

SANDHAR

SANDHAR TECHNOLOGIES LTD. POLICY ON RELATED PARTY TRANSACTIONS

29th Aug. 2014

BACKGROUND

Sandhar Technologies Ltd. {including its subsidiaries} (hereinafter referred as the 'Company' or 'STL') believes in the conduct of its affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour and complete compliance of laws.

Genesis of Related Party Transactions

The established legal position is that the directors of a company hold the position of trust and are its agents and, as such, transactions of the Company with them need to be regulated. The requirement arises from the fact that company's transactions with the parties related to it, notably those with its directors, their relatives and entities or persons related to them, should be at an arm's length to be in the best interest of a company. This will ensure proper commercial dealings and no conflict of interest.

Code of Conduct

As per the Code of Conduct for Directors {Including Independent Directors} And Senior Management, they are mandated to be scrupulous in avoiding 'conflicts of interest' with the Company. The guiding norm is that any activity or situation involving conflict or potential conflict of interest must be disclosed to the Audit Committee and the Board for appropriate action.

OBJECTIVE

This Policy is intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties along with materiality of such transactions. Such Related Party transactions {RPT} are appropriate only if they are in the best interest of the Company and its shareholders and in terms of the applicable legal provisions.

The Board of Directors (the "Board") of the Company acting upon the recommendation of its Audit Committee (the "Committee"), has adopted the following Policy and procedures with regard to Related Party transactions. The Committee may review and amend this Policy from time to time subject to the approval of the Board.

Companies Act 2013

- The terms Related Party Transactions and arm's length transactions {section, 188}, Related Party {section 2 (76)} and Relative {section 2 (77)} have been defined under Companies Act 2013. The relevant Rule is - The Companies {Meetings of Board and its Powers} Rules 2014.
- Consent of Board of Directors is required before entering into specified Related Party Transactions with related parties / relatives.
- Interested Director shall not be present in the Board meeting.
- Where a company having paid up share capital of not less than specified amount or where transactions exceeding specified sum are to be entered into, prior approval by way of special resolution of the shareholders is required. Moreover, where a shareholder who is a related party in the specific transaction, he/she/it is not permitted to vote on such resolution.
- Exception is where the transaction is in the ordinary course of business and at an arm's length basis {which has been defined}.
- Such transactions can also be ratified by the Board and shareholders where applicable, within three months from the date of entering into the transactions if prior consent/ approval are not obtained.
- In case such ratification is not obtained, such transactions will be voidable at the option of the Board.
- There is also provision for indemnification by the concerned director and recovery of loss by a company.
- Disclosures shall have to be made in Board's Report.

New Clause 49 of the Listing Agreement

- 'Related Party' is defined as a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions. Conditions have also been laid down invoking the definition where a person or a close member of that person's family is related to a company or where an entity is related to a company.
- 'Related Party Transaction' is defined to cover 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 considered material if the transaction/s to be entered into individually or taken together with previous transaction/s during a financial year, exceeds five percent {5%} of the annual turnover or twenty percent {20%} of the net worth of the company as per the last audited financial statements of the company, whichever is higher.
- All Related Party Transactions shall require prior approval of the Audit Committee.
- All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance
- The company shall disclose the Policy on dealing with Related Party Transactions on its website and also in the Annual Report.

RELEVANT CONCEPTS

Identify Related Parties

- Identifying Related Parties keeping in view the relevant provisions Companies Act 2013, its Rules, Clause 49 of the Listing agreement, Accounting Standard-18 and other applicable provisions. The Related parties with which/ whom earlier transactions of the Company have been consummated shall also be considered in this respect.

Identify & examining Related Party Transactions

- Identify Related Party Transactions. The earlier related party transactions of the Company shall also be considered in this respect.
- Whether the terms of the Related Party Transactions are fair to the Company and would apply on the same basis if the transactions did not involve a Related Party?
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transactions and the nature of alternative transactions, if any?
- Whether the Related Party Transactions would impair the independence of an otherwise independent director?

- Whether the Related Party Transaction would present an improper conflict of interest for any director or other related party, taking into account the size of the transaction, the overall financial position of the Company, and any other factor/s?
- Whether the Related Party Transactions are material in terms of applicable provisions of law, more particularly the applicable provisions of the Companies Act 2013, Clause 49 of the Listing Agreement, AS 18 & Income Tax Act, as applicable?

Ordinary Course of Business

The phrase "ordinary course of business" is not defined under the Companies Act 2013 or rules made there under or any other provisions. It would be the ordinary course of business that will cover the usual transactions, customs and practices of the business of the Company which is real estate business.

In its guidance to Auditors, the Institute of Chartered Accountants of India {ICAI} has included following few examples of transactions that are considered outside the entity's normal (or ordinary) course of business: -

- Complex equity transactions, such as corporate restructurings or acquisitions.
- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns. Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

The assessment of whether transaction is in the ordinary course of business being subjective, judgemental and liable to vary on case-to-case basis giving consideration to nature of business and objects of the Company. The purpose of making such assessment is to determine whether the transaction is usual or customary to the company and/ or its line of business. Variety of factors like size and volume of transactions, arms-length, frequency, purpose etc. should be considered to make this assessment.

Arms' Length Transactions

Arm's length transaction as defined in section 188 of the Companies Act 2013 means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Company has to consider various qualitative and quantitative assessments to determine arms-length transactions.

Materiality of Related Party Transactions

The concept of materiality would be considered in terms of Companies Act 2013, Clause 49, AS 18 and Income tax Act, as applicable. The same shall apply in terms of this Policy.

GUIDING PRINCIPLES

1. All the applicable provisions of laws, as amended from time to time, are to be complied in letter and spirit in implementing this Policy.
2. Related Parties would be identified as one time exercise which data would be updated regularly.
3. Related Party Transactions would be identified and also their materiality.
4. Materiality would be based on definitions provided in law and understood commercially in respect of business of the Company.
5. Integrate identification with the ERP system of the Company to enable identification and tracking of transactions with related parties.
6. Related Party Transactions are to be formalized through contractual arrangements and to be properly documented.
7. The prior approvals of the Audit Committee, Board / shareholders {Special resolution} would be taken, before entering into Related Party Transactions.
8. It would be the endeavour that transactions proposed to be entered by the Company with the related parties would be in the ordinary course of business of the Company, on arm's length basis and which are not material in nature. However, the prior approvals of the Audit Committee and the Board would be taken.
9. To ensure that there is no conflict of interest; materials/services shall be obtained after due benchmark and multiple quotes to be obtained as much as is feasible.
10. To ensure that there is no conflict of interest; valuation would be done in respect of the properties involved in the transactions so that proper transaction prices would be arrived at. Appropriate valuation would also be done where other than properties are involved.
11. Such valuation would be done by Registered Valuer in terms of the Companies Act 2013 and in absence of related notification of these

provisions, by an independent merchant banker registered with SEBI, or by an independent chartered accountant in practice with minimum 10 years experience or as may be permitted by the Central Government. Quotes from the property brokers who deal with the properties in the areas where the proposed transactions would be done will also be obtained indicating the market value of the properties in consideration. The transaction price would be based on such valuations and should not be to the detriment of the interest of the Company.

12. Regular Internal audit would be conducted for all routine and non routine Related Party Transactions. Statutory Auditors would also examine the compliance of law/s for the Transactions.
13. Required disclosures would be made as stipulated in the applicable law/s.
14. Necessary entries would be made in the statutory registers maintained by the Company pursuant to the Companies Act 2013 and rules made there under.
15. This Policy would be disclosed in the Annual Report and the web site of the Company.

OVERVIEW OF APPROVALS REQUIRED

- The prior approval of the Audit Committee and the Board is required where Related Party Transaction is at arm's length and in the ordinary course of business and not material.
- The prior approval of the Audit Committee and the Board is required where Related Party Transaction is not at arm's length, not in the ordinary course of business and not material and the amount of the transaction does not exceed the prescribed limits provided in the Companies Act 2103 and its Rules.
- The prior approvals of the Audit Committee, the Board and the shareholders {Special resolution} are required where Related Party Transaction is not at arm's length, not in the ordinary course of business and where the transaction is also material or the amount of the transaction exceed the prescribed limits provided in the Companies Act 2103 and its Rules . No shareholder of the Company is permitted to vote on the special resolution to approve such related party transaction if he/she/it is a related party.
