



REGD. OFFICE & WORKS: Plot No. 2, G.I.D.C. Estate, Palej, Dist. Bharuch – 392 220, Gujarat, India.

Visit us on : www.steelcogujarat.com E-mail : sglbaroda@gmail.com CIN No.: 27110GJ1989PLC011748 ,
894500QXPSPYLV4LU325 , GST No. 24AADCS0880L227

LEI No.

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

Introduction

Steelco Gujarat Limited ('the Company') recognizes that related party transactions can cause conflicts of interest. Accordingly, pursuant to the provisions of Section 177, Section 188 and other applicable provisions of the Companies Act, 2013 ("the Act") and Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 ("Listing Regulations") this Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions has been prepared.

Scope & Objective

This policy sets out the definition of materiality of related party transactions and addresses related party transactions. The objective of this policy is to ensure the proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties.

Definitions:

- a) **Arms' Length** means a mechanism to ensure that a transaction between two related parties is conducted as if they were entered into between unrelated parties to avoid a conflict of interest situation arising.
- b) **Audit Committee** means the Audit Committee constituted by the Board of Directors in accordance with Section 177 of the Act.
- c) **Board of Directors** or **Board** in relation to a Company means the collective body of the directors of the Company.
- d) **Key Managerial Personnel ("KMP")** in relation to a Company means -
 - i. The Chief Executive Officer, or the Managing Director or the Manager;
 - ii. The Whole-time director;
 - iii. The Chief Financial Officer
 - iv. The Company Secretary;

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- e) **Material Related Party Transaction:** 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 Company, whichever is lower.

Transactions 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 listed entity as per the last audited financial statements of the listed entity.

The paid up share capital or turnover or outstanding loans, or borrowings or debentures or deposits, as the case may be, as existing on the date of the last audited Financial Statements shall be taken into account for the purposes of the above.

- f) **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 and 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. 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:
 - i. of twenty per cent or more; or
 - ii. 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 immediate preceding financial year shall be deemed to be related party.
- g) **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 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

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h) **Material Modifications** mean any modifications to the material Related Party Transactions approved by the Audit Committee or Shareholders, as the case maybe, during the year, which may substantially alter the nature and/or intent/purpose of the transaction or in case of monetary thresholds, which results in variation of more than 20% from the approved transactions limits.

All terms used in the policy which have not been defined here shall have the same meaning as ascribed to the term in applicable law.

Policy on Related Party transactions

- All related party contracts / arrangements shall be entered into on an Arms' Length basis. However, in case of an exception, if the law permits, the Company may enter into transactions which are not on an Arm's Length basis, with prior approval from Audit Committee and Board of Directors.
- All related party contracts / arrangements shall be in compliance with the provisions of the Act, applicable rules framed thereunder, Listing Regulations and applicable Accounting Standards, as amended from time to time.
- All domestic and international related party contracts / arrangements, shall comply with the transfer pricing requirements under applicable provisions of the Income Tax Act, 1961.
- All Related Party Transactions and subsequent Material Modifications thereto shall be subject to the approval of the Audit Committee in accordance with this Policy.

Disclosure of Related Party/ies

Each Director and Key Managerial Personnel ("KMP") shall be responsible for providing details of parties which may be considered as related parties as per the definition provided hereinabove. The information about related parties shall be provided by the Directors in the prescribed form as may be required by the Company. Such information shall be provided at the time of appointment, at the beginning of every financial year and promptly when there is any change in the last provided information.

In addition to the above, senior management shall identify other related parties based on the criteria set as per the Act and / or the Listing Regulations and each function / department in the Company shall identify and provide a list of Related Parties to the Finance Dept. at the beginning of each calendar year and shall update the same on a regular basis as and when there are

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changes in the Related parties.

Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel shall provide advance notice to the Board or Audit Committee of any potential Related Party Transaction involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request.

At the beginning of each calendar year, each function / department will provide to the Finance Dept. all relevant details regarding the transactions proposed with a Related Party during the financial year, including the name of the Related Party, nature of transaction, duration, terms of contract, quantity, contracted price / pricing formula.

The Company's tax department will review and confirm to the Finance Dept. that the proposed transactions comply with the relevant transfer pricing guidelines and applicable tax laws.

Based on such information, the necessary approval shall be obtained from the Board and Audit Committee of the Company.

Approval of Related Party Transactions

I. Prior approval of Audit Committee

Prior approval of the Audit Committee shall be required for all Related Party Transactions and subsequent Material Modifications thereto, except transactions between the Company & its wholly owned subsidiary/(ies) and between two wholly-owned subsidiaries of the company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval.

Any member of the Audit Committee of the Board of Directors, who is interested in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

In case of certain Related Party Transactions where the value or quantity, forming part of the original approval or the Omnibus approval, changes during the course of the year, the Audit

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Committee shall consider ratification of such transactions on a case by case basis and may seek justifications / clarifications for such changes from the Management.

II. Procedure for approval

The Audit Committee will be provided with all relevant material information of Related Party Transactions, including the terms of the transaction, the business purpose of the transaction and any other relevant matters as specified under the Act and Listing Regulations.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

III. Omnibus Approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:

- a) The transaction(s) to be entered into is/are frequent or repetitive in nature;
- b) Any commercial transaction with a Director, Key Managerial Personnel, under the omnibus route shall additionally require Board approval;
- c) At the time of seeking omnibus approval, the proposal should disclose the name of the related party and nature of relationship, nature of transaction, maximum amount of transaction that can be entered into during the financial year, indicative base price/current contracted price;
- d) The transactions undertaken by the Company or its subsidiary pursuant to an omnibus approval shall be reviewed by the Audit Committee on a quarterly basis;
- e) In determining whether to approve a related party transaction, the Committee will consider the following factors, among others, to the extent relevant to the related party transaction:
 - The fairness and Arm's Length or otherwise of the related party transaction;
 - The business reasons for the Company entering into the related party transaction;
 - Impact of related party transaction on the independence of an independent director, if applicable;
 - Any other relevant information regarding the transaction.
- f) Such omnibus approval shall specify
 - the name/s of the related party and nature of relationship;
 - nature and duration of the transaction;
 - maximum amount of transaction that can be entered into;

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- the indicative base price / current contracted price and the formula for variation in the price; if any;
- terms and conditions of the transaction(s) / contract(s), including advance paid, if any; and
- such other conditions as the Audit Committee may deem fit or relevant information for the Audit Committee to decide on the proposed transaction;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

g) 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.

IV. Ratification of Related Party Transactions

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in accordance with prescribed materiality threshold;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party
- (v) Transactions to be submitted to stock exchanges;
- (vi) any other condition as specified by the audit committee:

In case of failure to seek ratification, the transaction shall be rendered voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

Prior approval of Board of Directors

Transactions with related parties which are Material Related Party Transactions or not in the Ordinary Course of Business or are not on an Arms' Length basis shall require prior approval of the Board.

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Where any director is interested in any contract or arrangement with a related party, such director shall not participate in the discussions and abstain from voting on the subject matter of the resolution relating to such contract or arrangement.

Shareholders' approval

Shareholder's approval shall be sought in the following cases:

- a) All Material Related Party Transactions and subsequent Material Modifications thereto shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- b) Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the 'ordinary course of business' or are not on an 'Arm's Length basis' and exceed the threshold prescribed under Section 188 of the Act and the rules framed thereunder, amended from time to time, shall also require the prior approval of the shareholders through resolution and no related party shall vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

No member of the Company shall vote on a resolution, to approve any contract or arrangement which may be entered by the Company, if such member is a related party to the contract or arrangement for which the ordinary resolution is being passed.

Legal Provisions

Notwithstanding anything stated hereinabove, the provisions of the Act and Listing Regulations shall apply wherever there is no specific provision under this policy.

Dissemination of Policy

The policy shall be disseminated to all functional heads and other concerned persons of the Company and shall be uploaded onto the website of the Company.

Review of the Policy

The Audit Committee and / or the Board of Directors will review and amend this policy from time to time.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed by the Board of Directors immediately and shall be amended at the next possible opportunity. Until the Policy is amended, the amended regulatory requirements will supersede the Policy.

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