

SUNGOLD CAPITAL LIMITED
(CIN: L65910GJ1993PLC018956)

Policy on Related Party Transactions

OBJECTIVE:

The Board of Directors (the "Board") of Sungold Capital Limited (the "Company"), acting upon the recommendation of its Audit Committee has adopted the following policy (the "policy") and procedures with regard to Related Party Transactions ("RPT"). The Audit Committee shall review and may amend this policy from time to time. This policy is framed as per requirement of Clause 49 of the Listing Agreement ("LA").

The objective of this policy is to regulate the transaction between Company and its Related Parties based on the laws and regulations applicable to the Company in this regard and to ensure proper approval and reporting of transactions between the Company and its Related Parties.

PURPOSE:

The policy is not only to be in the best interests of its stakeholders but also in due compliance with the requirements of the Companies Act and other applicable laws of the country. Further, as per the revised clause 49 (VII) of the Listing Agreement, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of related party Transaction. This policy therefore lays down the mechanism to deal with Related party Transactions.

1. DEFINITIONS:

- a) **"The Act"**, means Companies Act, 2013, together with the Rules notified there under including statutory modifications or re- enactments thereof for the time being in force (hereinafter referred to as "Act").
- b) **"Listing Agreement"** means the Equity Listing Agreement entered by the Company with the respective Stock Exchange in India.
- c) **"Policy"** mean Policy on Related Party Transaction.
- d) **"Board"** means Board of Directors of the Company.
- e) **"Audit Committee"** means Committee of Board of Directors of the Bank constituted under provisions of listing agreement with the stock exchanges.

f) **“Associate Company” Section 2(6)** in relation to another Company means a Company in which that other Company has a **significant influence**, but which is not subsidiary company of the Company having such influence and includes a joint venture company.

Explanation- For the purposes of this clause, “significant influence” means control of at least 20% of the total share capital, or of business decisions under an agreement.

g) **“Holding Company” Section 2 (46)** - In relation to one or more other companies, means a company of which such companies are subsidiary companies.

g) **“Subsidiary Company or Subsidiary” – Section 2 (87)** In relation to any other company, that is the Holding company, means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the Total Share Capital
 - Either at its own; or
 - Together with one or more of its subsidiary companies:

Explanation:

- a. company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub – clause (i) sub-clause or (ii) is of another subsidiary company of the holding company;
- b. the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company, by exercise of some power exercisable by it at its discretion, can appoint or remove all or a majority of the directors;
- c. the expression “company” includes anybody corporate;
- d. “layer” in relation to a holding company means its subsidiary or subsidiaries;

h) “Key Managerial Personnel” Section 2(15)

In relation to a company means:

- The Chief Executive Officer (CEO) and /or the Managing Director (MD) or the Manager;
- The Company Secretary (CS);
- The Whole- time Director (WTD);
- The Chief Financial Officer (CFO); and
- Such other officer as prescribed under the Companies Act from time to time

i) “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.

Explanation: “Related party” under Section 2(76) of the Companies Act, 2013 means:

1. a director or his relatives;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner,
4. a private company in which a director or manager is a member or director;
5. 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;
6. 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;

7. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub- clause (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

8. 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 to which it is also a subsidiary;

9. Such other person as may be prescribed

h) "Relatives" – Section 2 (77) With reference to any person Related Party means any one person, who is related to another, if:

- a. They are members of a Hindu Undivided Family;
- b. They are husband and wife, or
- c. One person is related to the other if he or she is related to another as under:
Father*, Mother*, Son*, Son's wife, Daughter, Daughter's Husband, Brother* and Sister* (*including step)

i) "Ordinary Course of Business" - Ordinary course of business shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income/ revenue/ turnover of the Company as opposed to "income from other sources".

j) "Related Party Transaction"

- i. Under **Clause 49 A** related party transactions 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.

- ii. Under **Section 188** of the Act Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:
- b. sale, purchase or supply of any goods or materials;
 - c. selling or otherwise disposing of, or buying, property of any kind;
 - d. leasing of property of any kind;
 - e. availing or rendering of any services;
 - f. appointment of any agent for purchase or sale of goods, materials, services or property;
 - g. appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
 - h. under writing the subscription of any securities or derivatives thereof of the Company

Explanation:

i. **Arms' length transaction - Section 188**

The expression "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.

ii. **Office or place of profit - Section 188**

Office or place of profit means any office or place of profit:

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

- (ii) 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 way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise

k) "Material Related Party Transactions"

A Related Party Transaction shall be considered Material if the transaction / transactions to be entered into individually or taken together with previous transactions during any financial year exceed 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company.

2. POLICY

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

3. IDENTIFICATION OF RELATED PARTY AND RELATED PARTY TRANSACTIONS

Each Director and Key Managerial Personnel is responsible for providing notice to the Board/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. The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Board/Audit Committee may delegate such powers to the officer(s) of the Company as it deems fit.

As regards transactions with Related Parties that require prior approval of Board/Audit Committee, the Chief Financial officer shall be responsible to notify the Board/Audit Committee of any such potential Related Party Transactions.

Such notice of any potential Related Party Transaction shall be given well in advance to the Board/Audit Committee and shall also contain adequate information about Related Party Transaction(s). This will provide the Board/Audit Committee members adequate time and information to consider and review the proposed transaction(s).

4. APPROVAL OF RELATED PARTY TRANSACTIONS

The Company shall not enter into any Related Party Transaction except as stated hereinafter:

➤ **Transaction requiring approval of the Audit Committee:**

- All the Related Party Transactions shall require approval of the audit committee.
- Except for the transactions between the Company and its wholly owned subsidiary/(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval ("WOS"), all Related Party Transactions shall require a prior approval of the Audit Committee. Provided that any Related Party Transaction which is not in the ordinary course of business or not at arm's length shall require a prior approval of the Audit Committee.

➤ **Transactions requiring approval of Board:**

Following transactions shall require a prior approval of the Board.

- Related Party Transactions which are not in the ordinary course of Business or not at arm's length price.
- Material Related Party Transactions.

➤ **Transactions requiring approval of Shareholders of the Company :**

- All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of special resolution passed at the general meeting of the Company; and all related party shall abstain from voting on such resolution irrespective of whether the entity is a party to the particular transaction or not.
- All Related Party Transactions which are not in the ordinary course of Business or not at arm's length price and which are in excess of the limit prescribed under the Act requiring the approval of the shareholders, shall require an approval of the Shareholders by way of special resolution passed at the general meeting of the company; and in such cases, the Related Party/(ies) to the transaction shall abstain from voting on such resolution.

5. APPROVAL AND REVIEW MECHANISM:

- While seeking approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the laws shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.
- In case of Related Party Transactions are repetitive in nature, the Audit Committee may grant an omnibus approval for a period not exceeding one year for the transaction proposed to be entered into by the Company in the manner and to be entered into by the Company in the manner and to the extent prescribed under the Laws. The Audit Committee however, satisfies itself the need for such omnibus approval that such approval is in the interest of the Company.
- In case of Related Party Transactions 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
- Any Director or KMP who is interested in any Related Party Transaction shall not be present at the meeting of the Board or Audit Committee during discussion on the subject matter of the resolution relating to such transaction.
- Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions 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.

6. VIOLATION OF THE POLICY:

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

- a. The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or

arrangement is not so ratified; such contract or arrangement shall be voidable at the option of the Board.

- b. It shall be open to the Company to proceed against a Director or any other employee who had entered into such a contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.
- c. Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a Director or KMP who had entered in to such contract or arrangement in contravention of the provisions of the Act or Clause 49.
- d. Any Director or any other employee of a company, who had entered into or authorized the contract or arrangement in violation of the provisions of this section shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both.
- e. If any person has been convicted of an offence pertaining to related party transaction under Section 188 at any time during the last five years, he shall not be eligible for appointment as Director of any Company.
- f. If such contract or arrangement is with a related party with reference to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

7. DISCLOSURE:

Appropriate Disclosures as required under the Act and the Listing Agreement will be made in the Annual report, Board's Report and to the Stock exchange.