



**Related Party Transaction Policy of Sadbhav Engineering Ltd.**  
**(Approved by Board of Directors at their meeting held on 13.10.2014)**

**Preamble:**

The Board of Director of the Company has adopted the following policy and procedure with regards to dealing with Related Party Transactions and policy on materiality of Related Party Transactions. The Audit Committee will review the same from time to time and propose the amendment required in the policy to the Board of Directors.

**Objective:**

Related Party Transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian legislature.

The changes introduced in the corporate governance norms through the Companies Act, 2013 and the revised clause 49 of the listing agreement require the companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One such requirement is that the companies are required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

**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.

**“Audit Committee”** means the audit committee constituted by the Board of Directors of the Company under the provision of Companies Act, 2013 and Listing Agreement with Stock Exchanges.

**“Board”** means the Board of Directors of Sadbhav Engineering Limited.

**“Company”** means Sadbhav Engineering Limited.

**“Key Managerial Personnel”** means any key managerial personnel as defined under the Companies Act,2013.

**“Material Related Party Transaction”** means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds ten percent of the consolidated annual turnover of the Company as per the last audited financial statements of the Company.

**“Policy”** means this Policy, as amended from time to time.



“**Related Party**” in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 and clause 49 of the listing agreement as amended from time to time.

“**Related Party Transaction**” in relation to the Company means a transaction with a Related Party under the provisions of Section 188 of the Companies Act, 2013 with respect to : .

- (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) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company:

As per Clause 49 of Listing Agreement, a 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.

**Explanation:** A “transaction” shall be construed to include single transaction or a group of transactions in a contract

**Transaction covered by this policy:**

All Material Related Party Transactions and Related Party Transactions which are not in the ordinary course of business and not an Arms’ Length transaction. However, Related Party Transaction which are in ordinary course of business of the Company and on arm’s length shall be periodically disclosed to the Audit Committee/Board.

**Prior approval of Board for Related Party Transaction:**

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and in compliance of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on subject matter of the resolution relating to such Transaction.

**Prior approval of Audit Committee for Related Party Transactions:**

All related party transactions shall require the prior approval of Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution.



**Omnibus approval :**

The Audit Committee may grant omnibus approval for Related Party Transactions(RPTs) proposed to be entered into by the company subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- c. Such 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 Rs.1 crore per transaction.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year,

**Prior approval of Shareholders:**

All Material Related Party Transactions shall, subject to proviso require prior approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

All Related Party Transactions (other than Material Related Party Transactions) pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 shall also require the prior approval of shareholders of the Company through special resolution and the Related Parties shall abstain from voting on such resolution(s).

In the case of a wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering to the transactions between wholly owned subsidiary and holding company within the limits approved by the shareholders.

Provided that if any transaction is entered into or required to be entered into with Related Party on account of urgency the Related Party Transaction needs to be ratified within three months of entering into such transaction.

**Criteria for approving Related Party Transactions :**

The Board/Committee shall take into account the following, in determining whether to approve, ratify, disapprove or reject a Related Party Transaction and assessing the Related Part transactions :

- (a) The Related Party's interest in the Related Party Transaction;
- (b) The approximate amount involved in the Related Party Transaction;
- (c) The approximate amount of Related Party's interest in the transaction without regard to the amount of profit or loss;
- (d) Whether the Related Party Transaction was undertaken in the ordinary course of business of the Company.
- (e) Whether the transaction with Related Party is proposed to be, or was, entered on an arms' length basis;
- (f) The purpose of, and potential benefits to the Company from the Related Party Transactions.
- (g) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transaction, if any;
- (h) Whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction.
- (i) Whether the Related Party Transaction would affect the independence of independent director
- (j) Whether the Company was notified about Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company.
- (k) Whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee/Board deems relevant.
- (l) Any other relevant information regarding the transaction.

**Disclosure :**

- (a) Related Party Transactions with proper justification shall be disclosed in the Directors Report
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.
- (c) The Company shall disclose the policy on dealing with Related Party Transactions on its website and web link there to shall be provided in the Annual Report



**Amendments:**

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

**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, Listing Agreement, 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.