Jaipur Highway, Village Binola,
Distt. Gurgaon-122 413 Haryana (Page 2 of 8) TEL: +91 11 49242100
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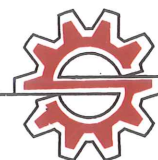
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6. Son's wife
7. Daughter
8. Daughter's husband
9. Brother includes step-brother
10. Sister includes the step-sister

"**Subsidiary Company**" means subsidiary company as defined in Section 2(87) of the Companies Act, 2013.

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

4. 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.

After the approval of the Audit Committee and board, the Company shall place the agenda to the shareholders for approval, if required.

4.1.0 Approval of the Audit Committee- Mechanism

4.1.1 Details to be provided to Audit Committee

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

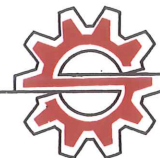
- a. name of the related party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b. particulars of the contract or arrangement including material terms of and the value, if any
- c. any advanced paid or received for the contract or arrangement, if any
- d. manner of determining the pricing (indicative base price/ current contracted price and formulae for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of contract;
- e. 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
- f. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4.1.2 Omnibus Approval

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

1. Transactions 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:

- 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.

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 RTPs entered into by the company pursuant to each of the omnibus approval given.

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.

Note: Any member of the Committee who is interested or has potential interest 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.

4.1.3 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.

4.2.0 Approval of the Board and Shareholders - Mechanism

4.2.1 Approval of 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.

GURGAON WORKS : 58th Km. Stone, Delhi-Jaipur Highway, Village Binola,
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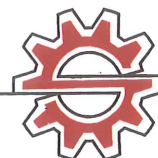
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- B. All the related party transactions prescribed under Section 188 of the Act, which are not in the ordinary course of business or not at Arm's Length Basis and all material related party transactions shall be brought before the Board and the Board 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.

4.2.2 Approval of Shareholders

- A. All the Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. The related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Exemption:

- i. Transactions entered into between two government companies;
- ii. 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.
- B. All the Transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length shall, subject to the limits mentioned in Rules 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

Transactions that, require previous approval of Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/ contracts/ arrangements as follows :

S. No.	Specified RTP(s) u/s 188(1) of the Company's Act, 2013	Threshold limits for approval of Shareholders
i.	Sale, purchase or supply of any goods or materials	Exceeding 10% of the turnover of the company or rupees 100 crore, <i>whichever is lower.</i>
ii.	Selling or otherwise disposing of, or buying property of any kind	Exceeding 10% of net worth of the Company of rupees 100 crore, <i>whichever is lower.</i>
iii.	Leasing of property of any kind	Exceeding 10% of net worth of the Company or 10% of turnover of the company or rupees 100 crore, <i>whichever is lower</i>
iv.	Availing or rendering of any service	Exceeding 10% of the turnover of the





		company or rupees 50 crore, <i>whichever is lower.</i>
v.	Appointment of any agent for purchase or sale of goods, materials, services or property	As limit prescribed in clause a, b and d, in case resulted into appointment of agent
vi.	Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding rupees 2.50 lakhs
vii.	Underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth

Explanation(s):

- Limits specified in sub-clause a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.
- Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

No member of the company shall vote on special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party for such contract or agreement.

4.3 Details to be provided to the Board and Shareholders

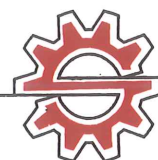
The following information shall be provided to the **Board** for approval of Related Party Transaction(s)-

- The name of the related party and the nature of relationship;
- The nature, duration of the contract and particulars of the contract or arrangement;
- The material terms of the contract or arrangement including the value, if any;
- Any advance paid or received for the contract or arrangement, if any;
- The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as a part of contract;
- 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
- Any other information relevant or important for the Board to take a decision of the proposed transaction.

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

- Name of the related party;
- Name of the Director or KMP who is related, if any;
- Nature of relationship;
- Nature, material terms, monetary value and particulars of the contract or arrangement;
- Any other information relevant or information for the members to take a decision on the proposed resolution.





4.4 Summary of the approval mechanism under Regulation 23 and the Companies Act, 2013

Details of Transaction(s)	Approving authority
All Related Party Transactions and any subsequent modification	Audit Committee
RTPs at 4.2.1 above which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	Approvals and recommendation by Audit Committee to the Board and Approval by the Board.
RTPs at 4.2.2 above which are not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)	Approvals and recommendation by Audit Committee to the Board; Approvals and recommendation by the Board to the shareholders and
All Material Related Party Transaction	Approval by the Shareholders.

4.4 Ratification of Related Party Transactions

- a. If prior approval of Audit Committee/ Board/ Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee/ Board/ Shareholders, if required, within 3 (three) months of entering in the Related Party Transactions.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is within a Related Party to any Director, or is authorized by any other Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.
- c. In any case where either the Audit Committee/ Board/ Shareholders determines not to ratify a Related Party Transition that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation 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 Audit Committee/ Board/ Shareholders has authority to modify or waive any procedural requirements of this Policy in the best interest of the company.
- d. All existing material related party contracts or arrangements entered into prior to the date of notification of Listing regulations (02 September 2015) 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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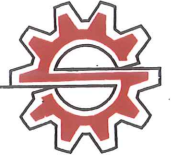
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4.5 Disclosures

- a. Every contract or arrangement entered with Related Parties with the approval of Board/ Shareholders in line with section 188 of the Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b. The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- c. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18.
- d. The company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requires approval of the Board.

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