

Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

1. Our Vision:

Sagar Cements Limited (“the Company”) will conduct itself in a manner that would reflect its shared values and its commitment to carry the business in a right way. Accordingly, its policy on Material Related Party transactions has been framed to achieve highest standards in corporate ethics and transparency in its operations while discharging its responsibilities to all its stakeholders and to the society at large. The Company will remain committed to monitor and manage any potential conflicts of interest that may exist among the Board Members while discharging their functions as directors of the Company.

With a view to achieving the above vision, the Board of Directors (the “Board”) of the Company has adopted a Policy on Related Party Transactions (“the Policy”), upon the recommendation of its Audit Committee and this Policy, inter-alia, fixes the materiality threshold and provides a framework for governance and reporting of Related Party Transactions including material transactions in compliance with the requirements of Section 188 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (SEBI LODR). Amendments, if any, from time to time, to this Policy, will be considered by the Board based on the recommendations of the Audit Committee and the applicable Regulatory requirements.

2. Applicability:

This Policy applies to all the transactions between the Company and one or more of its Related Parties.

3. Conflict of Interest

Directors, while discharging their functions, shall avoid any relationship or activity that might impair their ability to take a decision in an objective and fair manner. Whenever the directors find a decision to be taken by the Company being in conflict of interest with their own personal or family interests, the directors should advance the legitimate interest of the Company.

4. Definitions

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest or where based on the business requirements and then prevailing economic conditions, the relevant stake holders have approved the terms of proposed related party transaction or where a regulator provides for any conditions impacting the market price of such transaction etc.

“Audit Committee or Committee” means the Audit Committee of the Board constituted from time to time under the provisions of SEBI LODR and Section 177 of the Companies Act, 2013.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Company” means “Sagar Cements Limited”

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“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.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, subject to such limit as may be prescribed for the purpose from time to time either in the Companies Act, 2013 or in the SEBI LODR.

“Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.”

“Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum and Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;

“Related Party” means a related party as defined in the Companies Act, 2013 read with SEBI LODR as amended from time to time.

“Related Party Transactions” means a related party transactions as defined under Regulation 2(1) (zc) of the SEBI Listing Regulations or as envisaged in Section 188(1) of the Companies Act, 2013.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband and wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

“Subsidiary” means a subsidiary as defined under sub-section (87) of Section 2 of the Companies Act, 2013.

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

The terms Director, Chief Financial Officer, Company Secretary, shall have the same meaning as assigned under the Companies Act, 2013.

5. Policy

The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval, details whereof are given in a separate section of this Policy.

5.1 Identification of Related Party Transactions

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than the advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on his / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of –

1. All Directors and Key Managerial Personnel;
2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company or their Relatives; and
6. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with SEBI LODR or the relevant Accounting Standard, as the case may be.

Every Director, Key Managerial Personnel, Functional /Departmental head / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

5.2 Review and approval of Related Party Transaction

All 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 through electronic mode.

Related Party Transactions where subsidiary is a party but the Company is not a party and the transaction amount exceeds subject to threshold of 10% of the standalone turnover of the subsidiary

Only Members of the Audit Committee, who are independent directors, shall approve related party transactions. A member of the Committee having a potential interest in any Related Party Transaction will not remain present at the meeting or will abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

Prior approval of the Audit Committee shall not be required for:

- a. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

b. Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.

c. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

d. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

5.2.1 Consideration by the Committee in approving the proposed transactions

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;

b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and

d. Whether the Related Party Transaction would affect the independence or would present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee may deem relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as applicable at the time of entering into the transaction with the Related Party.

5.2.2 Approval by Circular Resolution of the Committee

In the event the Company Management determines that it is impractical or undesirable to wait for a meeting of the Committee to be convened to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

5.2.3 Standing Pre-Approval / Omnibus Approval by the Committee

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting its approval, the Audit Committee shall satisfy itself of the need for such omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any .
- f. Such other conditions as the Audit Committee may deem fit.

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:

- a. repetitiveness of the transactions (in past or in future);
- b. justification for the need of omnibus approval

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 Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

The omnibus approval shall provide details of:

- a. the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into;
- b. basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any; and
- c. such other conditions as the Audit Committee may deem fit.

5.2.4 Approval by the Board

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:

- a. 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.
- b. 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.
- c. Transactions meeting the materiality thresholds as specified under the Companies Act, 2013 and Regulation 23(1) of SEBI LODR and any subsequent Material Modification to a Material Related Party Transaction, which are intended to be placed before the shareholders for approval.

5.2.5 Shareholders' Approval of Material Related Party Transactions

1. All the Material Related Party Transactions and any subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR shall require prior approval of the shareholders. In addition to this, all kinds of transactions specified under Section 188(1) of the Companies Act, 2013 which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall require prior approval of the shareholders.

a. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

b. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

2. All Related Party Transaction(s) of the Subsidiary (where the Company is not a party) exceeding the threshold of Material Related Party Transactions and subsequent Material Modifications thereto, shall require prior approval of the Shareholders of the Company.

Prior approval of the shareholders of the Company shall not be required for:

a. Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

b. Related Party Transactions of unlisted subsidiaries of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.

For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not.

5.3 Disclosure and Reporting of Related Party Transactions

Every Related Party Transaction, as prescribed in Section 188(1) of the Companies Act, 2013, entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction.

The Company shall submit within the timelines prescribed under Regulation 23(9) of the SEBI LODR Regulations, disclosures of related party transactions on a consolidated basis, in the format specified by SEBI from time to time and publish the same on its website.

The Company Secretary and the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

6. Scope limitation

In the event of any conflict between the provisions of this Policy and of the SEBI LODR / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such SEBI LODR / Companies Act, 2013 or any other statutory enactments, rules shall prevail over this Policy.

7. Dissemination of Policy

This Policy or the important provisions there of shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.