

Related Party Transactions Policy

1. Preamble

The Board of Directors of Sparkle Gold Rock Limited (“the Company”) has adopted the following written policy and procedures with regard to Related Party Transactions as defined below. The Board may, however, review this policy in the light of statutory/regulatory requirements from time to time.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company. No Related Party Transaction may be entered into by the Company or its Key Managerial Personnel except in accordance with the provisions of this Policy.

2. Purpose

This policy is framed as required by Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”) as well as to enable compliance with the requirements of the Companies Act, 2013 (“Act”) and the Rules framed thereunder, as amended from time to time, and is intended to ensure a proper framework for approval and reporting of transactions between the Company and Related Parties.

This Policy is intended to:

- a. Identify all transactions which fall within the ambit of Related Party Transactions both as per the Regulations and the Act including the Rules framed thereunder.
- b. Seek necessary approvals of the Audit Committee / Board / Shareholders as may be necessary, after providing necessary information.

3. Definitions

a. “Relevant Legislation” means the Act, the Rules framed thereunder, the Regulations and any other regulations, prescribed by the Securities and Exchange Board of India and as amended from time to time.

b. “Audit Committee” means the Audit Committee of the Board of Directors of the Company constituted under the provisions Section 177 of Act, 2013 read with Regulation 18 of SEBI (LODR).

c. “Arm’s length transaction” in pursuance of Explanation (b) to section 188(1) of the Act, means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest and shall be guided by the determining criteria mentioned in this Policy.

d. “Board” means the Board of Directors of the Company.

e. "Control" includes right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders' agreement or voting agreements or in any other manner.

f. "Key Managerial Personnel" means key managerial personnel as defined under the Act, and includes

- i. the Chief Executive Officer or the Managing Director; or Manager;
- ii. the Company Secretary.
- iii. the Whole- time director;
- iv. the Chief Financial Officer;
- v. *such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel the Board; and
- vi. such other officer as may be prescribed

(* This will be effective from February 9, 2018)

g. "Material Related Party Transaction" a. any transaction to be entered into with a Related Party (other than a Wholly Owned Subsidiary, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval), if value of such transaction/ transactions to be entered into individually or taken together with previous Related Party Transaction during a financial year, exceeds Rs.1000 Crores or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower, or such other threshold as may be laid down from time to time under Applicable Law.

b. a transaction involving payments made to a Related Party with respect to brand usage or royalty if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeding five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

h. "Policy" means written policies and procedures for the identification, review and approval of Related Party Transactions, as amended from time to time.

i. "Related Party" means and includes any person or entity who is related to the Company in terms of --

- a. Section 2(76) of the Act, 2013
- b. Regulation 2 (1) (zb) of the SEBI LODR
- c. Ind AS 24, as amended from time

(*Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.)

(* Effective from April 1, 2019.)

j. "Related Party Transactions" means any transaction/ group of transactions in a contract involving a transfer of resources, services or obligations, regardless of whether a price is charged, and subject to the exclusions mentioned in point no.15 below, 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;

Without prejudice to the generality of the above, related Party Transactions under the Act, shall include:

- i. Sale, purchase or supply of any goods or materials;
- ii. Selling or otherwise disposing of, or buying property of any kind;
- iii. Leasing of property of any kind;
- iv. Availing or rendering of any services;
- v. Appointment of any agent for purchase or sale of goods, materials, services or property;
- vi. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.

k. "**Relative**" shall have the same meaning as assigned under section 2(77) of the Act, and the Rules framed thereunder.

Terms used in this Framework – Terms not specifically defined herein shall have their meaning assigned to them in the Act, Rules framed thereunder and the Regulations, as clarified/ amended from time to time

4. Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel shall notify to the Audit Committee, of any potential Related Party Transaction involving them or their Relatives, including any additional information about the transaction that the Company Secretary may reasonably request.

Whenever any potential contract or arrangement is proposed to be entered into by the Company with any related party; any employee in knowledge of the transaction shall give notice to the Audit Committee.

The Company would prefer to receive such notice of any potential Related Party Transaction well in advance so that the Committee has adequate time to obtain and review information about the proposed transaction.

All such transaction shall be placed before the Audit Committee for its approval in terms of the Act, and the Regulations.

5. Standards for Review and Approval of Related Party Transactions

• **Factors to be considered by the Audit Committee for approval of any Related Party Transaction:**

- I. Whether the transaction proposed to be entered into by the Company is in the ordinary course of the business of the Company;
- II. Whether the terms of the Related Party Transaction are fair and the transaction is on arm's length basis;
- III. Whether the proposed transaction is repetitive in nature and an omnibus approval is requested for the same;
- IV. Whether the proposed transaction is a material transaction based on the approximate value of the transaction.

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

a) There are well defined 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, and there exists material that signifies that the same would serve the best interests of the Company.

b) While granting such approval, there shall be specified or indicated broadly, (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.

c) Where the need for Related Party Transaction cannot be foreseen and aforesaid details not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 (One) crore per transaction.

d) Audit Committee may subsequently review the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given, ordinarily on a quarterly basis.

e) Such omnibus approvals may relate to a period not exceeding one year.

- Criteria to determine whether the proposed Related Party Transaction is in the ordinary course of business:

- I. Whether the transactions are normal or do not involve high value coupled with complexity;
- II. Whether the transaction involves unusual terms of trade, such as unusual price, interest rates, guarantees or repayment terms, etc.;
- III. Whether the transaction involves previously unidentified parties;
- IV. Whether the transaction lacks a rationale for being undertaken
- V. Whether the transaction is processed in a manner that is different from the manner in which similar unrelated transactions are processed.

- Criteria to determine whether the proposed Related Party Transaction is at arm's length:

Section 188(1) of the Act, defines the term “arm’s length transaction” as a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In order to determine the optimum arm’s length price, the Company may apply the most appropriate method from any of the following methods as prescribed under Section 92C of the Income-tax Act, 1961 read with Rule 10B of the Income-tax Rules, 1962:

- i. Comparable Uncontrolled Price method
- ii. Resale Price Method
- iii. Cost Plus Method
- iv. Profit Split Method
- v. Transactional Net Margin Method
- vi. Such other method as may be prescribed by the Board (Rule 10AB)

Also, an examination can be made of any past precedents or pending litigations for the acceptability or otherwise, of pricing of the Related Party Transactions from various statutory authorities, to determine if the methods adopted by the Company have been accepted by various statutory authorities.

6. Review and Approval of Related Party Transactions

Upon identification of the Related Party Transaction, a certificate from Chartered Accountant/ Chartered Accountancy firm or an equivalent expert shall be obtained to confirm that the proposed Related Party Transaction to be entered into by the Company is in the ordinary course of business and at arm’s length.

6.1 Approval of Audit Committee

All Related Party Transactions ought to be reported to the Audit Committee and referred for prior approval irrespective of the value and also for any modification of such contracts.

Any member of the Audit Committee who has a potential interest in such Related Party Transaction shall abstain from discussion and voting for the approval of such transaction.

To review and approve any Related Party Transaction, the Audit Committee shall take into account the factors as set out above and examine all relevant and complete material information provided by the Company such as:

- (a) the nature, terms and duration of the transaction;
- (b) the business purpose/ justification of the transaction;
- (c) the benefits to the Company and to the Related Party; and
- (d) any other relevant matters.

The approval by the Audit Committee would require compliance with the foregoing twin criteria, viz., ordinary course of business and at arm’s length.

6.2 Approval of the Board

The Audit Committee may, if it believes that there is a need re-confirmation, refer the proposed transaction for approval by the Board of Directors.

The Audit Committee will be assisted by the Company Secretary as to whether the proposed Related Party Transaction may become a Material Transaction and if that be so, the Audit Committee may refer the same to the Board of Directors for being processed further, including where applicable, to seek approval by the shareholders in accordance with the stricter of the relevant regulatory requirements.

6.3 Approval of Shareholders

If the Board of Directors may further decide that certain material Related Party Transactions need to be approved by the shareholders in terms of Para 6.2, it shall refer the same to the General Body of the shareholders for its approval by passing an appropriate Resolution.

Related Party Transactions requiring the approval of the shareholders:

Sale, purchase or supply of any goods or materials directly or through appointment of agent exceeding 10% of the annual turnover of the Company or Rs.100 Crore, whichever is lower

ii. Selling or disposing of, or buying, property of any kind directly or through appointment of agent exceeding 10% of the net worth of the Company or Rs.100 Crore, whichever is lower

iii. Leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of the turnover of the Company or Rs.100 Crore, whichever is lower

iv. Availing or rendering of any services directly or through appointment of agent exceeding 10% of the turnover of the Company or Rs.50 Crore, whichever is lower

v. Appointment to any office or place of profit in the Company, its Subsidiary Company or Associate Company at a monthly remuneration exceeding Rs.2.5 Lakh

vi. Remuneration for underwriting the subscription of any securities or derivatives of the Company exceeding 1% of the net worth.

The Company Secretary shall carry out all necessary requirements for obtaining the approval of the shareholders as aforesaid.

No related parties shall vote to approve aforesaid resolution irrespective of whether the entity is a party to the particular transaction or not.

7. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction that has not been approved in terms of this Policy prior to its consummation, the matter shall be placed before 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 of such Related Party Transaction and shall recommend such action as it may deem appropriate.

8. Disclosure of Related Party Transactions

(*The Company shall submit within 30 days from 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.)

(*Disclosures of transactions of the Company with any person or entity belonging to the promoter / promoter group which hold(s) 10% or more shareholding in the listed entity, in the format prescribed in the relevant accounting standards for annual results.)

Approved By
Board of Sparkle Gold Rock Limited