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ISO 9001:2015 CERTIFIED CO.

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

(Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Revised on 12/02/2022

1. SCOPE AND PURPOSE OF THE POLICY

The Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed there under and Regulation 23 of the SEBI (LODR) Regulations, 2015 ("Regulation 23"). Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI Listing Regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy On Materiality Of Related Party Transactions And On Dealing With Related Party Transactions ("Policy").

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, such policy shall be reviewed by the Audit Committee and recommend the changes to the board of directors at least once in every 3 (Three) years or as per the discretion of the audit committee as per amendments made in the Companies Act, 2013 and Listing Regulations and will updated accordingly.

2. OBJECTIVE OF THE POLICY

The Board of Directors of Star Delta Transformers Limited after considering the recommendation of the Audit Committee has adopted this policy and associated procedures with regard to Related Party Transactions, in line with the requirements of the Companies Act, 2013 and Regulation 23(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Sixth Amendment) Regulations, 2021

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

3. DEFINITIONS

3.1 "Act" means the Companies Act, 2013.

3.2 "Regulation 23" means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.3. "Policy" means Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions as amended from time to time.

3.4 "Board" means Board of Directors of the Company.

3.5 "Key Managerial Personnel" or "KMP" shall have the meaning as defined in the Companies Act 2013

3.6 "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.

3.7 "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.

3.8 "Relative" with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed there under.

3.9 "Related Party" have the meaning as defined in Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 and in accordance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Sixth Amendment) Regulations, 2021.

3.10 "Related Party Transaction" have the meaning as defined under Regulation 2(1)(zc) of the Securities and Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between :

i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

(ii) a listed entity 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 listed entity or any of its subsidiaries, **with effect 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, including but not limited to the following –

- 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) appointment to any office or place of profit in the company
- g) underwriting the subscription of any securities or derivatives thereof, of the company

Provided that the following shall not be a related party transaction:

- 1) 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;
- 2) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- 3) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s).

3.11 "Material Related Party Transaction" means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Further, 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Sixth Amendment) Regulations, 2021 or any other applicable law or regulation.

4. MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations and section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 as amended from time to time requires a company to provide materiality thresholds for related party transactions and subsequent material modifications beyond which prior approval of the shareholders through resolution will be required and **No related party shall vote to approve** on such resolutions whether the entity is a related party to the particular transaction or not. Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

All related party transactions and material modifications shall require prior approval of the audit committee of the listed entity.

Provided further that:

- (a) the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;
- (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity 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 per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;
- (c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity 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 per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

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

The Company has fixed its materiality threshold limit as follows:

Nature of Transactions with Related Party	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Transactions with one party amounting to 10% (Ten) percent or more of the turnover* of the company, to be entered into either individually or taken together with the previous transactions during a financial year.	All transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crores or 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
Buying, selling or disposing of property of any kind directly or through appointment of agents		
Leasing of any kind of property		
Availing or rendering of any services directly or through appointment of agents	* Turnover shall be computed on the basis of the audited financial statement of the preceding financial year.	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration exceeding Rs. 2,50,000 (Two And A Half Lakh Rupees Only)	
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth** ** Net Worth shall be computed on the basis of the audited financial statement of the preceding financial year.	
Transfer of resources, Services or Obligation		
Transaction involving payments made to a related party with respect to brand usage or royalty		Transactions with one party exceeding 2% of the annual consolidated turnover of the Company as per the last audited financial

		statements of the Company
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5. IDENTIFICATION OF RELATED PARTY AND TRANSACTIONS

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. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

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.

6. APPROVALS FOR TRANSACTIONS WITH RELATED PARTIES:

1) Approval by Audit Committee

- i. All the transactions which are identified as related party transactions should be preapproved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ii. The listed entity shall provide the following information, for review of the audit committee for approval of a proposed RPT:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - details of the source of funds in connection with the proposed transaction;
 - 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;
applicable terms, including covenants, tenure, interest rate and repayment

- schedule, whether secured or unsecured; if secured, the nature of security; and ,the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
 - h. A copy of the valuation or other external party report, if any such report has been relied upon;
 - i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - j. Any other information that may be relevant.
- iii. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis..
 - iv. Any member of the Committee who has any interest in any related party transaction shall not vote to approve the related party transaction.
 - v. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances set out below.
 - vi. 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
 - vii. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - (a) Repetitiveness of the transactions (in past or in future);
 - (b) Justification for the need of omnibus approval
 - viii. 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;
 - ix. The omnibus approval shall provide details of (a) 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, (b) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any and (c) such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transactions cannot be foreseen and details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees 1 crore per transaction.

- x. 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.
- xi. 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.
- xii. Any other conditions as the Audit Committee may deem fit

2) Approval of the Board

- i. 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 case the Company exceeds the prescribed thresholds under the Companies Act read with applicable rules, it will be also be put up for prior approval of the shareholders through an ordinary resolution.
- ii. Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

Any member of the Board who has any interest in any Related Party Transaction will rescue himself and abstain from discussion and voting on the approval of the Related Party Transaction.

3) Approval of the Shareholders

- i. If a related party transaction is a material transaction as per Regulation 23, it shall require shareholder's approval through resolution and no related parties shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- ii. If a related party transactions is not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a resolution. In such a case, any member who is a related party having interest in the transaction for which resolution being proposed, shall not vote on such resolution passed for approving related party transaction.

However, the requirement of shareholders' approval for Material Related Party Transactions shall not be applicable for the following cases:

- transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

- 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.

Information to be provided to shareholders for consideration of RPTs:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a.) a summary of the information provided by the management of the listed entity to the audit committee;
- b.) justification for why the proposed transaction is in the interest of the listed entity;
- c.) Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs)
- d.) A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed 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 information that may be relevant

7. DISCLOSURES

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

The Company shall submit within 15 days from the date of publication of its standalone and consolidated financial results for the half year, and 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 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.

In addition to the above, the Company shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 4 of the Policy above) on a quarterly basis to the stock exchanges.

8. Related Party Transactions not approved under this Policy

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 Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances and 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 shall take any such action it deems appropriate.

9. Review of the Policy

- i. The adequacy of this Policy shall be reviewed and reassessed by the Audit Committee periodically and appropriate recommendations shall be made to the Board to update the Policy based on the changes that may be brought about due to any regulatory amendments or otherwise.
- ii. The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

For Star Delta Transformers Limited

**Sd/-
Kishore Gupta
Managing Director
Star Delta Transformers Limited**

