

SAR AUTO PRODUCTS LIMITED

(CIN: L34100GJ1987PLC010088)

50-E, BHAKTINAGAR INDS ESTATE RAJKOT - 360002

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

INTRODUCTON:

This Policy is framed considering the governing Acts and Regulations as mentioned below:

- 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 and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.
- 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.

OBJECTIVE:

This Policy is framed to identify the Materiality and to deal, regulate and disclose the Transactions between the Company and Related Party.

APPLICABILITY:

This Policy is applicable for the transactions occurred between the Company and Related Parties. In Definition section, the term "Related Parties" is defined. Transactions covered by this policy include any contract or arrangement with a Related Party as under:

- (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:

SCOPE AND PURPOSE:

This policy regulates the Transactions between the Company and Related Parties.

This policy is formulated to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

DEFINITIONS:

AUDIT COMMITTEE : means Committee of the Board of Directors of the Company framed as per Section 177 of the Companies Act, 2013 and as per Regulation 18 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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.

KEY MANAGERIAL PERSONNEL: means any Key Managerial Personnel as defined under section 203 of the Companies Act, 2013 and Accounting Standards as the case may be 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

MATERIAL RELATED PARTY TRANSACTION IN RELATION TO THE COMPANY means a related party transaction which individually or taken together with previous transactions with a related party during a financial year, exceeds ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

ORDINARY COURSE OF BUSINESS WITH REFERENCE TO A TRANSACTION WITH A RELATED PARTY means a transaction which 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;
- Historical practice with a pattern of frequency;
- Common commercial practice; or

- Meets any other parameters/criteria as decided by the Board/Audit Committee from time to time.

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 Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

"RELATED PARTY", with reference to a company, means—

(i) a director or his relative;

(ii) a key managerial personnel or his relative;

(iii) a firm, in which a director, manager or his relative is a partner;

(iv) a private company in which a director or manager ¹[or his relative] is a member or director;

(v) a public company in which a director and manager is a director ²[and holds] along with his relatives, more than two per cent of its paid-up share capital;

(vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;

(vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is—

(A) a holding, subsidiary or an associate company of such company;

(B) a subsidiary of a holding company to which it is also a subsidiary; or

(C) an investing company or the venturer of the company;"

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

"RELATIVE", with reference to any person, means any one who is related to another, if—

(i) they are members of a Hindu Undivided Family;

(ii) they are husband and wife; or

(iii) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

(1) Father:

Provided that the term “Father” includes step-father.

- (2) Mother:
Provided that the term "Mother" includes the step-mother.
- (3) Son:
Provided that the term "Son" includes the step-son.
- (4) Son's wife.
- (5) Daughter.
- (6) Daughter's husband.
- (7) Brother:
Provided that the term "Brother" includes the step-brother;
- (8) Sister:
Provided that the term "Sister" includes the step-sister

APPROVAL OF RELATED PARTY TRANSACTIONS:

- (a) All related party transactions shall require prior approval of the Audit Committee. The approval of the Audit Committee can be granted by way of a circular resolution. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the provisions of Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 and the said approval is valid for one year only if the said transactions are within the limit as approved omnibus.
- (b) The Transaction which are in the Ordinary Course of Business and on arm length basis requires prior approval of Audit Committee as mentioned aforesaid and of the Board of Directors of the Company and approval valid for one year only if the said transactions are within the limit as approved omnibus.
- (c) All material related party transactions shall require prior approval of the shareholders through resolution.
- (d) In case of related party transaction which is not in the ordinary course of business or which is in the ordinary course of business but is not arm's length transaction, whether or not it is a material related party transaction, prior approval of the Board vide a resolution passed at the meeting of the Board shall be necessary.
- (e) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
- (f) The related parties shall abstain from voting as shareholders in case of related party transactions which require the approval of shareholders.
- (g) Transactions with related parties exceeding such sums, as prescribed under Section 188 of the Companies Act, 2013 read with relevant rules prescribed thereunder shall require prior approval of the shareholders.

PROCESS FOR DEALING WITH RELATED PARTY TRANSACTIONS:

A company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:-

(1) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-

(a) the name of the related party and nature of relationship;

(b) the nature, duration of the contract and particulars of the contract or arrangement;

(c) the material terms of the contract or arrangement including the value, if any;

(d) any advance paid or received for the contract or arrangement, if any;

(e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;

(f) 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

(g) any other information relevant or important for the Board to take a decision on the proposed transaction.

(2) Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement

(3) A list of all the related parties in relation to the Company received from the Directors shall be updated from time-to-time.

(4) Basis the above mentioned list of related parties, every department shall, prior to entering in to any contract or arrangement with a related party, ascertain whether the proposed contract or arrangement satisfies the approval mechanism prescribed under this Policy.

(5) The members of the Board and the key managerial persons shall disclose to the Board whether they have a material interest in any transaction or matter affecting the Company.

(6) The Board and the key managerial persons shall conduct themselves in such a manner so as to meet the expectations of operational transparency to stakeholders while at the time maintain confidentiality of information in order to foster a culture for good decision making.

(7) The Board of Directors shall collectively monitor and manage potential risk of conflicts of interest of management, board members and shareholders including misuse of corporate assets and abuse in related party transactions.

(8) Members of the Board should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

(9) The contract/arrangement shall not be entered in to without the necessary approval from the Audit Committee/Board/Shareholders, as the case may be. Compliance to this condition will strictly be adhered to by the concerned department proposing the underlying contract or arrangement.

TRANSACTION DONE WITHOUT OBTAINING THE CONSENT OF THE BOARD OR APPROVAL OF SHAREHOLDERS IN GENERAL MEETING:

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a shareholder in the general meeting and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

REGISTER OF CONTRACTS OR ARRANGEMENTS IN WHICH DIRECTORS ARE INTERESTED:

Company shall maintain registers in Form MBP 4 and shall enter therein the particulars of-

Contracts or arrangements with a related party with respect to transactions to which section 188 applies.

The entries in the register shall be made at once, whenever there is a cause to make entry, in chronological order and shall be authenticated by the company secretary of the company or by any other person authorised by the Board for the purpose.

After entering the particulars, such register or registers shall be placed before the next meeting of the Board and signed by all the directors present at the meeting.

The register shall be kept at the registered office of the company and the register shall be preserved permanently and shall be kept in the custody of the company secretary of the company or any other person authorised by the Board for the purpose.

The company shall provide extracts from such register to a member of the company on his request, within seven days from the date on which such request is made upon the payment of such fee as may be specified in the articles of the company but not exceeding ten rupees per page.

The register 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.

REPORTING AND DISCLOSURE:

- Director's Report shall contain details of Related Party Transactions as required under the Companies Act, 2013
- The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report by giving website link
- This policy will be communicated to all operational employees and other concerned personnel of the Company.

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.