
**POLICY ON MATERIALITY OF RELATED PARTY
TRANSACTIONS**

(Under Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulation**”))

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

1. Introduction

Regulation 23 of the Listing Regulations requires every Listed Company to formulate a Policy on materiality of related party transactions and also on dealing with related party transactions including clear threshold limits duly approved by the Board. Pursuant thereto, Section 188 of the Act and Regulation 23 of the SEBI Listing Regulations require the Company to formulate a Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board and such policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

The Board of Directors ("the Board") of Shankesh Jewellers Limited ("the Company") has adopted the following policy and the Board may amend this policy from time to time.

2. Objectives of the Policy

The objective of this Policy is to set out

- (a) Identification of the Related Parties;
- (b) The materiality threshold for related party transactions;
- (c) Material modification of related party transactions;
- (d) The manner of dealing with the transaction between the Company and its related parties based on the Act, Listing Regulations, and any other laws and regulations as may be applicable to the Company.

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval. The Audit Committee shall also approve any subsequent modifications to the Related Party Transactions. The Audit Committee may also grant omnibus approval for certain categories of transactions subject to their value not exceeding Rs. 1,00,00,000 (Rupees One Crore Only) per transaction, which shall be valid for period not exceeding one financial year and shall require fresh approval for the next financial year.

3. Definitions

- a) "**Act**" shall mean the Companies Act, 2013 and the rules framed thereunder, including any modifications, amendments, clarifications or re-enactment thereof.
- b) "**Applicable Laws**" shall mean the Act, the SEBI Listing Regulations, as amended from time to time, together with the circulars issued thereunder and such other laws and statutes as may be applicable to the Company from time to time.
- c) "**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.
- d) "**Associate Company**" means any other company, in which the Company has a significant influence, but which is not a subsidiary of the Company having such influence and includes a joint venture company.

Explanation - for the purpose of this clause,

- a) "Significant Influence" means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an Agreement.
- b) "Joint Venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

- e) **"Audit Committee"** means the Audit Committee of the Board of Directors of the Company.
- f) **"Board"** means the Board of Directors of the Company.
- g) **"Company"** means Shankesh Jewellers Limited.
- h) **"Key Managerial Personnel"** or **"KMPs"** means -
 - a. the Chief Executive Officer or the managing director or the manager;
 - b. the Company Secretary;
 - c. the whole-time Director;
 - d. the Chief Financial Officer; and
 - e. 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;
- i) **"Material Modification"** shall mean any subsequent change to an existing Related Party Transaction, having variance of 20% of the existing limit or INR 1 Crore, whichever is lower.
- j) **"Material Related Party Transaction"** means a transaction or contract with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company;
- k) **"Materiality Threshold"** means limits for related party transactions beyond which approval of the shareholders' as specified in Companies Act, 2013 and rules thereof and amendments thereto will be required.
- l) **"Ordinary Course of Business"** with reference to a transaction with a related party means a transaction which is:
 - (i) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - (ii) historical practice with a pattern of frequency;
 - (iii) common commercial practice or meets any other parameters/ criteria as decided by the Board or Audit Committee, from time to time.
- m) **"Policy"** means this policy, as amended from time to time.
- n) **"Related Party"** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Companies Act or under applicable accounting standards.
- o) **"Related Party Transaction"** means as defined under applicable Indian accounting standards or Listing Regulations, or shall mean all transactions specified under Section 188 of the Act and rules prescribed thereunder, as amended from time to time.
- p) **"Relative"** means any person as per Section 2(77) of the Act and rules prescribed thereunder and as per Regulation 2(1) (zd) of the Listing Regulations as amended from time to time;
- q) **"SEBI Listing Regulation"** shall mean the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended, from time to time.
- r) **"Senior Management"** shall mean the officers and personnel of the Company who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Joint Managing Director(s) or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board) i.e., employees falling in the category of Band 4 and shall specifically include the functional heads, by whatever name called, and the persons identified and designated as key managerial personnel, other than the Board of Directors, by the Company.

Any term or reference not defined in this policy shall have the same meaning and reference as defined under the Act and Listing Regulations as amended from time to time.

MATERIAL MODIFICATION OF RELATED PARTY TRANSACTION:

Material modification to such Related Party Transaction means and includes any modification to an existing related party transaction that results in a variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be or Rs 1 crore, whichever is higher subject to the conditions as specified in Listing Regulations and Companies Act.

6. ASCERTAINING AND IDENTIFICATION OF RELATED PARTY

A. ASCERTAINING RELATED PARTY:

- 6.1 Every director and KMPs shall at the beginning of the financial year at the first meeting of the Board in which he participates and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, provide information by way of written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as Related Party with respect to the Company and shall also provide the list of relatives which are regarded as Related Party as per this Policy.
- 6.2 Directors and KMPs are also required to provide information regarding their engagement with other entities during the financial year which may be regarded as related party according to this Policy.
- 6.3 Company Secretary shall at all times maintain a database of Company's Related Parties in Management Information System (MIS) and which shall be updated whenever necessary and be reviewed in each quarter. The Company Secretary, based on the declarations provided by the Directors and Key Managerial Personnel and also based on the corporate structure shall prepare a list of all persons who shall be considered as related parties with reference to the Company.

B. IDENTIFICATION OF RELATED PARTY:

- 5.5 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, including any additional information about the transaction that the Board/Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Each Director shall disclose of his interest or concern (MBP-1) to the Company and this disclosure shall be placed before the Board of Directors at their first meeting held in the financial year. Any further change in the list of relatives or change in interest shall be intimated by the Directors from time to time, as may be required. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy
- 5.6 The Departmental Heads shall submit to the Chief Financial Officer the details of all existing and proposed transaction along with supporting information as per Table-A below:-

Table-A	
Details required for Approval of Audit Committee	
Sr. No.	Particulars
1	The name/s of the Related Party
2	Nature of transaction
3	Period of transaction

4	Maximum amount of transaction that can be entered into
5	The indicative base price/current contracted price and the formula for variation in the price, if any
6	Such other conditions/ information as required under the Act and Listing Regulations, as amended from time to time

- 5.7 The Chief Financial Officer shall submit his notes to the Audit Committee giving comments as to whether existing or proposed transaction(s) are on an arms' length basis and in the ordinary course of business.
- 5.8 The Committee will give due consideration to the Chief Financial Officer's notes while deciding whether a transaction constitutes a Related Party Transaction requiring compliance with this policy.

7. APPROVAL TO RELATED PARTY TRANSACTIONS

7.1 Approval of Audit Committee

All Related party transactions (and subsequent material modifications) will require prior approval of Audit Committee, provided that only those members of the Audit Committee, who are independent directors, shall approve related party transactions. Any member of the Audit Committee or the Board who has potential interest in any Related Party Transaction will in terms of Rule 15(2) of the Companies (Meeting of Board and its Powers) Rules, 2014 shall not be present at the meeting during the discussions on the subject matter and shall recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Audit Committee shall consider the following factors while deliberating the related party transactions for its approval:

- i. Name of party and details explaining nature of relationship
- ii. Duration of the contract and particulars of the contract and arrangement
- iii. Nature of transaction and material terms thereof including the value, if any.
- iv. Manner of determining the pricing to ascertain whether the same is on arm's length
- v. Business rationale for entering into such transaction and
- vi. Any other information relevant or important for the Board to take a decision on the proposed transaction.

All related party transactions and subsequent material modifications shall require prior approval of the audit committee the Company provided that: -

- i. a related party transaction to which the subsidiary of the Company is a party but the company is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten (10) per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary

- ii. prior approval of the audit committee of the company shall not be required for a related party transaction to which the listed subsidiary is a party but the company is not a party, if regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in herein above, the prior approval of the audit committee of the listed subsidiary shall suffice.

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- 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.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- The aggregate amount of transactions/any particular transactions approved/to be approved under Omnibus Approval shall not exceed the limit specified by the Audit Committee of the company.
- 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.
- 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.

7.2 Approval of Board of Directors

Following Related Party Transactions shall require the approval of Board:

- i. The following related party transactions shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction, if not in ordinary course of business or on arm's length basis.
 - (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

Where any director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

- ii. 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;
- iii. Where the transaction(s) as specified in Section 188(1) of the Act is not in ordinary course of business and/ or not at arm's length; 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; and
- iv. All Related Party Transactions which are intended to be placed before the shareholders for approval.

In determining whether to approve a Related Party Transaction, the Committee may consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- iii. Whether the Related Party Transaction would affect the Independence of an Independent Director;
- iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- v. Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- vi. Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Executive Officer or other Related Party, the direct or indirect nature of the Director's, 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 Board/Committee deems relevant.
- vii. Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:
- viii. 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

7.3 Approval of Shareholders

- 7.3.1. All material related party transactions shall require prior approval of the shareholders through resolution and no Related Party shall vote on such resolutions whether the entity is a Related Party to the particular transaction or not. However, the said requirement would not be applicable in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code, 2016 subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.
- 7.3.2. All Related Party Transactions as per Section 188 of the Companies Act, 2013, If such related party transaction is not in the ordinary course of business, or not at arm's length price and exceeds the thresholds limits as prescribed in the Act and rules thereof, shall require shareholders' approval by a special resolution. The Related Parties shall abstain from voting as shareholders in case of Related Party Transactions which require the approval of shareholders.
- 7.3.3 However, the shareholders' approval is not required for the transactions entered into between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

- Subject to the provisions of the Act, in the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action as it deems appropriate.
- In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

9. DISCLOSURES

(a) Every contract or arrangement which shall be entered into pursuant to Section 188(1) of the Act shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

(b) Appropriate disclosures shall be made by the Company as legally required in the manner and as per the timelines set out as specified under the Act and the SEBI Listing Regulations.

(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.

10.. CONFLICT IN POLICY

In the event of any conflict between this Policy and the provisions contained in Applicable Laws and/or any other laws, the latter shall prevail.

11.. REPORTING OF RELATED PARTY TRANSACTIONS

11.1 Every contract or arrangement, which is required to be approved by the Board / shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

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

11.3 The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis.

11.4 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 of the Company.

11.5 Details of RPTs shall be submitted to the stock exchanges in the format as specified by SEBI from time to time on half-yearly basis and copy of the same will be posted on the website of the Company.

11.6 The Company shall submit on the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

12. AMENDMENTS

The Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any subsequent amendment and modification in the Act or the Listing Regulations and any other laws in this regard shall automatically apply to this Policy.

13. EFFECTIVE DATE

Provisions of the regulations under this policy shall be applicable to the company from the date when the securities of the company are listed on the Stock Exchanges.