

Swastik Plywood Limited

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Website: <http://swastikplywood.net/>

Corporate Identity Number: L20291WB1985PLC038657

POLICY ON DEALING WITH RELATED PARTY TRANSACTIONS

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1. PREAMBLE

The Board of Directors of Swastik Plywood Limited (the "**Company**"), NBFC registered with The Reserve Bank of India has adopted the Related Party Transaction Policy and Procedures with regard to Related Party Transactions as defined below. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws, rules and regulations.

2. PURPOSE

This policy is framed as per requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LODR) Regulations, 2015] and the Companies Act, 2013.

The Policy shall come into force with effect from the date of the listing of the equity shares of the Company on any recognized stock exchange.

3. DEFINITIONS

"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 as defined in Section 188 (1) of the Companies Act, 2013.

"Associate Company" means any entity which is an associate company under sub-section (6) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

"Audit Committee" means the Audit Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.

"Board" means the Board as defined in Section 2(10) of the Companies Act, 2013.

"Key Managerial Personnel" means Key Managerial Personnel (KMP) as defined in Section 2(51) of the Companies Act, 2013 i.e.

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed.

"Material Related Party Transaction" A transaction with a related party shall be considered material 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.

"Ordinary Course of Business" includes but not limited to a term for activities that are necessary, normal, and incidental to the business. These are common practices and customs of commercial transactions. In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm.

"Related Party" - an entity shall be considered as related to the Company if:

- (i) Such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) Such entity is a related party under the applicable Accounting Standards.

As per Section 2(76) of the Companies Act, 2013, Related Party means: ((i) a director or his relative;

- (i) a key managerial personnel or his relative;
- (ii) a firm, in which a director, manager or his relative is a partner;
- (iii) a private company in which a director or manager is a member or director;
- (iv) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;
- (v) anybody 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;
- (vi) 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;

(vii) any company 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;

(iii) A Director (other than Independent Director) or KMP of the holding company of such company or his / her relative.

The Accounting Standard 18, inter-alia, defines related party as "parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and / or operating decisions."

"Related Party Transaction" (RPT) as per SEBI (LODR) Regulations, 2015, means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged. Further, a "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

Further, as per Section 188(1) of the Companies Act, 2013, "related party transaction" means all transactions between the Company on one hand and one or more Related Party(ies) on the other hand including contracts, arrangements and transactions which is 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.

"Relative" means a relative as defined in Section 2(77) of the Companies Act, 2013.

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

"Transaction" with a Related Party shall be construed to include a single transaction or a group of transactions.

4.1.0 Approval of the Audit Committee

4.1.1 Details to be provided to Audit Committee

The following details/information shall be provided to the Audit Committee for entering into Related Party Transaction(s):

- a. name of the Related Party and nature of relationship, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
- b. particulars of the contract or arrangement including material terms and the value, if any;
- c. any advance paid or received for the contract or arrangement, if any
- d. manner of determining the pricing (indicative base price / current contracted price and the formula for variation in the price, if any) and other commercial terms, both included as part of contract and not considered as part of the contract;
- e. 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
- f. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

4.1.2 Omnibus Approval SEBI (LODR) Regulations, 2015

A. Audit Committee may grant the omnibus approval for Related Party Transactions subject to the following conditions:

1. Transactions which are **repetitive** in nature.
2. Audit Committee shall satisfy itself the need for such omnibus approval in the best interest of the Company.
3. 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.

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. 1.00 crore per transaction.

B. 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.

C. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year from the date of approval.

4.1.3 Consideration by the Audit Committee

While approving, the Audit Committee may, inter-alia, consider the following factors:

- a. 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;
- b. 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, at the time of entering into the transaction;

- c. business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d. whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or KMP of the Company;
- e. each Director and Key Managerial Personnel to provide notice to the 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 Audit Committee may reasonably request. The notice of any potential Related Party Transaction should be communicated to the Audit Committee in advance so that it has adequate time to obtain and review necessary information about the proposed transaction.
- f. any Director or KMP who has a potential conflict of interest in any Related Party Transaction shall not participate in any discussion or approval of a Related Party Transaction and shall not be counted in determining the presence of quorum of the meeting when such transaction is considered.
- g. any other matter as the Audit Committee may deem relevant.

Approval of Audit Committee is required for Related Party transactions as per provisions of the Companies Act, 2013 and Listing Regulations; however, Audit Committee in its wisdom may refer the matter for approval of the Board. Approval of Audit committee is only with reference to entering into a transaction with Related Party and other approval(s) of Board and/or Shareholders as the case may be shall be applicable as per Company's policies/ procedures/ practices/ Delegation of Powers etc.

4.2.0 Approval of the Board and Shareholders

4.2.1 Under section 188 of the Companies Act,2013

In case of specified Related Party Transaction(s) as mentioned in section 188(1) of the Companies Act, 2013 prior approval of Board and/or Shareholders is required for entering into any contract or arrangement with a Related Party as per the following:

- a. **Prior approval of the Board at a meeting** - which are **not in ordinary course of business or not on arm's length basis**.
- b. **Prior approval of the Shareholders by way of special resolution-** which are **not in ordinary course of business or not on arm's length basis** and beyond threshold limits.

S. No.	Specified RPT(s) u/s 188(1) of the Companies Act, 2013	
	Approval of the Board	Approval of the Shareholders (Threshold limits)
a)	sale, purchase or supply of any goods or materials	Exceeding 10% of the turnover of the Company or Rs. 100 crore, <i>whichever is lower</i> .
b)	selling or otherwise disposing of, or buying, property of any kind	Exceeding 10% of net worth of the Company or Rs. 100 crore, <i>whichever is lower</i> .
c)	leasing of property of any kind	Exceeding 10% of the net worth of the Company or 10% of turnover of the Company or Rs. 100 crore, <i>whichever is lower</i> .
d)	availing or rendering of any services	Exceeding 10% of the turnover of the company or Rs. 50 crore, <i>whichever is lower</i> .
e)	appointment of any agent for purchase	As per limit prescribed in clause a), b) and d), in

	or sale of goods, materials, services or property	case resulted into appointment of agent
f)	such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs. 2.50 lakhs
g)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1 % of the net worth

Explanation(s):

Limits specified in sub-clauses a) to d) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

Turnover or net worth shall be computed on the basis of the Audited Financial Statement of the preceding Financial Year.

Exemption:

Provided also that the requirement of passing the resolution shall not be applicable for 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.

No member of the Company shall vote on special resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a Related Party for such contract or arrangement.

4.2.2 Under Listing Regulations

All **Material** Related Party Transactions requires the approval of the shareholders by way of special resolution, however, the same shall be put up to the Board for its approval at a meeting before the approval of shareholders.

Exemption:

- (i) Transactions entered into with any Government Company;
- (ii) Transactions entered into with its wholly owned subsidiary whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

All entities/ persons falling under the definition of Related Parties shall abstain from voting irrespective of whether the entity/ person is a party to the particular transaction or not.

4.3 Details to be provided to the Board and Shareholders as per section 188 of the Companies Act, 2013

4.3.1 The following information shall be provided to the **Board** for approval of Related Party Transaction(s)-

- 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
- i. any other information relevant or important for the Board to take a decision on the proposed transaction.

4.3.2 The following information shall be provided to the **Shareholders** for approval of Related Party Transaction(s)-

- a. Name of the Related Party;
- b. Name of the Director or KMP who is related, if any;
- c. Nature of relationship;
- d. Nature, material terms, monetary value and particulars of the contract or arrangement;
- e. Any other information relevant or important for the members to take a decision on the proposed resolution.

4.4 Summary of the approval mechanism under Listing Regulations and the Companies Act ,2013

Details of Transaction(s)	Approving Authority
All Related Party Transactions and any subsequent modification	Audit Committee
RPTs at 4.2.1 above which are not in Ordinary Course of Business or not on arm's length basis or both (less than threshold limits)	Approval and recommendation by Audit Committee to the Board. Approval by the Board.
RPTs at 4.2.1 above which are not in Ordinary Course of Business or not on arm's length basis or both (beyond threshold limits)	Approval and recommendation by Audit Committee to the Board. Approval and recommendation by the Board to Shareholders.
Material RPTs at 4.2.2 above	Approval by the Shareholders by way of special resolution.

4.5 Ratification of Related Party Transactions

- a. If prior approval of the Board/Shareholders for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Board/Shareholders, as the case may be, within 3 (three) months of entering in the Related Party Transaction.
- b. In case Related Party Transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the company against any loss incurred by it.
- c. In any case where either the Board/Shareholders determines not to ratify a Related Party Transaction that has been commenced without approval, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/ Shareholders has authority to modify or waive any procedural requirements subject to applicable laws of this Policy in the best interest of the Company.

5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions must be put up for prior approval of the Audit Committee in accordance with this Policy whether at a meeting or resolution by circulation. Approval of the Board's/ Shareholders may be required, as detailed in this policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify the transactions in accordance with this Policy.

Concerned Head(s) of Department are responsible for placing an agenda before the Audit Committee ***including on quarterly basis in case of omnibus approval*** and/or Board of Directors and/or shareholders, as the case may be, of all Related Party Transaction(s) requiring compliance with this policy.

6. Disclosures

- a. Every Contract or arrangement entered with Related Parties with the approval of Board / Shareholders in line with Section 188 of the Companies Act 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contract or arrangements.
- b. Details of all Material Related Party Transactions shall be disclosed quarterly along with the compliance report on corporate governance to be submitted to stock exchanges.
- c. 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.
- d. Name of all related parties & nature of relationships & details of all related party transactions should be disclosed in the financial statement as per Accounting Standard 18.
- e. The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party requiring approval of the Board.

7. Amendment

The Board shall have power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy according to subsequent modification(s)/amendment(s) to the Act and the SEBI Listing Regulations.