



# Sundram Fasteners Limited

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## **RELATED PARTY TRANSACTIONS POLICY**

*[As approved by the Board on 6<sup>th</sup> November, 2014]*

### **1. Introduction**

Sundram Fasteners Limited (the company) headquartered in Chennai, India is a part of the US\$ 6.5 billion TVS Group. The Company has established a track record of leadership over 40 years. With a diversified product line, world-class facilities in 4 countries and motivated team of talented people, the company has become a supplier of choice to leading customers in the automotive and industrial segments worldwide. Over the years, the company has acquired cutting-edge technological competencies in forging, metal forming, close-tolerance machining, heat treatment, surface finishing and assembly. Manufacturing locations are supported by engineering and design personnel working on new product design and development. Understanding the global nature of business and the need to provide quality products on “just in time” basis to customers, the company has established supply chain logistics networks spanning several continents. For the company, growth is a natural outcome of total adherence to three core operating principles: customer orientation, total quality and ethical business practices.

#### **1.1 Scope and Purpose of Related Party Transactions Policy**

Section 188 of the Companies Act, 2013, deals with the legal requirements relating to Related Party Transactions. Further, the revised Clause 49 of the Listing Agreement, which became effective 1st October, 2014 mandates the company to formulate a policy on the materiality of related party transactions and also on dealing with related party transactions. Further, the Companies Act, 2013 and Clause 49 of the Listing Agreement imposes various responsibilities on the Board and Audit Committee with respect to related party transactions. The Company also recognizes that related party transactions may have a potential or actual conflict of interest, which may be against the interest of the company. Accordingly, the Board of Directors of the company has approved the following related party transactions policy with a view to comply with the legal requirements, eliminate potential / actual conflict of interest and to regulate the transactions between the company and its related parties.

### **2. Definitions**

- 2.1 ‘Act’ means the Companies Act, 2013 including any amendment or modification thereof.
- 2.2 ‘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.
- 2.3 ‘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”, which is as follows:-
  - a) Associate company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

- b) An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture of the investor. Significant influence is the power to participate in the financial and / or operating policy decisions of the investee but not control over those policies.
- 2.4 'Audit Committee' means the Committee of the Board formed under section 177 of the Act and Clause 49 of the Listing Agreement.
- 2.5 'Board of Directors' or 'Board' means the Board as defined in Section 2(10) of the Companies Act, 2013
- 2.6 'Body Corporate' means an entity as defined in Section 2(11) of the Companies Act, 2013.
- 2.7 'Clause 49' means the Clause 49 of the Listing Agreement, as entered into by the Company with the stock exchanges including any amendment or modification or any regulations notified by in lieu thereof, as may be applicable.
- 2.8 'Company' means Sundram Fasteners Limited.
- 2.9 'Director' means a person as defined in Section 2(34) of the Companies Act, 2013.
- 2.10 'Key Managerial Personnel' shall mean persons as defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder.
- 2.11 'Material Related Party Transactions' shall mean a transaction with a related party shall be 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 as material or as defined in any other applicable law or regulation including any modification or amendment thereof, as may be applicable, from time to time.
- 2.12 'Ordinary course of business' means the usual transactions that are necessary and are normal according to the historical practices of the Company, which have recurring frequency in connection with the business of the company and includes all such activities which the Company can undertake as per Memorandum and Articles of Association of the company.
- 2.13 'Related Party' means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act and Clause 49(VII) (B) of the Listing Agreement and applicable accounting / secretarial standards.
- 2.14 "Relative" means relative as defined in Section 2(77) of the Act and rules prescribed thereunder.
- 2.15 'Related Party Transactions' shall mean the following as specified in Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement including any modification or amendments thereof, as may be applicable, from time to time:-
- a) A 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; and
  - 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) such related party's appointment to any office or place of profit in the company,
- h) its subsidiary company or associate company; and
- i) underwriting the subscription of any securities or derivatives thereof, of the Company

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

2.17 Words and expressions used in this policy shall have the same meanings respectively assigned to them in the Companies Act, 2013, Listing Agreement with the Stock Exchanges and / or any other applicable rule, regulations as the context may require.

### 3. Approval / Reporting requirements

<b>3.1 Approvals</b>	
<b>Approving Authority</b>	<b>Nature of transactions requiring approval</b>
Audit Committee	All <i>Related Party Transactions</i> shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for the Related Party Transactions as specified in Clause 5 of this policy.  Provided that the transactions entered into between the company and a wholly-owned subsidiary of the company shall not require the approval of the Audit Committee or the shareholders, when the accounts of the subsidiary are consolidated with the company; and approved by the shareholders of the company at a general meeting.
Board of Directors / Shareholders	Where the contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as may be applicable.
Shareholders	All <i>material Related Party Transactions</i> shall require approval of the shareholders through special resolution, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and the related parties shall abstain from voting on such resolutions.
<b>3.2 Reporting / Review</b>	
a)	All Related Party Transactions shall be reported to the Audit Committee and after review, the Audit Committee shall refer the same to the Board for its noting in accordance with this Policy.
b)	Related Party Transactions shall be referred to the next regularly scheduled meeting(s) of Audit Committee for its review and approval;
c)	For the purpose of review, the Audit Committee, shall be provided with all relevant material information of the RPT, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters;
d)	Any member of the Audit Committee who has an interest in any related party transaction shall recuse himself or herself and shall not participate in the discussion and voting on the approval of such related party transactions;

#### **4. Disclosure by Directors / Key Managerial Personnel for identification of related party transactions**

- 4.1 Each Director and Key Managerial Personnel and other Related Party shall promptly notify the Audit Committee of any material interest that such person or relative of such person had, has or may have in a RPT, by providing notice to the Board or Audit Committee of any potential related party transaction involving him or her or his or her Relative together with additional information about the related party transaction that the Board or Audit Committee may reasonably request.
- 4.2 Such notice of any related party transaction shall be given well in advance, so that the Audit Committee / the Board has adequate time to obtain and review information about the proposed related party transaction.
- 4.3 The Board / Audit Committee shall determine whether a transaction does, in fact, constitute a related party transaction requiring compliance with this Policy;

#### **5. Related Party Transactions, which do not require prior Audit Committee review / approval**

- 5.1 The Audit Committee shall be entitled to grant omnibus approval in line with the policy on Related Party Transactions of the Company for transactions, which are repetitive in nature and any momentary non-recurrence of such transaction for one month to three months shall not be construed as non-repetitive in nature.
- 5.2 The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- 5.3 Such omnibus approval shall specify the following:
- (i) Name(s) of the Related Party;
  - (ii) Nature of the transaction;
  - (iii) Period of transaction;
  - (iv) Maximum amount of transaction that can be entered into;
  - (v) The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - (vi) Such other conditions as the Audit Committee may deem fit.
  - (vii) Where it is not possible for a Related Party Transaction or a class of Related Party Transaction to be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such related party transactions, provided that each transaction value shall not exceed Rs.1.00 crore.
  - (viii) The Audit committee shall review the details of related party transactions entered into by the Company pursuant to each of the omnibus approval on a quarterly basis.

- (ix) The omnibus approval shall be valid for a period of one year and shall require fresh approvals from the Audit Committee after the expiry of 1 (one) year from the grant of each approval.

#### **6. Factors to be considered by the Board/ Audit Committee while approving a Related Party Transaction**

- 6.1 Whether the terms of the Related Party Transaction are fair to the Company and are on arms' length basis and would apply on the same basis, if the transaction did not involve a Related Party;
- 6.2 Whether there are any overwhelming business reasons for the Company to enter into the Related Party Transaction and the nature of possible alternative transactions, if any;
- 6.3 Whether the Related Party Transaction would affect the independence of an Independent Director;
- 6.4 Whether ratification of such Related Party Transaction, if done, would be detrimental to the company.
- 6.5 Whether the Related Party Transaction would pose an improper conflict of interest for any Director, or a key managerial personnel of the Company, having regard to the size of the transaction, the overall financial interest, which may accrue to the Director, key managerial personnel or other Related Party, the direct or indirect nature of interest of the Director, KMP or other Related Party in the transaction and any other factors the Board / Audit Committee may consider necessary.

#### **7. Right of the Board / Audit Committee**

- 7.1 In the event a Related Party Transaction that has been commenced without approval of the Audit Committee or the Board, the company shall immediately report such transaction to the Audit Committee and the Board. If the Board / Audit Committee determine not to ratify, then the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it enabling for ratification.
- 7.2 While reviewing any Related Party Transaction, the Board / Audit Committee have authority to modify or waive any procedural requirements specified in this Policy.

#### **8. Disclosure of the Policy**

The company will disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

#### **9. Amendments to the Policy**

The Audit Committee will, from time to time, review and may amend the policy as per the changing legal requirements and / or as and when required subject to approval of the Board. This policy may be amended by the Board at any time either *suo-motu* and / or pursuant to amendments to the Companies Act, 2013 and rules made thereunder, listing agreement or such other rules, regulations, guidelines as may be notified by Securities Exchange Board of India.

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