



**SOMI CONVEYOR BELTINGS LIMITED**  
**CIN: L25192RJ2000PLC016480**

**RELATED PARTY TRANSACTION POLICY**  
*(Effective from February 14, 2015)*

## ***RELATED PARTY TRANSACTION POLICY***

---



### **1. Preamble:**

The Board of Directors (the “Board”) of Somi Conveyor Beltings Limited (the “Company” or “SCBL”), has adopted the following policy and procedures with regard to the Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company.

### **2. Purpose:**

This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements, transactions between the Company and Related Parties as well as policy concerning the transactions with Related Parties.

### **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.

**“Ordinary Course of Business”** means a transaction which is carried out in the normal course of business envisaged in accordance with the Memorandum of Association (“MoA”) and the Articles of Association (“AoA”) of the Company as amended from time to time.

**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of section 177 of the Companies Act, 2013 read with Clause 49 of Listing agreement.

**“Board”** means Board of Directors of the Company “Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

**“Material Related Party Transaction”** means a transaction with a related party if the transaction/ transactions 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 company as per the last audited financial statements of the Company.

**“Policy”** means Related Party Transaction Policy.

## ***RELATED PARTY TRANSACTION POLICY***

---

**“Related Party”** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Clause 49(VII) (B) of the Listing Agreement.

**“Related Party Transaction”** means a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

Explanation: A “Transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

**“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)

#### **4. Policy:**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

#### **5. Materiality Thresholds**

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders’ approval will be required by way of a **ordinary** resolution. The has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Clause 49(VII) (C) of the Listing Agreement.

## **6. Identification of Potential Related Party Transactions:**

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external domain expert professional opinion, if necessary.

Each director and Key Managerial Personnel is responsible for providing notice to the Board or 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 Board/Audit Committee may reasonably request. Board/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/Board has adequate time to obtain and review information about the proposed transaction.

## **6. Approval of Related Party Transactions:**

### **APPROVAL OF THE AUDIT COMMITTEE**

1. All Related Party Transactions shall require prior approval of Audit Committee of the Board. However, the Audit Committee may grant omnibus approval for Related Party Transactions 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;
  - d. 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.

## ***RELATED PARTY TRANSACTION POLICY***

- e. Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
  - f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
2. All material related party transactions will be placed for approval of the shareholders of the Company through special Resolution and the related parties shall abstain from voting on such resolutions.
  3. In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
  4. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
    - a) Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
    - b) Key terms (such as price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
    - c) Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
    - d) Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
    - e) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
      - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
      - third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
      - management assessment of pricing terms and business justification for the proposed transaction;
      - comparative analysis, if any, of other such transaction entered into by the company.

**APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY**

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

1. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
2. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
3. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
4. Transactions meeting the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

**APPROVAL OF THE SHAREHOLDERS OF THE COMPANY**

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

**7. Disclosures:**

- (a) The Company is required to disclose Related Party Transactions in the Company's Board's Report to shareholders of the Company at the Annual General Meeting.
- (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.

## ***RELATED PARTY TRANSACTION POLICY***

---

- (c) The Company is also required to disclose this Policy on its website and also in the Annual Report of the Company.
- (d) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

### **8. Amendment:**

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time.

**Note:** The provisions of the Companies Act, 2013 and rules thereto and the Listing Agreement (including any amendment thereto from time to time) to the extent applicable, shall be apply in addition to this policy.