



## POLICY ON RELATED PARTY TRANSACTIONS

## 1. PREAMBLE

The Companies Act, 2013 ("**Act**") read with the Companies (Meetings of Board and its Powers) Rules, 2014 ("**Rules**"), as amended from time to time, introduced specific provisions relating to related party transactions and defined the term related party, related party transactions, relatives and key managerial personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("**Listing Regulations**"), as amended from time to time, amongst others, necessitates all the listed companies to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (the "**Board**") of **Sona BLW Precision Forgings Limited** (the "**Company**") has adopted this Policy upon the recommendation of the Audit Committee and has set out standard operating procedures to regulate transactions between the Company or its subsidiaries and related parties or its subsidiaries or with any person or entity having purpose and effect of benefitting a related party or its subsidiaries.

The Audit Committee will review and may amend this policy, from time to time, subject to the approval of the Board.

## 2. OBJECTIVE

The objective of this Policy is to lay down criteria for identifying material related party transactions and to provide the framework for governance and reporting of the Related Party Transactions.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory/regulatory provisions in this regard.

## 3. DEFINITIONS

3.1 "Audit Committee" or "Committee" means the Committee of the Board constituted/re-constituted under the provisions of Regulation 18 of the Listing Regulations read with Section 177 of the Companies Act, 2013, as in force, from time to time.

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- 3.2 "Arm's Length Transaction (**ALP**)" means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 3.3 "Board" means the Board of Directors as defined under the Companies Act, 2013.
- 3.4 "Key Managerial Personnel (**KMP**)" means key managerial personnel as defined under the Companies Act, 2013.
- 3.5 "Material Related Party Transaction" means any transaction(s) with a related party to be entered into individually or taken together with previous transaction(s) during a financial year, wherein the amount of the transaction(s) exceeds rupees one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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 into individually or taken together with previous transaction(s) during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- 3.6 "Material Modification of any related party transaction(s)" shall mean any modification of the existing related party transactions which amounts to:
- 3.6.1 either change/modification in the aggregate value of transaction(s) for an amount exceeding 20% of the original material related party transaction(s); or
  - 3.6.2 extension in duration of Material Related Party Transaction contract beyond a period of 6 months.
- 3.7 "Ordinary Course of Business (**OCB**)" means a transaction which/wherein:
- 3.7.1 is carried out in the normal course of business activities as mentioned in the Memorandum of Association of the Company, as amended from time to time, or
  - 3.7.2 is as per historical practice with a pattern of frequency, or
  - 3.7.3 is in connection with the normal business carried on by the Company, or

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3.7.4 the income, if any, earned from such activity/transaction is assessed as business income in the Company's books of accounts and hence is a business activity, or

3.7.5 is common commercial practice, or

3.7.6 meets any other parameters/criteria as decided by the Board/Audit Committee.

3.8 "Related Party" means a related party as defined under Section 2(76) of the Companies Act, 2013 & under the applicable accounting standards and shall include the following:

3.8.1 any person or entity forming a part of the promoter or promoter group of the Company; or

3.8.2 any person or any entity, holding equity shares of ten per cent or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year;

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

(a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

(b) the Company 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 Company or any of its subsidiaries, to be effective 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.

However, following shall not be treated as related party transactions:

(i) 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



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(ii) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- payment of dividend
- subdivision or consolidation of securities
- issuance of securities by way of a rights issue or a bonus issue; and
- buy-back of securities.

3.10 "Relative" shall have the same meaning as defined under Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder read with Regulations 2(zd) of the Listing Regulations, as amended from time to time.

3.11 "Subsidiary" means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act, 2013

3.12 "Secretarial Standards" means secretarial standards issued by the Institute of Company Secretaries of India constituted under section 3 of the Company Secretaries Act, 1980 and approved by the Central Government.

3.13 "Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

3.14 Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 and the Listing Regulations.

#### **4 IDENTIFICATION AND MONITORING OF RELATED PARTIES**

##### **Process for Identification of Related Parties**

- a) The Company and its subsidiaries shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/KMPs/Promoter and Promoter Group, corporate and investment structure, as per the definition provided in the Companies Act, 2013 and Listing Regulations as amended from time to time. Disclosure from the Directors/KMPs shall be received by the Company at the beginning of every financial year and as and when the information changes.
- b) At the end of every financial year, the Company shall identify the person(s) apart from promoter or promoter group, who at any time during the proceeding financial year held 20% or 10%, as the case may be, of the equity shareholding of the Company.
- c) The names of all related parties identified by the Company and all the Subsidiary(s) shall be consolidated, as a related party list and this list, as

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amended from time to time, shall be progressively shared with the Accounts and Finance team of the Company and its Subsidiaries.

**Process for monitoring Related Parties**

The Directors, KMP's, Promoter and Promoter Group of the Company or of Subsidiary(s) should promptly communicate to the Company or Subsidiary (s), as the case may be, any subsequent changes in the initial disclosure submitted by them in the beginning of the year. The Company shall update the Related Party list based on intimations received from the Directors, KMPs, Promoter and Promoter Group as informed from time to time.

**Responsibility of Directors and KMP's:**

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(s), including any additional information about the transaction that the Board/Audit Committee may reasonably require.

**Obligation related to subsidiary companies:**

The Subsidiaries of the Company, before entering into a Related Party Transaction which may require approval of the Audit Committee & shareholders of the Company under this Policy, shall bring to the attention of the Company the details of the proposed Related Party Transaction(s), so that the requisite approvals can be obtained in due course.

**Timeline:**

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.

**5 PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS****5.1 Approval of the Audit Committee**

- 5.1.1 The following transactions shall require prior approval of the Audit Committee of the Company (only by those members of the Audit Committee, who are independent directors) whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 and Rules made thereunder or by Secretarial Standards and Listing Regulations:

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- a. All Related Party Transactions and subsequent modifications thereof; and
- b. a Related Party Transaction to which the subsidiary is a party but not the Company, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary (w.e.f from April 1, 2023).

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

5.1.2 While considering any transaction, the Committee shall take into account 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, and such other information as prescribed under the Act and Listing Regulations. Prior to the approval, the Committee shall, inter-alia, consider the following factors to the extent relevant to the transaction:

- Whether the terms of the Related Party Transaction are in the Ordinary Course of the Company's business and on an Arm's Length basis;
- The 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 includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

5.1.3 While considering any modification in any Related Party Transaction, the Audit Committee shall consider the following:

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- need for the modification and factors on account of which modification is necessary;
- whether subject of modification could have been assessed at the time of approval of original transaction itself.

5.1.4 However, the Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company subject to the following conditions, namely

- 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 omnibus approval shall contain or indicate the (a) name of the related parties; (b) nature and duration of the transaction; (c) maximum amount of transaction that can be entered into; (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- Such omnibus approval shall be valid for a period not exceeding 1 financial year and shall require a fresh approval after expiry of such financial year.

5.1.5 Where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

5.1.6 The Audit Committee shall review, on quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.

**5.2 Approval by the Board of Directors**

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5.2.1 All the Related Party Transactions falling under the provisions of Section 188(1) of the Companies Act, 2013, which are not in the Ordinary Course of Business and at Arm's Length basis shall be placed before the Board for its approval after approval thereof by the Audit Committee.

5.2.2 In addition to the above, the following kinds of transactions with Related Parties are also placed before the Board for its approval:

- Transactions which may be in the Ordinary Course of Business and at Arm's Length Basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the Ordinary Course of Business and/or at Arm's Length Basis and decides to refer the same to the Board for approval;
- Transactions which are in the Ordinary Course of Business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- Material Related Party Transactions and Material Modifications thereof.
- Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

**5.3 Approval of the Shareholders of the Company**

5.3.1 All kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at Arm's Length Basis; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 modifications therein, are placed before the shareholders for its approval.

5.3.2 All Material Related Party Transactions and subsequent Material Modifications, shall require prior approval of the shareholders through resolution and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.



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- 5.3.3 Any existing Material Related Party Transaction, with the revised threshold, and which were not required to be approved by the shareholders under the erstwhile Listing Regulations, are now required to be approved by the shareholders, as per the provisions of Regulation 23(6) of the Listing Regulations.
- 5.3.4 The Company shall ensure that the restrictions on voting by Related Parties and provisions regarding disclosure in explanatory statement annexed to the Notice of a General Meeting as prescribed under the provisions of the Companies Act, 2013 and the Listing Regulations are complied with while seeking the approval of the shareholders in this regard.
- 5.3.5 The following information shall be provided to the shareholders while seeking their approval for RPTs:
- (a) A summary of the information provided by the management of the Company to the Audit Committee;
  - (b) Reasons/justification for why the proposed transaction is in the interest of the Company;
  - (c) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:
    - 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, inter-corporate 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 Related Party Transaction.
  - (d) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed



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transaction will be made available through the registered email address of the shareholders;

- (e) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- (f) Any other relevant information or such information as may be prescribed under Listing Regulations or Companies Act, 2013 from time to time.

**6. Transactions Not Requiring Approval:**

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders

- a) Related Party Transactions to which the listed subsidiary of the Company, if any, is a party but the Company, if Regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.
- b) Transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with Company and placed before the shareholders at the general meeting for approval.
- c) The transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

**7. Prohibited Transactions:**

The Company will not enter into any transaction with any unrelated party, the objective of which is to provide indirect benefits to any related party. The Company will lay out necessary procedures to ensure the compliance of prohibited transactions.

**8. Related Party Transactions not previously approved**

Subject to the provisions of the Act and Listing Regulations, in the event the Company becomes aware of a Related Party 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 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 any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may recommend the same for approval of Board and/ or 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.

Where any Related Party Transaction is entered into , without obtaining the consent of the Board or approval by a resolution in the general meeting, and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

## **9. Disclosures**

Every material Related Party Transaction or Related Party Transaction which is not on Arm's Length basis or such other details as may be required under the Act or Listing Regulations shall be disclosed in the Annual Report with proper justification for entering into such transactions.

The Company shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013. Also, this Policy shall be disclosed on the Company's website at [www.sonacomstar.com](http://www.sonacomstar.com).

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance required to be filed under Regulation 27 of the Listing Regulations and the same shall also be placed on the Company's website at [www.sonacomstar.com](http://www.sonacomstar.com).

The Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

## **10. Amendment**

In case of any subsequent changes in the provisions of the Companies Act, 2013, including the Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, such provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.



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This Policy shall be reviewed atleast once in every three years and as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Audit Committee.

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Approved and Adopted by Board of Directors on - 14 August 2020  
Amended on - 14 March 2024