



***Policy on Materiality of Related Party Transactions and Manner of
Dealing with Related Party Transactions***

**SHAILY ENGINEERING PLASTICS LIMITED SURVEY # 364/366, RANIA, TA-
SAVLI DIS- VADODARA-391780**

CIN- L51900GJ1980PLC065554

Shaily Engineering Plastics Ltd. ("Company") has always been committed to good corporate governance practices. This Policy is regarding the review and approval of Related Party Transactions and has been adopted by the Company's Board of Directors in order to set forth the procedure under which certain transactions must be reviewed and approved or ratified. The Board of Directors has adopted this policy upon recommendation of the Audit Committee. The said Policy includes material thresholds and the manner of dealing with Related Party Transaction ("the Policy") in compliance with the requirements of the Section 188 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and Corporate Governance norms prescribed under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Amendments, from time to time, to the Policy, if any, shall be considered by the Board of Directors based on the recommendations of the Audit Committee.

This Policy applies to transactions between the Company and one or more of its related parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders.

This Policy is revised by the Board of Directors at their meeting held on January 29, 2022 & will come into force from **April 1, 2022**.

2. Objective

The SEBI Listing Regulations, 2015 mandates formulation of a policy on materiality of Related Party Transactions and also on dealings with Related Party Transactions. This Policy has been framed for complying with this requirement.

3. Definitions

"Act" means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

"SEBI Listing Regulations, 2015" means Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 and any amendments thereto.

"Arm's length basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income tax Act, 1961.

"Material Related Party Transaction" means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. Notwithstanding the aforesaid, 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 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.

“Policy” means the current policy on materiality of Related Party Transactions and also on dealings with Related Party Transactions, including amendments, if any, from time to time.

“Related Party”. means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and Regulation 2(zb) of SEBI Listing Regulations, 2015. It is defined as below :

Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party. **(Effective from 01.04.2022)**

(a) Any person or entity forming a part of the promoter or promoter group of the listed entity; or
(b) any person or any entity, holding equity shares:

(i) of twenty per cent or more; or

(ii) (ii) of ten per cent or more, with effect from **April 1, 2023**;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

(i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; **(w.e.f 01.04.2022)**

(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, **with effect from April 1, 2023**;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

The following transactions shall deemed to be excluded from the definition of “Related Party Transaction”

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding: i. payment of dividend; ii. subdivision or consolidation of securities; iii. issuance of securities by way of a rights issue or a bonus issue; and iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board

“Relative” means a relative as defined under Section 2 (77) the Act.

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

“*Material Related Party Transaction*” with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.” (Effective from 01.04.2022)

“*Material Modifications*” shall mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be

4. Policy

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy. This Policy shall be reviewed by the Board of Directors once in every three years and updated as may be required.

4.1 Identification of potential Related Party Transactions

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.

4.2 Review and approval of Related Party Transactions

All Material Related Party Transactions and Related Party Transactions which are not in the ordinary course of the Business or which are in the ordinary course of business but not on Arm's Length transaction shall require prior approval of the Audit Committee and the Board. However, Related Party Transactions which are in ordinary course of business of the Company and on Arm's Length Price shall be periodically disclosed to the Audit Committee/Board.

All Related Party Transactions which are not on Arms' length transaction shall require specific prior approval of the Audit Committee and the Board. Wherever required, approval shall be sought from the shareholders of the Company in terms with applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

4.2.1. Audit Committee

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant prior omnibus approval for Related Party Transactions which are in the ordinary course of business and satisfy the Arm's Length basis, subject to the compliance of conditions contained in SEBI Listing Regulations, 2015.

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity. Audit Committee needs to define material modifications and disclose it as a part of the Policy on materiality of RPTs and dealing with RPTs (Effective from 01.04.2022)

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such transaction is considered.

To review a Related Party Transaction, the Audit Committee shall be provided with respect to actual or potential Related Party Transactions and/or prescribed under the Act and the Listing Regulations.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits of the Company and to the Related Party, whether such Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

A RPT to which the subsidiary of the listed entity is a party, but with the listed entity is not a party if the value of such transaction whether entered individually or taken together with previous transactions during a financial year exceeds threshold of :

- a. 10% of the annual consolidated turnover in accordance with the last audited financial statements of the listed entity (effective from 01st April, 2022)
- b. 10% of the annual standalone turnover in accordance with the last audited financial statements of the subsidiary (effective from 01st April, 2023)

Audit Committee's approval would not be required if the listed subsidiary of the Company is subject to compliance of Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations, 2015. RPT's of unlisted subsidiaries of a listed subsidiary, prior approval of the audit Committee of the listed subsidiary would suffice.

Omnibus Approval may be granted by the Audit Committee if Related Party Transactions are repetitive in nature and are in the interest of the Company.

In case the need for Related Party Transaction cannot be foreseen and the other details are not available, an omnibus approval for such transactions, subject to their value not exceeding Rs. 1 crore for each of Related Parties.

Information to be reviewed by the Audit Committee :

In terms with SEBI Circular No. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021, below information is to be placed before the Audit Committee for approval of proposed RPTs. (Applicable from 01st April, 2022)

- a. Type, material terms and particulars of the proposed transaction
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction

- e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity; h. A copy of the valuation or other external party report, if any such report has been relied upon;
- h. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- i. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

4.2.2. Board of Directors

If the Audit Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case decides to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction and the considerations set forth above under paragraph 3.2.1 shall apply to the review and approval of the matter by the Board of Directors, with such modifications as may be necessary or appropriate under the circumstances.

Any member of the Board who has a potential conflict of interest in any Related party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

4.2.3 Shareholders

Shareholder's approval shall be sought in the following cases as per the requirements of the Companies Act, 2013:

- Transactions with the Related parties (as defined under the Companies Act, 2013) covered within the scope of Section 188 of the Act, which are either not in the 'Ordinary Course of Business' and exceeds the threshold under Section 188 of the Companies Act, 2013 and the rules

made thereunder, shall require prior approval of the shareholders through special resolution.

No member of the Company shall vote to approve a special resolution where a related party contract or arrangement is being considered if such a member is a related party in the context of the contract or arrangement which is being considered.

- All Material Related Party Transactions covered within the scope of the Listing Regulations shall require approval of the shareholders through special resolution. For this purpose, all entities falling under the definition of related parties (as defined under SEBI Listing Regulations, 2015) shall not vote to approve the transaction irrespective of whether the entity is a party to the particular transaction or not.

5. Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board of Directors or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Audit Committee or the Board of Directors or the Shareholders shall consider all relevant facts and circumstances of such transaction, and shall evaluate all the options available to the Company, including but not limited to ratification, revision or termination of such transaction and the Company shall take such actions as the Audit Committee deems appropriate under the circumstances.

6. Disclosure

Details of any Material Related Party Transactions shall be disclosed to the stock exchange quarterly along with the compliance report on corporate governance.

The company shall disclose the Policy on its website and web link shall be provided in the Annual Report.

7. Amendment

Any subsequent amendment/modification in the listing agreement and/or applicable laws in this regard shall automatically apply in this Policy. The provisions of this policy can be amended by the Board from time to time and all such amendments and modifications shall take effect from the date stated therein.