

## SHARP INDIA LIMITED

### POLICY ON RELATED PARTY TRANSACTIONS

The Board of Directors (the "Board") of Sharp India Limited (the "Company") has adopted this Policy on Related Party Transactions ("the Policy"), as required in terms of Clause 49 of the Listing Agreement at its meeting held on 11<sup>th</sup> November 2014.

#### EFFECTIVE DATE

This Policy shall become effective from the date of its adoption by the Board.

#### PURPOSE

The Board recognizes that certain transactions present a risk of conflicts of interest or the perception thereof. Therefore the Board has adopted this Policy to ensure that all Related Party Transactions with Related Parties shall be subject to this policy and approval or ratification in accordance with Applicable Law. This Policy contains the policies and procedures governing the review, approval and reporting of such Related Party Transactions.

#### DEFINITIONS

1. "Applicable Law" means the Companies Act, 2013 and the rules made there under, the Listing Agreement and includes any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.
2. "Compliance Officer" means an officer of the Company as appointed by the Board.
3. "Key Managerial Personnel" means
  - (i) the Chief Executive Officer or the Managing Director or the manager;
  - (ii) the Company Secretary;
  - (iii) Whole-time director;
  - (iv) the Chief Financial Officer.
4. "Material Related Party Transactions" means such Related Party Transactions with a Related Party which to be entered into individually or taken together with previous Related Party 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.
5. "Relative(s)" shall have the same meaning as assigned to it under Section 2 (77) of the Companies Act, 2013 and the Rules made there under and Clause 49 of the Listing Agreement.
6. "Related Party" means related party as assigned to it under Section 2 (76) of the Companies Act, 2013 and the Rules made there under and Clause 49 of the Listing Agreement.
7. "Related Party Transaction" means any transaction directly or indirectly involving any Related Party that are subject to the provisions of Applicable Law and shall include the following:
  - (i) Purchases of raw Materials , components , & Spare parts.
  - (ii) Purchases of services
  - (iii) Purchases of fixed assets

- (iv) Sale of Finished goods, semi Finished Goods, Fixed assets
- (V) Reimbursement of expenses Paid/ Received
- (vi)Support for Expenses.
- (vii)Sharing of Expenses as per the terms of mutual agreement.
- (viii)Payment of Royalty, Knowhow Fees, Model Fees , Patent Fees etc. as per the mutual agreement.
- (ix) Any other transactions that may be required during the ordinary course of business.

8. Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel, in accordance with the provisions of Companies Act 2013, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- (ii) Indemnification and advancement of expenses made pursuant to any agreement or bylaws of the Company.
- (iii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.
- (iv) Any transaction which is in the ordinary course of business and on an arm's length basis as determined in terms of this Policy
- (v) Any transaction entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- (vi) Any other exception which is consistent with the Applicable Law, including any rules or regulations made there under, and must be approved in advance by the Audit Committee.

## **POLICY STATEMENT**

### **A. Procedures for review and approval of Related Party Transactions**

- (a) All Related Party Transactions or changes therein must be referred for prior approval by the Audit Committee in accordance with this Policy. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions :
  - (i) 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;
  - (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
  - (iii) Such omnibus approval shall specify :
    - Name of the related party;
    - Nature of the transaction;
    - Period of the transaction;
    - Maximum amount of the transactions that can be entered into;
    - Indicative base price / current contracted price and formula for variation in price, if any;

- 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;

- (iv) 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;
  - (v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- (b) The Audit Committee may also undertake an evaluation of the Related Party Transaction, if necessary.. If that evaluation indicates that the Related Party Transaction would require further approval of the Board, or if the Board in any case elects to review any such matter, the Audit Committee will report the Related Party Transaction, together with a summary of material facts, to the Board for its approval.
  - (c) If the Board is of the view that the Related Party Transaction needs to be approved at a general meeting of the shareholders by way of a special resolution pursuant to Applicable Law, the same shall be put up for approval by the shareholders of the Company.
  - (d) If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board or general meeting, if required, within 3 months of entering in the Related Party Transaction.
  - (e) In any case where either the Audit Committee or Board or a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, 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 acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee or Board has authority to modify or waive any procedural requirements of this Policy.
  - (f) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee or Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case and the extent of the Related Party's interest in the transaction.
  - (g) No director or Key Managerial Personnel shall participate in any discussion or approval of a Related Party Transaction for which he or she is a Related Party, except that the director or Key Managerial Personnel shall provide all material information concerning the Related Party Transaction to the Audit Committee or Board.
  - (h) If a Related Party Transaction will be ongoing, the Board or Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board or Audit Committee, on at least an annual basis, shall review and assess ongoing relationships with the Related Party to ensure that they are in compliance with the Act and rules made thereunder, the Listing Agreement and this Policy and that the Related Party Transaction remains appropriate.
  - (i) In addition, the Audit Committee or the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.
  - (j) Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

## **B. Standards for Review**

A Related Party Transaction reviewed under this Policy will be considered approved or ratified if it is authorized by the Audit Committee or Board, 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:

- (a) the Related Party's interest in the Related Party Transaction;
- (b) the estimated amount involved in the Related Party Transaction;
- (c) whether the Related Party Transaction was undertaken in the ordinary course of business of the Company;
- (d) whether the transaction with the Related Party is proposed to be, or was, entered on an arm's length basis;
- (e) the purpose of, and the potential benefits to the Company from the Related Party Transaction;
- (f) whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (g) whether the Related Party Transaction includes any potential reputational risk issues that may arise as a result of or in connection with the Related Party Transaction and
- (h) whether the Related Party Transaction would impair the independence of an otherwise independent director or nominee for director;
- (i) 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 would be detrimental to the Company; and
- (j) whether the Related Party Transaction would present an improper conflict of interest, as per provisions of law, for any director or Key Managerial Personnel, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Audit Committee or Board deems relevant.
- (k) required statutory and public disclosure, if any; and
- (l) any other information regarding the Related Party Transaction or the Related Party in the context of the proposed transaction that would be material to the Audit Committee or Board or shareholders, as applicable, in light of the circumstances of the particular transaction.

The Audit Committee or Board will review all relevant information available to it about the Related Party Transaction. The Audit Committee or Board, as applicable, may approve or ratify or recommend to the shareholders, the Related Party Transaction only if the Audit Committee or Board, as applicable, determines in good faith that, under all of the circumstances, the transaction is fair as to the Company. The Audit Committee or Board, in its sole discretion, may impose such conditions as it deems appropriate on the Company or the Related Party in connection with approval of the Related Party Transaction.

### **C. Determination of Ordinary Course of Business**

"In the Ordinary Course of Business" means all such acts and transactions undertaken by the Company, including, but not limited to

- (i) Purchases of raw Materials , components , & Spare parts.
- (ii) Purchases of services
- (iii) Purchases of fixed assets
- (iv) Sale of Finished goods, semi Finished Goods, Fixed assets
- (v) Reimbursement of expenses Paid/ Received

(vi) Support for Expenses.

(vii) Sharing of Expenses as per the terms of mutual agreement.

(viii) Payment of Royalty, Knowhow Fees, Model Fees, Patent Fees etc. as per the mutual agreement.

(ix) Any other transactions that may be required during the ordinary course of business and is permitted by the Objects clause of the Memorandum of Association of the Company.

#### **D. Determination of Arm's length nature of the Related Party Transaction**

##### **(a) Price Determination**

At the time of determining the arm's length nature of price charged for the Related Party Transaction, the Audit Committee shall take into consideration the following:

- (i) Permissible methods of arm's length pricing as per Applicable Law including such prices where the benefits of safe harbour is available under Applicable Law.
- (ii) For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

##### **(b) Underwriting and Screening of an arm's length Related Party Transaction**

- (i) A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening or selection criteria or underwriting standards and procedures as may be applicable in case of an unaffiliated party.

#### **Transactions not in the ordinary course of business or not on an arm's length**

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the ordinary course of business or not on an arm's length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

#### **E. Identification of Potential Related Party Transactions**

- (a) Each director or Key Managerial Personnel is responsible for providing written notice to the Compliance Officer of any potential Related Party Transaction involving him or her or his or her relatives, including any additional information about the transaction that the Compliance Officer may reasonably request. The Compliance Officer, in consultation with other members of management and with the Audit Committee, as appropriate, will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

- (b) Every director or Key Managerial Personnel of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in or exercise influence over any such meeting.

- (c) Where any director or Key Managerial Personnel, who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

- (d) A contract or arrangement entered into by the Company without disclosure or with participation by a director or 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.
- (e) Any director or Key Managerial Personnel who has been convicted of the offence dealing with related party transactions at any time during the last preceding five years shall be disqualified for appointment as director or Key Managerial Personnel, as the case may be.
- (f) In certain circumstances, ratification of a related party transaction after its commencement or completion, as the case may be, may be considered appropriate.

**F. Material Related Party Transactions:** All Material Related Party Transactions shall require the approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

**G. Disclosures**

- (a) The Company is required to 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.
- (b) Details of all Material Related Party Transactions shall be disclosed quarterly along with the Company's Compliance Report on Corporate Governance, in accordance with the Listing Agreement.

The Company shall keep one or more registers as required under the Companies Act, 2013 or any amendment thereto giving separately the particulars of all contracts or arrangements with any related party

**H. Amendment**

- (a) This policy shall stand amended in terms of the Companies Act, 2013, the rules made thereunder, and Clause 49 of the Listing Agreement, as amended from time to time. The Board or the Audit Committee may review and amend this policy from time to time.
  - (b) Any amendment to this policy will be in writing.
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