



**RELATED PARTY TRANSACTION POLICY**

**OF**

**SARLA PERFORMANCE FIBERS LIMITED**

## RELATED PARTY TRANSACTION POLICY

### **1. Preamble**

The Board of Directors (the “Board”) of Sarla Performance Fibers Limited (the “Company” or “SPFL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Board will review and may amend this policy from time to time.

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

### **2. Purpose**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of a Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI Listing Regulations”), Sarla Performance Fibers Limited (the “Company” or “SPFL”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Regulation 23(1) of the SEBI Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions. Further, Regulation 23(2) requires the Audit Committee to define material modification and disclose it as a part of the policy.

In light of the above, SPFL has framed this Policy on Related Party Transactions (“Policy”). The amendment to this Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee and shall be effective from the date of approval of the Board Meeting.

Going forward, pursuant to Regulation 23(1) of SEBI LODR Regulations, the Audit Committee would review, amend and update the RPT Policy, at least once every three years, unless there is a change in applicable regulations and/or in business conditions affecting the Company/its subsidiaries, which requires an earlier change to the Policy, subject to the approval of the Board.

If the terms of this Policy differ from any existing or newly enacted regulation or standard governing the Company, such regulation or standard will take precedence over this Policy until this Policy is changed to conform to said regulation or standard.

### **3. Objective of the Policy**

The objective of this Policy is to set out:

- (a) the materiality thresholds for related party transactions,
- (b) define material modification and
- (c) the manner of dealing with and disclosing the transactions between the Company and its related parties as required under the Act, the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

### **4. Definitions**

- a) **“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013.
- b) **“Board”** means Board of Directors of the Company.
- c) **“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- d) **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes:
  - i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
  - ii. Company Secretary; and
  - iii. Chief Financial Officer
- e) **“Material Related Party Transaction”** shall have the same meaning as defined in Regulation 23 of the SEBI Listing Regulations.
- f) **“Material modification”** means any modification made in the value/exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and/or shareholders, which has the effect of variation in the approved value of the transaction, by 25% or more or by which the transaction ceases to be in ordinary course and/or on arm’s length basis or such other parameter as may be determined by the Audit Committee from time to time.
- g) **“Ordinary Course of Business (“OCB”)”** means a transaction which/wherein:
  - is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
  - is as per historical practice with a pattern of frequency, or
  - is in connection with the normal business carried on by the Company, or

- the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or
- is common commercial practice, or
- meets any other parameters/criteria as decided by the Board/Audit Committee.

h) **"Policy"** means Related Party Transaction Policy.

i) **"Related Party"** shall have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations. Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term "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]

j) **"Related Party Transaction or transactions"** means transaction as defined under regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosures Requirements) regulations, 2015, as amended, shall mean transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party.

Explanation - A "transaction" with a Related Party shall be construed to include single or a group of transactions in a contract.

The RPT shall include transactions between -

- i. 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; or
- ii. The Company 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 Company 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 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
- g. underwriting the subscription of any securities or derivatives thereof, of the Company.

Provided that the following shall not be a Related Party transactions:

- 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.
- 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”** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
  - i. They are members of a Hindu undivided family ;
  - ii. They are husband and wife ; or
  - iii. Father (including step-father)
  - iv. Mother ( including step-mother)
  - v. Son ( including step-son)
  - vi. Son’s wife
  - vii. Daughter
  - viii. Daughter’s husband
  - ix. Brother ( including step-brother)
  - x. Sister (including step-sister)

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.

## **5. Materiality Thresholds**

5.1 Regulation 23 of the SEBI Listing Regulations requires the Company to provide

materiality thresholds for transactions beyond which prior approval of the shareholders' will be required by way of a resolution.

**5.2** The Board has fixed its materiality thresholds at the level prescribed under Regulation 23 of the SEBI Listing Regulations as under:

**5.2.1.** A transaction with a Related Party shall be construed as 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 (10%) of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

**5.2.2.** In case of transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered as material if it exceeds five percent (5%) of the annual consolidated turnover of the Company as per its last audited financial statements.

**5.2.3.** Transaction wherein subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 listed entity.

**5.2.4.** Transaction wherein subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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 standalone turnover, as per the last audited financial statements of the subsidiary.

**5.2.5.** Further, Regulation 23 of the SEBI Listing Regulations provide that any subsequent material modifications to the terms of such transactions, as defined by the Audit Committee, shall also require shareholders' prior approval will be required by way of a resolution. Material modification shall be construed as one meeting the conditions as provided in point number 4 (f) of this Policy.

## **6. Policy**

The Company shall not enter into any contract or arrangement with a Related Party without prior approval of the Board/ Audit Committee. Prior approval of the Board/ Audit Committee shall be obtained for all Related Party Transactions other than those with Wholly Owned Subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval).

### **6.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the 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 Audit Committee may reasonably request. Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

**The notice should include:**

- The name of the Related Party
- the Related Person's relationship to the Company and the person's interest in the transaction;
- 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 part of the 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 on the proposed transaction.

**Transactions Covered Under Related Party Transaction**

Following are the list of transactions covered under related party -

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- under writing the subscription of any securities or derivatives thereof, of the company.

**Review and Approval of Related Party Transactions**

**A. Audit Committee approval:**

As per Regulation 23 of the Listing Regulations and Section 177 of the Companies Act, 2013, all the Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder or Listing Regulations from time to time, subject to the following:

**Omnibus Audit Committee approval:**

- The Audit Committee may grant omnibus approval for Related Party Transactions provided it is satisfied that there is a need to grant such approval and the same is in the interest of the Company. Such approval may be granted by Audit Committee for the proposed transactions subject to the following:
  - i. Transactions are repetitive/frequent in nature;
  - ii. Transactions are conducted at Arm's Length basis;
  - iii. Transactions are in the ordinary course of business;
- Such omnibus approval shall specify the following:
  - i) Name/s of the Related Party and its relationship with the Company or its subsidiary,
  - ii) Nature of transaction
  - iii) Period of transaction
  - iv) Maximum amount of transaction that can be entered into
  - v) The indicative base price/current contracted price and the formula for variation in the price if any and
  - vi) Such other conditions as the Audit Committee may deem fit.

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 Audit Committee.

- Provided that where the need for Related Party transaction cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs. 1 Crore per transaction.
- The Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given. Further, such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of the same.

**B. Board of Directors and Shareholders' approval:**

In accordance with Section 188 of the Companies Act, 2013 and Listing Regulations, the Board of Directors and Shareholders of the Company shall accord prior approval for Related Party Transactions, subject to the following:



**i. Board of Directors and Shareholders’ approval in terms of Companies Act, 2013:**

All Related Party Transactions which are either not at arm’s length basis or not in the Ordinary Course of Business shall be recommended by the Audit Committee for the approval of the Board of Directors.

Provided the transactions as prescribed below shall be further recommended by the Board of Directors for the approval of the Shareholders of the Company by way of Ordinary Resolution, as provided under Section 188 of the Companies Act, 2013 read with related rules issued thereunder:

<b>Transaction covered</b>	<b>Transaction value</b>
Sale, Purchase or supply of any goods or materials directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents*	Amounting to 10 % or more of Net Worth
Leasing of property of any kind*	Amounting to 10 % or more of Turnover
Availing or rendering of any services directly or through appointment of agents*	Amounting to 10 % or more of Turnover
Such Related Party’s appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration >Rs. 2.5 lakhs
Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company*	>1% of Net Worth

\*The limits that shall be applied for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year shall be computed on the basis of audited financial statements of the preceding Financial Year.

The concerned Related Party(ies) which are related to that transaction shall not vote to approve such relevant resolution.

**ii. Board of Directors and Shareholders’ approval in terms of Listing Regulations:**

The Listing Regulations require a Company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a resolution. The Company has fixed its materiality threshold at the level prescribed under Explanation to Regulation 23(1) the Listing Regulations (w.e.f. 01/04/2022) provided that 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 Company as per the last audited financial statements of the Company, whichever is lower or such other limit as may be specified in the applicable Regulation as amended from time to time.).

Accordingly, in terms of Regulation 23 of the Listing Regulations, all Material Related Party Transaction and subsequent material modifications as defined by the audit committee shall be recommended by the Board of Directors to the Shareholders for their approval by way of Ordinary Resolution.

### 6.3 Exemptions

In terms of Regulation 23 of the Listing regulations, following transactions are exempted from the requirement of obtaining the Audit Committee/Board of Directors/ Shareholders approval:

1. Transactions entered into by SPFL with its wholly owned subsidiary whose accounts are consolidated with the Company and placed with before the shareholders of SPFL at the general meeting for approval.
2. Transactions entered into between two wholly-owned subsidiaries of the SPFL whose accounts are consolidated with the Company and placed with before the shareholders of SPFL at the general meeting for approval.

However, an approval of Audit Committee and Board of Directors/ Shareholders (to the extent applicable), as the case may be will be required for above listed transaction as per Section 177 and Section 188 of the Companies Act, 2013 read with the Rules made thereunder.

**The Company shall avail exemptions granted under section 188, 177 of Companies Act, 2013 and/or the applicable provisions of The SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended from time to time and after fulfilling conditions and requirements specified therein.**

### 6.4 Registers & Disclosures

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is places/taken note of before the meeting of the Board of Directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The register to be kept under this section shall also be produced at the commencement of

every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting. The register shall be preserved permanently and shall be kept in the custody of the Company Secretary/ Chief Financial Officer of the Company or any other person authorised by the Board for the purpose.

#### **7. Prohibitions Related to Transactions**

- All Related-Party Transactions are prohibited, unless approved or ratified by the Audit Committee or the Board of Directors of the Company within three months of the transactions or by the shareholders of the company in a general meeting as the case may be in accordance with this Policy.
- A Related-Party Transaction entered into without pre-approval of the Audit Committee or Board of the Company shall not be deemed to violate this Policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee or Board of Directors for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

#### **8. Related Party Transactions Not Approved Under This Policy**

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

#### **9. Disclosures**

- Every Related Party Transaction with proper justification shall be disclosed in the Directors Report.
- Material RPTs shall be provided in the notice to shareholders.
- Details of all material transactions with related parties shall be disclosed quarterly along

with the compliance report on corporate governance.

- The Company shall submit [enhanced disclosure of information related to Related Party Transactions to be provided to the stock exchanges every six months in the format specified by the SEBI with the following timelines:
  - i. within 15 days from the date of publication of financials w.e.f., April 01, 2022;
  - ii. simultaneously with the financials w.e.f. April 1, 2023].  
and also publish the same on its website.
- The Company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

This Policy will be communicated to all operational employees and other concerned persons of the Company.

#### **10. Ind AS 24 - Related Party Disclosures**

Ind AS requires the disclosure of the Related Party relationship and the transactions with Related Parties in the Annual Report.

Following are some examples of the Related Party Transactions under Ind AS 24:-

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of fixed assets
- Rendering or receiving of services
- Agency arrangements
- Leasing or hire purchase arrangements
- Transfer of research and development
- Licence agreements
- Finance (including loans and equity contributions in cash or in kind)
- Guarantees and collaterals
- Management contracts including deputation of employees

#### **11. Interpretation**

- a. Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder Accounting Standards or any other relevant legislation / law applicable to the Company.
- b. In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the

decision of the Audit Committee in such a case shall be final. In interpreting such term /provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

## **12. Policy Review**

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, Listing Regulations or any other regulations (“the Regulations”) which makes any of the provisions in the Policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed and recommended by the Audit Committee at least once in every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations or as may be felt appropriate by the Audit Committee, whichever is earlier for approval of the Board of Directors. Any changes or modification on the Policy as recommended by the Audit Committee would be presented for review and approval of the Board of Directors.

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