

# **SAURASHTRA CEMENT LIMITED.**

**Effective from May 23, 2022**

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

### **1. PREAMBLE**

The Board of Directors (the "Board") of Saurashtra Cement Limited (the "Company") has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations 2015. Amendments to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee from time to time.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions. This policy is required to be reviewed by the Board periodically (once in 3 years) and hence the same is being placed for review as per Regulation 23(1A) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

### **2. OBJECTIVE**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### **3. DEFINITIONS**

**"Act"** shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.

**“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.

**“Audit Committee or Committee”** means the Committee of the Board constituted from time to time under the provisions of Section 177 of the Companies Act, 2013 and as per Regulation 18 of SEBI (Listing Obligations & Disclosure Requirements), 2015 for audit related purpose.

**“Board”** means the Board of Directors as defined under the Companies Act, 2013.

**“Key Managerial Personnel”** means Key Managerial Personnel as defined under sub-section 51 of Section 2 of the Companies Act, 2013.

**“Material Modifications”** The criteria and the threshold limit for Material Modifications in the Related Party Transactions for which Audit Committee’s prior approval shall be required:

- Increase in the value of Transactions beyond 20% in a Financial Year;
- Change in the tenure of the contract beyond 20% in a Financial Year;
- Any modification in other terms wherein the financial implication beyond 20% in a Financial Year.

**“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 listed entity, whichever is lower.

Notwithstanding the above, 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 of the Company.

**“Related Party”** a means related party as defined under Section 2(76) of the Companies Act, 2013 read with Regulation 2(zb) of the SEBI (Listing Obligations & Disclosure Requirements), 2015 and as amended from time to time.

Provided that “Related Party” means:

- 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 ten percent or more;

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 a related party.

**“Related Party Transaction”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- 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 the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;
- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals;
- j. Deputation of employees;
- k. a transaction involving a transfer of resources, services or obligations between:
  - a. a listed entity or any of the subsidiaries on one hand and a related party of the Company of the listed entity or any of its subsidiaries on the other hand; or
  - b. 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:

(The above is an indicative list and not an exhaustive one).

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 Company 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.

**“Relative”** means a relative as defined under sub-section 77 of Section 2 of the Companies Act, 2013 and includes anyone who is related in any of the following manner, if –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

**“Threshold Limits”** are financial limits for Transaction(s) with Related Party(s) in the ordinary course of business and on an arms-length basis and which are set out as under:

<b>Category of Transaction</b>	<b>Threshold limit per category of transaction per Related Party per annum INR</b>
Sale, purchase or supply of any goods or materials and/ or availing / rendering of consultancy and other business related services and/ or leasing of property.	100 Crores
Appointment of a person in place of profit	30 lakhs

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

The terms **Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.**

#### **4. POLICY**

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for its prior approval in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre –approval / omnibus approval, details whereof are given in a separate section of this Policy. In exceptional cases, where a prior approval is not taken due to an

inadvertent omission or due to unforeseen circumstances, the Committee / Board may ratify the transactions in accordance with this Policy.

#### **4.1 IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of -

1. All Directors and Key Managerial Personnel;
2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company or their Relatives; and
6. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with SEBI (Listing Obligations & Disclosure Requirements), 2015 or the relevant Accounting Standard.
7. Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 10% or more, 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 a related party.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional / business heads / Chief Financial Officer /Company Secretary/

shall have access to the updated database.

Every Director and Key Managerial Personnel, will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 to this Policy.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

## **4.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

### **4.2.1 CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS**

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are fair and on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel

of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

#### **4.2.2 APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE**

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

#### **4.2.3 APPROVAL BY THE BOARD**

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 Board to approve the 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.

#### **4.2.4 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);

- b. Nature of the transaction;
- c. Period of the transaction;
- d. Maximum amount of the transactions that can be entered into;
- e. Indicative base price / current contracted price and formula for variation in price, if any;
- f. Type, material terms and particulars of the proposed transaction;
- g. 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; (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- h. If 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 RPT.
- i. Justification as to why the RPT is in the interest of the listed entity;
- j. A copy of the valuation or other external party report, if any such report has been relied upon;
- k. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- l. Such other conditions as the Audit Committee may deem fit.

The Audit Committee shall also review the status of long-term (more than 1 year) or recurring RPTs on an annual basis.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall atleast on quarterly basis review the details of



the related party transactions entered into by the company pursuant to each of the omnibus approval given. All such transactions based upon the omnibus approval of the Audit Committee shall also be placed before the Board for information/noting. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

A 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 percent of the annual standalone/ consolidated turnover, as per the last audited financial statements of the Company.

Prior approval of the Audit Committee and Shareholders 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 SEBI (LODR) Regulations, 2015 are applicable to such listed subsidiary.

For related party transactions of unlisted subsidiaries of a listed subsidiary as mentioned above, the prior approval of the Audit Committee of the listed subsidiary shall suffice.

#### **4.2.5 APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS**

Contracts / Arrangements with related party shall be considered as "material related party contracts/Arrangements 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 percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower and the same shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation shall require 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 transactions or not.

Prior approval of Audit Committee, Board and Shareholders approval for material RPT shall not be required for:

- a) 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) 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.

### **Information to be reviewed by the Shareholders for approval of Related Party Transactions:**

The notice being sent to the Shareholders seeking approval for any proposed Related Party Transaction shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a) A summary of the information provided by the management of the listed entity to the audit committee as specified in point 4.2.4 above;
- b) Justification for why the proposed transaction is in the interest of the listed entity;
- c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 4.2.4(h) above;
- d) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f) Any other information that may be relevant.

The listed entity shall submit within such period as may be prescribed under the SEBI LODR Regulations, 2015 from time to time 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.

### **4.2.6 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH**

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

#### **4.2.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

#### **4.3 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. Disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results shall also be referred in the Board's report. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

### **5. DISSEMINATION OF POLICY**

Either this Policy or the important provisions of this Policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.

## ANNEXURE 1

### NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL

To,

The Company Secretary/Compliance Officer  
Saurashtra Cement Limited

Dear Sir,

A. I, ....., son/daughter/spouse of ....., resident of ....., holding ..... Shares (equity or preference) of Rs. 10/- each (..... percent of the paid-up Capital) in the Company in my name, being a ..... in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

Sr. No.	Name of the Companies/Bodies Corporate/Firms/ Association of Individuals	Nature of Interest or concern / Change in Interest or Concern	Shareholding	Date on which Interest or Concern arose/changed

B. The Following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions :

Sr. No.	Name of the Body Corporate

C. I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity) :

Sr. No.	Name of the person	Relation

Signature:  
Name:  
Designation:

Place:  
Date:

SCHEDULE LIST  
OF RELATIVES

No.	Relationship	Full Name	Address	Shareholding in SCL
1	Spouse			
2	Father (including Step-Father)			
3	Son (including Step-son)			
4	Daughter			
5	Daughter's Husband			
6	Brother (Including Step-Brother)			
7	Sister (Including Step-Sister)			
8	Mother (including Step-Mother)			
9	Son's Wife			
10	Members of HUF			

## **ANNEXURE 2**

INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):

1. Name of the Related Party and nature of relationship;
2. Nature and duration of the contract/transaction and particulars thereof;
3. Material terms of the contract or arrangement or transaction including the value, if any;
4. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or material terms of the contract or arrangement including a justification to the proposed variations;
5. Any advance paid / received or to be paid / received for the contract or arrangement, if any;
6. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
7. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
8. Applicable statutory provisions, if any;
9. Valuation reports in case of sale or purchase or leasing / renting of capital assets or securities;
10. Justification as to the arm's length nature of the proposed transaction;
11. Declaration whether the transaction is in the ordinary course of business;
12. Persons / authority approving the transaction; and
13. Any other information relevant or important for the Committee / Board to take a decision on the proposed transaction.