



Related Party Transaction Policy

REGISTERED AND CORPORATE OFFICE

Shalby Limited

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1. PREAMBLE

In compliance with Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the "Listing Regulations") the Board of Directors (the "Board") of Shalby Limited (the "Company") has adopted the following policy and procedures with regard to related party transactions (hereinafter referred as "RPT(s)" or "Related Party Transaction(s)") that the Company may enter into from time to time in compliance with the requirements of Section 188 of the Companies Act, 2013 (the "Act"), and Rules made there under.

The Policy has been initially adopted by the Board of Directors on December 20, 2016, based on recommendations of the Audit Committee. This policy has been amended by the Board of Directors on January 28, 2019 to give effect to the amendments by SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 notified on 9th May 2018 and this revised policy will be applicable w.e.f. April 1, 2019.

The Board / Audit & Risk Management Committee will review and amend this policy from time-to-time as and when necessary or required. The Audit Committee/Board/General Meeting, as applicable shall, subject to requirements of the Act and this Policy, review, approve and ratify (if permissible) the RPTs in terms of the requirements of this Policy.

2. OBJECTIVE

This Policy is intended to set out (a) the materiality thresholds for Related Party Transactions and; (b) the manner of dealing with transactions between the Company and its Related Parties (as defined below), based on the Act, Regulation 23 of the Regulations, and any other laws and regulations as may be applicable to the Company.

3. DEFINITIONS

- i. "Audit Committee" or "Committee" means the Committee of Board of Directors of the Company constituted under section 177 of Companies Act, 2013 and Regulation 18 of the Listing Regulations;
- ii. "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
- iii. "Key Managerial Personnel" or "KMPs" means a key managerial personnel as defined under section 2(51) of the Act;
- iv. "Material Related Party Transaction" has the meaning ascribed to such term in Clause 4 of this Policy;
- v. "Ordinary course of business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining

ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

- vi. "Policy" means this Related Party Transaction Policy;
- vii. "Related" or "Related Party(ies)" has the meaning ascribed to such term:
 - i. under Section 2(76) of the Act; or
 - ii. under the accounting Standards as may be in force from time-to-time in relation to Related Party.
 - iii. However any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.
- viii. "Related Party Transaction(s) or RPT(s)" has the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations and/or as defined under section 188(1) of the Act; and
- ix. "Relative" has the meaning as defined under section 2(77) of the Act.

Any other term not defined herein shall have the same meaning assigned to such term in the Act, the Listing Regulations or any other applicable law or regulation.

4. MATERIALITY THRESHOLDS

I. Under Listing Regulations:

Regulation 23 of the Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the Related Parties shall not vote to approve such resolutions whether the entity is a Related Party or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company, for the purpose of Regulation 23(4) of the Listing Regulations. 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 transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

II. Under the Act read with the Companies (Meetings of Board and its Powers) Rules, 2014:

Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 provides that except with the prior approval of the company by a shareholders resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into with respect to the transactions mentioned under section 188(1) of the Act, exceed the thresholds as mentioned below:

- i. Sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company;
- ii. Selling or otherwise disposing of or buying property of any kind, directly or

- indirectly through appointment of any agent, amounting to 10% or more of net worth of the Company;
- iii. Leasing of property of any kind, amounting to 10% or more of the turnover of the Company;
 - iv. Availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the Company;
 - v. For appointment to any office or place of profit in the Company, its subsidiary company or associate company at a monthly remuneration exceeding INR 2,50,000; and
 - vi. For remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth.

The turnover or net worth referred to above shall be computed on the basis of the audited financial statement of the preceding financial year.

5. POLICY

Except as otherwise provided in this Policy, all Related Party Transactions shall be reported to & placed for approval with Managing Director & CFO and subsequently to the Audit Committee in accordance with this Policy.

6. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

- i. The Company shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies in accordance with this Policy, along with their personal/company details including any revisions therein.
- ii. Every Director and Key Managerial Personnel is responsible to declare the directorship, partnership, membership, interest, concern, name of entities, persons, associations, relatives, etc. on annual basis as well as when any changes arises, which would be regarded as Related Party for the Company. Such declaration shall include disclosure of his/her (including his / her relatives') concern or interest in any company(ies) or bodies corporate, firms or such other association of individuals, which shall include shareholding, directorships, partnership etc.
- iii. Company Secretary in consultation with Chief Financial Officer shall prepare a comprehensive list of Related Parties based on disclosures made as referred above. Such list shall be updated on a quarterly basis or more frequently, if need arise and circulated to the Managing Director, Whole-time Director, Chief Executive Officer, Chief Financial Officer, person in charge of accounts, finance, taxation, functional / branch heads, and other functionaries as may be required, to enable him to carry out appropriate compliance.

- iv. Based on this note, the Company Secretary shall appropriately take up for necessary prior approvals of the Related Party Transactions from the Audit Committee at its meeting and convey the decision to the originator.
- v. Each director/Key Managerial Personnel shall be responsible for providing written notice to the Company Secretary of any potential RPT involving him or her or his or her Relatives, including any additional information about the transaction that the Company Secretary may reasonably request. The Company Secretary shall, in consultation with other members of senior management and with the Audit Committee, as appropriate, determine whether the transaction does, in fact, constitute a RPT requiring compliance with this Policy.
- vi. Where any director/ Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he / she shall, if he / she becomes concerned or interested subsequent to the contract or arrangement is entered into, disclose his concern or interest forthwith, as and when he / she becomes concerned or interested not later than at the first meeting of Board held after he or she becomes so concerned or interested.
- vii. A contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.
- viii. The Company strongly prefers to receive such notice of any potential RPT well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and other matter incidental thereto and to refer it to the appropriate approval authority. Ratification of RPT after its commencement or even its completion may be appropriate in some circumstances.

7. STANDARDS FOR REVIEW

A RPT reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee or the Board or the shareholders in the General Meeting, as applicable, in accordance with the standards set-forth in this Policy after full disclosure of the Related Party's interests in the transaction. As appropriate for the circumstances, the Audit Committee or Board, as applicable, shall review and consider:

- i. the Related Party's interest in the RPT;
- ii. the amount involved in the RPT;
- iii. whether the RPT was undertaken in the ordinary course of business of the Company;

- iv. whether the transaction with the Related Party is proposed to be, or was, entered on an arms' length basis;
- v. the purpose of and the potential benefits to the Company from the RPT;
- vi. Whether there are any compelling business reasons for the Company to enter in to the RPT and the nature of alternative transaction, if any;
- vii. Whether the RPT includes any potential reputational risk issues that may arise as Result of or in connection with the RPT.
- viii. Whether the Company was notified about the RPT before its commencement and if not, why pre-approval was not sought and whether subsequent ratification would be detrimental to the Company;
- ix. Required public disclosure, if any; and
- x. Any other information regarding the RPT or the Related Party in the context of the proposed transaction that would be material to the Audit Committee/ Board/shareholders, as applicable in light of the circumstances of the particular Transaction.

The Audit Committee/Board will review all relevant information available to it about the RPT. The Audit Committee or the Board, as applicable, may approve or ratify or recommend to the shareholders, the RPT only if the Audit Committee and/ or the Board, as applicable, determine that, under all of the circumstances, the transaction is fair and reasonable to the Company.

8. PROCEDURES FOR APPROVAL OF RELATED PARTY TRANSACTIONS

All RPTs or changes therein along with relevant documentary supporting (including justification there for) must be reported by Head of Departments to the Company Secretary and be referred to CFO / Managing Director and on his confirmation placed before the Audit Committee for prior approval in accordance with this Policy. The Company Secretary shall place summary of such RPTs, material facts as received from the above said persons relating to each RPT and recommendations for each such RPT for approval of the Audit Committee.

i. Approval of the Audit Committee

All Related Party Transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

The Audit Committee shall, after obtaining approval of the Board, specify the criteria for

granting the omnibus approval in line with the Policy and such approval which shall include the following namely:

- a) Maximum value of the transaction, 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 omnibus approval made;
- e) transactions which cannot be subject to the omnibus approval by the Audit Committee

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-

- i. repetitiveness of the transactions (in past or in future);
- ii. justification for the need of omnibus approval

The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;

The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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 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 rupees 1 crore per transaction.

The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;

Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

Any other conditions as the Audit Committee may deem fit

ii. Approval of the Board

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

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

- i. 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;
- 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. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval; and
- iv. Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

iii. Approval of the Shareholders of the Company

- i. All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 4 [I] of the Policy, are placed before the shareholders for approval.
- ii. For this purpose, all entities falling under the definition of related parties shall not vote to approve such RTP irrespective of whether the entity is a party to the particular transaction or not.
- iii. In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as laid down in Clause 4 [II] of the Policy, are placed before the shareholders for its approval.
- iv. However, the requirement of shareholders' approval shall not be applicable for transactions entered into between the company and its wholly owned subsidiary

whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval.

9. DISCLOSURES & REGISTERS

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for each half year (starting from half year ending on March 31, 2019), disclosure of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchange and publish the same on its website.

The Company is required to disclose RPTs in the Company's Board's Report to shareholders of the Company at the Annual General in accordance with the Act and Rules made there under.

Details of all RPTs requiring shareholders' approval in the general meeting shall be disclosed in accordance with the Act.

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board.

Every director or Key Managerial Personnel shall, within a period of 30 (thirty) days of this appointment, or relinquishment of his office in other companies, as the case may be, disclose the Company the particulars relating to his/her concern or interest in the other association which are required to be included in the register maintained.

10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

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 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 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 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 by the defaulting person (as may be decided by the Audit Committee) to the Related Party or the Company as the case may be, 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.

11. AMENDMENT IN LAW

Any subsequent amendment/modification in the applicable laws in this regard shall automatically apply to this Policy. This Policy will be communicated to all concerned employees of the Company.

12. REVIEW OF THE POLICY

The adequacy of this Policy shall be reviewed and reassessed by Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

Footnote

1. The Board of Directors of Shalby Limited at its meeting held on December 20, 2016 has adopted this Policy first time.
2. The Board of Directors of Shalby Limited at its meeting held on January 28, 2019 has modified this Policy in view of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 notified on May 9, 2018. The said revised policy is effective from April 1, 2019.
3. The Board of Directors of Shalby Limited at its meeting held on February 3, 2020 has modified various threshold limit specified in clause 4 of this Policy in view of Companies (Meeting of Board and its Powers) Second Amendment Rules, 2019 notified on November 18, 2019.