

SURAJ PRODUCTS LIMITED

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RELATED PARTY TRANSACTIONS POLICY

1. Preamble

The Board of Directors (the “Board”) of Suraj Products Limited (the “Company” or “SPL”), has adopted this policy and procedures with regard to Related Party Transactions at its meeting held on August 08, 2015 on recommendation of the Audit Committee. The Board reserves the right to review and amend this policy from time to time based on recommendation received from the Audit Committee.

This policy is intended to regulate transactions between Related Parties based on the applicable laws and regulations.

Any amendment in the Companies Act, 2013, Rules and Regulations, Accounting Standards and the Listing Agreement governing the Related Party Transactions shall automatically have the effect of amending this policy to that extent without the need of recommendation by the Audit Committee and approval by the Board. However, any such amendment shall be placed before the Audit Committee and the Board of Directors in the next meeting and put on the website of the Company for ready reference of all concerned.

Any amendment in this Policy shall be marked in italics.

2. Purpose

This policy is framed as per requirement of Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges and intended to ensure that proper approvals are obtained and proper reporting is made of transactions between the Company and Related Parties.

3. Disclosures

- a. The details of all Material Transactions with Related Parties shall be disclosed quarterly to the Audit Committee and to Stock Exchanges along with the compliance report on Corporate Governance.
- b. Every Contract or arrangement entered into with a Related Party with Board/Shareholders’ approval shall be referred to in the Board’s Report to the shareholders along with the justification for entering into such contract or arrangement.
- c. The Related Party relationships and Transactions shall be disclosed in the Annual Report as per Accounting Standard 18.

- d. The policy of the Company on dealing with Related Parties Transactions shall be disclosed on website of the Company and in the Annual Report.

[Instead of disclosing the policy on dealing with Related Party Transactions in the Annual Report a web-link shall be provided therein.

As per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

4. Definitions

“Arms 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.

“Audit Committee” means Committee of the Board of Directors of the Company constituted under provisions of Listing agreement and Section 177 of the Companies Act, 2013.

“Board” means Board of Directors of the Company.

“Key Managerial Personnel” means Key Managerial Personnel as defined under section 2 (51) of the Companies Act, 2013.

“Material Related Party Transaction” means a transaction with a related party where the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, is in excess of the lower of the under-mentioned limits:

- (i) five percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher

As per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

or

- (ii) the threshold limits mentioned in (a) to (f) below as per the Companies Act, 2013 read with the Rules framed there under and notified from time to time, which presently are:

- (a) When a transaction involves sale, purchase or supply of any goods and material, directly or through appointment of agent, exceeding 10% of Annual Turnover or Rs.100 Crores, whichever is lower.

- (b) When a transaction involves selling or otherwise disposing of or buying any property, directly or through appointment of agent, exceeding 10% of Net Worth of the Company or Rs.100 Crores, whichever is lower.
- (c) When a transaction involves leasing of property of any kind exceeding 10% of Net Worth or 10% of turnover of the Company or Rs.100 Crores, whichever is lower.
- (d) When a transaction involves availing or rendering any services, directly or through appointment of agent, exceeding 10% of the turnover of the Company or Rs.50 Crores, whichever is lower.
- (e) When a transaction involves appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding Rs.2,50,000/-.
- (f) When a transaction involves remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding one percent of the Net Worth.

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

“Policy” means Related Party Transactions Policy.

“Related Party” means related party as defined in Clause 49 of the Listing Agreement read with Section 2 (76) of the Companies Act, 2013, which is as follows:

- A. A ‘related party’ is 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 and includes the following:
 - 1. A person or a close member of that person’s family is related to a Company if that person:
 - a) is a related party under Section 2(76) of the Companies Act, 2013,i.e.,
 - (i) a director or his relative ;
 - (ii) a 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 or 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 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;

(ix) Director, other than Independent Director, or Key Managerial personnel of the Holding Company or his relative with reference to a Company; or

- b) has control or joint control or significant influence over the Company; or
- c) is a Key Management Personnel of the Company or of a parent of the Company; or

2. An entity is related to a Company if any of the following conditions applies:

- a) The entity is a related party under Section 2(76)
- b) of the Companies Act, 2013; or
- c) The entity and the Company are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- d) One entity is an Associate or Joint Venture of the other entity (or an Associate or Joint Venture of a member of a Group of which the other entity is a member); or
- e) Both entities are Joint Ventures of the same third party; or

- e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- f) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the company; or
- g) The entity is controlled or jointly controlled by a person identified in (1).
- h) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity).

*For the purposes of this clause the term “**control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 and the term “**relative**” shall have the same definitions as that in section 2(77) of the Companies Act, 2013 and related rules.*

[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.*

Definition of Related Party substituted with effect from September 15, 2013 as per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

“Related Party Transaction” is a 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 construed to include single transaction or a group of transactions in a contract.

As per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

5. Policy

All Related Party Transactions (whether material or not) must be reported to the Audit Committee for its prior approval, from time to time.

[However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. *The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.*
- b. *The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;*
- c. *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;*

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.

- d. *Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.*
- e. *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.*

As per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

5.1 Identification of Related Parties

Each Director and Key Managerial Personnel is responsible for intimating the Board the names of the Firms/Companies/Bodies Corporate/Association of Individuals in which they have concern or interest as a Partner/Director or Member and the Related Party(ies) at the first meeting of the Board in every financial year and any change therein at the first Board meeting held after such change.

Further, every Director/Key Managerial Personnel who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement entered into or to be entered into with a Body Corporate/Firm shall disclose nature of concern or interest at the meeting of Board in which such contract or arrangement is discussed.

Secretarial Department shall prepare the list of Related Parties on the basis of aforesaid information. Statutory Auditors to verify the process of ascertaining the Related Parties. The said list shall be circulated to Managing Director/Chief

Executive Officer/Business Heads/Branch Heads, the Finance and Accounts Department, Statutory Auditors and Management Audit Team.

5.2 Restrictions for Related Party Transactions

a. All Related Party Transactions shall require prior approval of Audit Committee.

[Except the 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.

As per SEBI Circular No. CIR/CFD/POLICY CELL/7/2014 dated September 15, 2014.]

b. Except with the consent of the Board of Directors given by a resolution at a meeting of the Board, the Company shall not enter into any contract or arrangement with a Related Party.

c. All Material Related Party Transactions shall require approval of the shareholders through special resolution and all entities falling under the definition of Related Party shall abstain from voting on such resolutions irrespective of whether the entity is a party to the particular transaction or not.

Provided that no Board and Shareholders' approval shall be required to the transactions entered into by the Company in its ordinary course of business other than transactions which are not on Arms Length basis.

5.3 Review and Approval of Related Party Transactions

The following shall be the process of approving Related Party Transactions:

- (a) Related Party Transactions will be normally referred to the next regularly scheduled meeting of Audit Committee/Board for their review and approval.
- (b) For seeking the approval of the Audit Committee in respect of regular/routine related party transactions, before end January of every financial year, the Commercial Department and Accounts Department shall identify the transactions likely to occur during the next financial year with the related parties and the value of such transactions which are likely to take place during the next financial year. On the basis of the information gathered, the following information is required to be sent by the concerned unit to the Chief Financial Officer at least 30 days in advance of the last Audit Committee meeting to be held in the said financial year:
 - (i) Name of the related party and nature of relationship;
 - (ii) Nature and Duration of Contract;

- (iii) Particulars of Contract or Arrangement;
 - (iv) Material terms of Contract or Arrangement
 - (v) Value of Contract or Arrangement (total value of contracts for the year to be given);
 - (vi) Advance paid for Contract or Arrangement;
 - (vii) Manner of determining pricing and other commercial terms both included as part of contract and not considered as part of contract;
 - (viii) Comparison of the pricing with market, past transactions etc., to help appreciation of Arms length;
 - (ix) Whether all factors relevant to the contract have been considered, if not the details of factors not considered and the reasons thereof;
 - (x) Any other relevant information to enable the Audit Committee/Board to take a decision on the matter.
- (c) In case of other contracts which arise during the course of the year, information as in (b) above to be sent to the Chief Financial Officer at least 30 days in advance of the Audit Committee Meeting before entering into the contract. The contract can be entered into only after the approval of the Audit Committee is granted to the particular Related Party Transaction.
- (d) The Chief Financial Officer should certify whether the contracts/transactions are at arms' length basis. Similarly, the Statutory Auditors should examine the entire documentation and certify the same.
- (e) Any member of the Board who has a potential interest in any Related Party Transaction will excuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction, if he/she is a member of the Committee.
- (f) The Committee will be provided with all relevant material information of the Related Party Transaction, including the benefits to the Company and any other relevant matters.
- (g) In determining whether to approve a Related Party Transaction, the Audit Committee, will consider the following factors, amongst others, to the extent relevant:
- Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
 - Whether the Related Party Transaction would give rise to a conflict of interest for any Director or Key Managerial Personnel of the Company, considering the size of the transaction, the overall financial position of the Related Party, and the ongoing nature of any proposed relationship and any other factors the Audit Committee deems relevant.
- (h) If the Audit Committee is of the view that the Related Party Transaction is material (even though at arms-length pricing basis) and hence requires the approval of the Shareholders, then such transaction shall be placed before the Shareholders at a General Meeting to be convened for such purposes or by way of Postal Ballot and approval sought. The transaction shall not be put into action before receipt of the shareholder's approval.
- (i) If the Audit Committee is of the view that the Related Party Transaction is not material but is also not at arms-length pricing basis, then it shall refer the matter to the Board for its approval. Such transaction shall not be put into action before receipt of the Board's approval. Needless to mention if such transaction is material then it would require the shareholder's approval prior to it being put into action.
- (j) The approval shall not be required in case of the under-mentioned transactions:
- transaction that involves the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
 - Transaction for allotment or transfer of securities issued by the Company.

C.K.Bhartia
Chairman, Audit Committee