

SANCO INDUSTRIES LIMITED

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POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

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1. SCOPE AND APPLICABILITY

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions like nature of related party transactions, nature of related parties, the financial limits and the approval process for such transactions.

In addition, The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) with the objectives to make the corporate governance framework more effective, necessitates all the listed companies to formulate a policy on materiality of Related Party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (the "Board") of Sanco Industries Limited (the "Company" or "Sanco"), has adopted a policy and standard operating procedures to regulate transactions between the Company and Related Parties to be known as -"Sanco industries limited-Policy on dealing with Related Party Transactions" ("RPT Policy").

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.

2. OBJECTIVE

The objective of this Policy is to ensure appropriate approval & reporting of related party transactions by setting out the materiality thresholds, the manner of dealing and other things between the Company and its related parties based on the Act, Rules and Listing Regulations. This will further, strengthen the transparency, proper disclosure and fairness of conduct of related party transactions of the Company.

3. MEANING OF TERMS USED

- a) "Act" means the Companies Act, 2013 including the rules, schedules, clarifications and guidelines issued by the Ministry of Corporate Affairs from time to time.
- b) "Arms' 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.
- c) "Audit Committee" shall mean the Audit Committee of the Board of Directors of Sanco Industries Limited, constituted in accordance with the provisions of the Act and Listing Agreement.
- d) "Board" refers to Board of Directors of Sanco Industries Limited
- e) "Company" or "Sanco" refers to Sanco Industries Limited pursuant to this policy, having its Registered Office at D-161, Surajmal Vihar, Delhi - 110092.
- f) "Control" shall have the same meaning as defined in SEBI(Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as may be amended from time to time.
- g) "Material Transaction/Materiality Thresholds "means a transaction with a related party where any transaction 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.

- h) **"Policy"** means Related Party Transaction Policy
- i) **"Related Party"** means Related Party as defined under Section 2(76) of the Companies Act, 2013, Listing Regulations and/ or under the applicable accounting standards, including all amendments and modifications thereof from time to time.
- j) **"Related Party Transaction"** means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged. A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract."
- k) **"Rules"** means Companies (Meetings of Board and its Powers) Rules, 2014 including any modifications or amendments thereof).
- l) **"Transaction"** with a Related Party shall be construed to include single transaction or a group of transactions entered into under a single contract.
- m) **"Ordinary course of Business"** means a transaction which is:-
 - Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
 - Historical practice with a pattern of frequency;
 - Common commercial practice;
 - Meets any other parameters/criteria as decided by Board/Audit Committee.

4. APPROVAL AND PROCEDURES

All transactions with Related Parties shall be in the ordinary course of business and at arm's length and shall be subject to the prior approval of the Audit Committee. If any transaction with Related Party(s) is not in the ordinary course of business and/or not at arm's length, then:

- All such transactions will require prior approval of the Audit Committee;
- Will require prior approval of the Board; and
- Will require prior approval of the shareholders of the Company by special resolution if they exceed the threshold limits mentioned u/s 188 of the Act read with Rules.

A. APPROVAL OF AUDIT COMMITTEE

1. All related party transactions require prior approval of the Audit Committee.

2. OMNIBUS APPROVAL

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

(1) The audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(2) The audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(3) The omnibus approval shall specify:

(i) The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

The audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year:

3. The Audit Committee shall also review the statement of significant Related Party transactions submitted by management as per its terms of reference.
4. Any member of the Committee who has a potential interest in any Related Party Transaction shall not remain present at the meeting when such Related Party Transaction is considered.
5. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors / Shareholders as per terms of this policy.

B. APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY

As per the provisions of Section 188 of the Act, Rules and Listing Regulations all kinds of transactions specified under the said Section and which are not in the ordinary course of business and 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:

- i. Transactions which may be in the ordinary course of business and 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;
- ii. 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;
- iii. 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.
- iv. Transactions meeting the materiality thresholds laid down Clause 3 of the Policy, which are intended to be placed before the shareholders for approval.

Where any director is interested in any Related Party Transaction, such director shall not remain present at the meeting when Related Party Transactions is considered.

C. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

- All the transactions with related parties meeting the materiality thresholds, laid down in Clause 3 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.
- Provided that the Material Related Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require approval of the shareholders.
- In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business and at arm's length basis; and (b) exceed the thresholds laid down in Rules, are placed before the shareholders for its approval.
- In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

D. INFORMATION TO BE PROVIDED TO AUDIT COMMITTEE AND BOARD OF DIRECTORS

Following details should be provided to the Audit Committee and the Board where approval for entering into Transactions with Related Party(s) is sought:

- The name of the Related Party and nature of relationship;
- The nature, duration of the contract and particulars of the contractor 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 to take a decision on the proposed transaction.
- The Audit Committee/Board may call for such additional information as may be required for granting approval to such Transactions.

5. IDENTIFICATION OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Company shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein. The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

6. REVIEW OF RELATED PARTY TRANSACTIONS

The Management shall lay down an appropriate framework including the pricing mechanism to ensure arm's length pricing for dealing with the Related Party(s). The Management shall institute appropriate administrative mechanism to ensure that all Related Party Transactions are in compliance and reviewed in accordance with these policies and procedures including maintenance of proper records in this regard.

All the transactions with Related Parties shall be referred to the Audit Committee for review at its scheduled quarterly meetings or as may be called upon by the Audit Committee from time to time along with all relevant information of such transaction(s).

The Audit Committee may refer any of the Related Party Transactions brought before it or

it being mandatory under any law, for approval of the Board. The Board may on its own accord also decide to review any Related Party Transaction. The above mentioned procedure shall be followed by Board for considering and granting approval to Related Party Transactions.

The Audit Committee and Board shall periodically review this RPT policy and may recommend amendments, from time to time as it may deem appropriate, to the Board.

The Audit Committee may seek advice of external consultants and experts on determining whether a particular transaction which is being considered by the Audit Committee would be regarded on an arms' length basis or otherwise.

7. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS RPT POLICY

In the event any Transaction has been undertaken/ is being undertaken with a Related Party without obtaining requisite approval under this RPT policy, such transactions should be immediately reported. Such Transactions shall be reviewed by the Audit. The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party. Based on the information provided, the Audit Committee shall evaluate and take such necessary steps, as it may deem fit, including Ratification, Termination or Revision of any terms of the Related Party Transaction. The Audit Committee shall keep the Board apprised of any instances of such transactions entered into with any related party in contravention of this RPT policy and recommend to Board for its approval.

The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy

8. POLICY REVIEW AND AMENDMENTS

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated there under and Listing Regulations and must be approved in the manner as may be decided by the Board of Directors.

9. DISCLOSURES

- Every Contract or arrangement entered with Related Parties with the approval of Board /Shareholders in line with Section 188 of the Companies Act 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.
- Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18.
- Details of all material transactions with Related Parties shall be disclosed quarterly along with the compliance report on corporate governance.
- any other disclosures as may be required from time to time

10. MAINTENANCE OF RECORDS

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party that requires approval of the Board.