



## **Policy On Materiality of Related Party Transactions**

### **1) PREAMBLE**

**STEEL EXCHANGE INDIA LIMITED** is committed to maintaining high standards of corporate governance and has always been committed to good corporate governance practices. Company's philosophy on Corporate Governance envisages the attainment of the highest levels of transparency, professionalism and accountability in all facets of its operations and in its interactions with its stake holders, including shareholders, employees, the government and the lenders. The Company's objective remains to create long term value for shareholders.

Board of Directors has adopted this policy upon recommendation of the Audit Committee. The said policy includes manner of dealing with Related Party Transactions ("the Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made there under and Regulation 23 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as amended (the "Listing Regulations"). Amendments from time to time, to this 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.

### **2) OBJECTIVE OF THE POLICY**

Section Regulation 23 of the Listing Regulations and any other laws and regulations as may be applicable to the Company mandates formulation of a Policy on materiality of Related Party transactions and also dealing with Related Party transactions. This Policy has been framed for complying with this requirement.

### **3) DEFINITIONS**

3.1 "Act" means Companies Act, 2013 including any amendment or modification thereof.

3.2 "Arm's 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.

3.3 "Associate" means a company as defined under Section 2(6) of the Companies Act, 2013 and as defined by Accounting Standard (AS) 23, "Accounting for Investments in Associates in Consolidated Financial Statements".

3.4 "Audit Committee or Committee" means Committee of Board of Directors of the Company constituted under provisions of the Listing Regulations and Companies Act, 2013.





3.5 “Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.

3.6 “Board” means Board of Directors of the Company

3.7 “Company” means Steel Exchange India Limited

3.8 ‘Control’ shall include the right to appoint majority of the directors or to control the Management or policy decisions, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or Management rights or shareholders agreements or voting agreements or in any other manner.

3.9 “Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 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

3.10 “Material Related Party Transaction” means a transaction with a related party if the transaction / transactions 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.

3.11 ‘Office or place of profit’ means any office or place –

Where such office or place is held by a director, if the director holding it receives from the company anything by the way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, any rent free accommodation or otherwise;

Where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by the way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation or otherwise.

3.12 “Policy” means Related Party Transaction Policy.

3.13 “Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Regulation 2 (1) (zb) of SEBI (LODR) Regulations, 2015 as reproduced below:





As per Section 2 (76) of the Act, “Related Party”, with reference to a company, means—

- i. A director or his relative;
- ii. 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 or his relative is a member or director;
- v. A public company in which a director or manager is a director 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; or
  - b) a subsidiary of a holding company to which it is also a subsidiary;
  - c) an investing company or the venturer of the company;"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
- ix. a director other than independent director or key managerial personnel of the holding company or his relative with reference to a Company as per Rule 3 of Companies (Specification of Definitions details) Rules, 2014.

As per Regulation 2(1) (zb) of Listing Regulations, an entity shall be considered as related to the Company if:

- i. Such entity is related party under Section 2 (76) of the Companies Act 2013;  
or
- ii. Such entity is related party under applicable accounting standards.  
Provided that 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.

3.14 “Related Party Transactions or RPT” shall mean such transactions as specified under Section 188 of the Act or rules made there under and Regulation 2(1)(zc) and 23 of Listing Regulations (including any amendment or modification thereof, as may be applicable) as given below;





Transactions specified under Section 188 of the Act;

- 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 Related party transactions.
- g) Underwriting the subscription of any securities or derivatives thereof, of the Company

As per Regulation 2(1) (zc) Listing Regulations;

A Related Party Transaction means a transfer of resources, services or obligations between a listed entity and a related party, 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

3.15 "Relative" with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed there under

3.16 "Subsidiary" means a company as defined in Section 2(87) of the Companies Act, 2013.

3.17 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (LODR) Regulations, 2015, Securities Contract Regulation Act or any other applicable law or regulation including any amendment or modification thereof.

#### **4) POLICY**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

##### **4.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel are 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. The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit





Committee/Board has adequate time to obtain and review information about the proposed transaction.

#### **4.2 Process for Monitoring Related Parties**

The Directors and KMPs are mandated to promptly communicate to the Secretarial team any changes in the initial disclosure submitted by them. The Secretarial team shall update the Reference List on the basis of intimations received from the Directors/ KMPs or changes in corporate or investment structure as informed from time to time.

#### **4.3 Review and Approval of Related Party Transactions**

##### **4.3.1 Audit Committee**

Every Related party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by a circular resolution. However, the Audit Committee may grant Omnibus Approval for Related Party Transaction proposed to be entered into with the Company which are repetitive in nature and are in the ordinary course of business and on at arm's length basis.

To review a related party transaction, the Committee shall be provided with necessary information to the extent relevant. Transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

Any member of the Committee who has a potential interest in any related party transaction shall abstain from discussion and voting on the approval of the related party transaction.

##### **Omnibus approval by Audit Committee**

The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely: -

- a. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
- b. the maximum value per transaction which can be allowed;
- c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
- d. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;





- e. transactions which cannot be subject to the omnibus approval by the Audit Committee.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company and such transactions shall be repetitive in nature and Audit committee shall consider the justification for the need of omnibus approval.

Such omnibus approval shall specify:

- (i) The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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;

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.

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 Rs.1 Crore per transaction. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification.

Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval 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.

#### **4.3.2 Board**

The Board shall approve such Related Party Transactions as are required to be approved under Companies Act, 2013 and/or Listing Regulations and/or transactions referred to it by the Audit Committee. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.





### **4.3.3 Shareholders**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution. All transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis shall also require the approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

### **5) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate. In case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including but not limited to immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

### **6) AMENDMENTS TO THE POLICY**

Any Subsequent amendment/modification in the Companies Act, 2013 and/or Listing Regulations and/or other applicable laws in this regard shall automatically apply to this policy.

### **7) DISCLOSURE(S)**

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 a web link thereto shall be provided in the Annual Report.





## **8) INTERPRETATION**

Any words used in this Policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Regulations, Accounting Standards or any other relevant legislation / law applicable to the Company.

In case of any dispute or difference upon the meaning/ interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

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