

RELATED PARTY TRANSACTIONS POLICY OF SOMANY CERAMICS LIMITED

(Revised on 6th February, 2025)

Preamble

Somany Ceramics Limited (“SCL” or “The Company”) has always been committed to best corporate governance practices and this policy on Related Party Transactions (“the RPT Policy”) is prepared for ensuring compliance with the provisions of the Companies Act, 2013 (the “Act”), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), the Indian Accounting Standard (Ind AS) as amended from time to time and other applicable laws.

The objective of this policy is to regulate transactions between the Company and its Related Parties based on the Companies Act, 2013 and the SEBI Listing Regulations applicable to the Company from time to time.

Purpose of the Policy

The broad purpose of this policy is to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. This RPT Policy also define materiality of related party transactions and manner in which the related party transactions will be dealt with. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements as to accord fairness in the treatment of related party transactions. The purpose of this RPT policy is to identify and approve such related party transactions that are in line with applicable laws and regulations and in the best interest of the Company/its shareholders.

Implementation

This Policy shall be effective in respect to the transactions that took place on or after 01st April, 2022.

Salient features of the Policy

1. Definitions

- a) “Act” means the Companies Act, 2013 read with the rules notified thereunder, as amended from time to time.
- b) “Applicable Law” means the Companies Act, 2013 and the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any modifications/re-enactments thereof) and includes any other statute, law, standards, circulars, notifications, regulations or other governmental instruction relating to Related Party Transactions.
- c) “Arm’s Length Transaction” means a transaction among two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. Guidelines on determination of Basis of Arm’s Length Price is provided as Annexure-I to its policy.
- d) “Associate Company” means an entity as defined under section 2(6) of the Act read with Regulation 2(1)(b) of SEBI (LODR), 2015.
- e) “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Regulation 18 of the SEBI (LODR) & Section 177 of the Act.

- f) **“Board”** means Board of Directors of the Company as defined under the Companies Act, 2013.”
- g) **“Key Managerial Personnel”** means key managerial personnel as defined in sub-section (51) of section 2 under the Companies Act, 2013.
- h) **“Material Related Party Transaction”**: Material Related Party Transaction is defined as per different statutes as follows:

As per Companies Act, 2013

Sl.	Nature of Transactions	Materiality as per the Act
1	Sale, purchase or supply of any goods or materials directly or through appointment of agent	10% or more of the turnover of the Company
2	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	10% or more of the net worth of the Company
3	Leasing of property of any kind .	10% or more of the turnover of the Company
4	Availing/Rendering Services directly or through appointment of agent,	10% or more of the turnover of the Company
5	Appointment of related party to an office or place of profit in Company, its subsidiary or associate Company	Monthly remuneration exceeding Rs. 2,50,000/- of the Company
6	Remuneration for under writing the subscription of any securities or derivatives thereof of the Company	Exceeding 1% of the net worth of the Company
Note : • Net worth and turnover would be as per audited financial statements of the preceding financial year. • The limits specified in sub-clause (i) to (iv) shall apply for transactions to be taken individually or together with previous transactions during a financial year.		

As per SEBI (LODR), 2015

Sl.	Nature of Transactions	Materiality as per SEBI LODR*
1	Usage of Brand and payment of royalty thereof	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 the last audited financial statements of the Company,
2	Any other transaction	the transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1000 Crore or 10 % of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
*including material modifications thereof Note: <i>Annual Consolidated turnover is to be taken as per last audited consolidated financial statements of the Company.</i>		

“Material Modification” means amendment in existing terms of an approved transaction triggering any of the following conditions whether individually or in aggregate:

- a) Change in aggregate transaction value of Related Party Transaction beyond 20%.
- b) Extension in duration of Related Party Transaction contract beyond a period of 12 months.
- c) Such other factors as may be decided by the Audit Committee while granting approval to any related party transaction.

j) **“SEBI(LODR)”** means SEBI (Listing Obligations & Disclosure) Requirements, Regulations 2015.

k) **“Omnibus Approval”** means a consolidated/standing approval given by the Committee in respect of transaction(s) which are repetitive in nature.

l) **“Ordinary Course of Business”** may include the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which are permitted by the Object Clause in the Memorandum of Association of the Company.

m) **“Relative”** means relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:

n) **“Related Party”** means Related Party as defined under Section 2(76) of the Act read with Rules made thereunder read with Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Indian Accounting Standards, as amended from time to time.

o) **“Related Party Transaction”** means;

- 1) Transaction(s) involving transfer of resources, services or obligations between:
 - (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
 - (ii) the Company 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 Company or any of its subsidiaries, 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.

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

- (a) 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;
- (b) the following corporate actions 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.

(c) 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.

(d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:

Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.

(e) retail purchases from the Company or its subsidiary by its Directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and Directors:

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

- 2) Transaction(s) covered under Section 188 of the Act and the Rules framed thereunder;
- 3) Such other transaction as may be notified from time to time under the Act or SEBI LODR or Accounting Standards.

p) **“Transaction”** with related party shall be construed to include a single transaction or a group of transactions.

The terms Director and Key Managerial Personnel shall have the same meaning as assigned under the Companies Act, 2013.

q) **“Subsidiary”** means a subsidiary as defined under Regulation 2(zm) of SEBI LODR read with Section 2(87) of the Act.

Any term not defined in this policy shall have the same meaning as given in the Act and rules made thereunder and /or SEBI LODR including amendments thereof. Indian Accounting Standards and or any other statute, law, standards, regulations or other governmental instruction relating to Related Party Transactions.

Disclosure by Directors and Key Managerial Personnel (KMP) and Identification of Related Party

Every Director and KMP upon his/her appointment and thereafter at the beginning of the financial year shall provide information by way of written notice to the Company regarding his/ her concern or interest in other entities with specific concern to parties which may be considered as Related Party to the Company and shall also provide the list of Relatives which are regarded as Related Party as per this Policy. Directors/KMP 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. Every Director/KMP shall at the first meeting of the Board in which he/she participates as a Director/KMP and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his/her concern or interest, directly/indirectly in any company or companies or bodies corporate, firms, or other

association of individuals which shall include the shareholding in **Form MBP-1**.

Further, it shall be the duty of Directors/KMP to disclose to the Committee/Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company/its subsidiary(ies).

Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy. Every Directors and KMPs shall ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The CFO or persons responsible for Accounts & Finance function of the Company/its subsidiary(ies) shall be responsible for identifying Related Party(ies) as per applicable Accounting Standards and reporting of such Related Party(ies).

2. Related Party Transactions Approval Process:

I. Prior approval process by Audit Committee

- I. Except otherwise provided hereunder, prior approval of the Audit Committee would be required for the following transactions (irrespective of being in the ordinary course of business or at arm's length basis) in accordance with this Policy unless the approval is exempted pursuant to the provisions of applicable law:

- All RPTs and subsequent modifications including material modifications therein.
- RPTs to which the subsidiary of the Company is a party, but the Company is not a party if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10 per cent of the annual standalone turnover in accordance with the last audited financial statements of the subsidiary.

Additionally, the Audit Committee's prior approval by the Company would not be required if the listed subsidiary is a party but the Company is not a party, if any, is subject to compliance with Regulation 23 and Regulation 15(2) of the SEBI LODR (as mentioned herein this document) are applicable to such listed subsidiary. Furthermore, for RPTs of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

Remuneration and sitting fees paid by the Company or its subsidiary to its Director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the Audit Committee provided that the same is not material in terms Sub – Regulation 1 of Regulation 23 of SEBI LODR.

The members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- (ii) the transaction is not material in terms of Sub – Regulation 1 of Regulation 23 of SEBI LODR;
- (iii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- (iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation 23(9) of SEBI LODR;
- (v) any other condition as specified by the Audit Committee;

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a related party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by it.

- II. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will recuse him / herself and abstain from discussion and voting on the approval of the Related Party Transaction. Only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.
- III. Before approving any transaction with related parties, the Committee shall ensure the existing / proposed transaction(s) are on arms' length basis and in ordinary course of business and that all the necessary information/documents were available as per the prevailing Company policy.

The Committee shall consider the following factors while deliberating the Related Party Transactions for its approval:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the Company 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 Company'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 Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. 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;

- iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv. 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 Company;
- 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.

Omnibus Approval by Audit Committee:

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company or its subsidiary, the Committee may grant standing pre-approval /omnibus approval. While granting the omnibus approval the Audit Committee shall satisfy itself of the need for the omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. 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 the value per transaction not exceeding Rs. 1.00 Crore and maximum value of all transaction in aggregate Rs. 25.00 Crores or such higher amount as may be prescribed from time to time by the Act or Listing Regulations. The details of such transaction shall be reported to the Audit Committee for review on quarterly basis.

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

II. Prior Approval by Board of Directors:

The following Related Party Transactions shall require the approval of Board:

- 1) All the contracts/arrangements prescribed under Section 188(1) of the Companies Act, 2013 and within the threshold limits prescribed under Rule 15 (3) of Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time), which are not in the ordinary course of business of the Company and/or on arm's length basis shall, in addition to the prior approval of the Audit Committee, also require prior approval of the Board of Directors of the Company, with such modification as may be necessary or appropriate under the circumstances.
where prior approval is not obtained, the same shall be ratified within 3 months from the date on which such contract or arrangement was entered into.

- 2) Where approval of the Board of Directors is required for any Related Party Transaction or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.
- 3) Any member of the Board who has any potential interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

III. Prior Approval by the Shareholders

The following Related Party Transactions require prior approval of shareholders:

- I. All Material Related Party Transactions and subsequent material modifications under Regulation 23 of the SEBI LODR shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- II. Such Related Party Transactions which are either not on arm's length or not in the ordinary course of business and require the approval of shareholders of the Company under Section 188 of the Act or which have specifically been recommended by the Board for shareholders' approval.

However, prior approval of the shareholders would not be required if the transaction is entered into by a listed subsidiary of the Company, and the subsidiary is subject to compliance with Regulation 23 and Regulation 15(2) of the SEBI (LODR). Furthermore, for RPTs of unlisted subsidiaries of the listed subsidiary, prior approval of the shareholders of the listed subsidiary shall suffice.

IV. Related Party Transactions not approved under this Policy

- I. If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Board or, as the case may be, of the shareholders of such transaction. The respective authorities shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction.
- II. In cases where a transaction is not ratified by the Board or, as the case may be, of the shareholders at a meeting within 03 months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a Party Related to any Director / KMP, or is authorised by any other Director / KMP, the Director/KMP concerned shall indemnify the Company/its subsidiary(ies) against any loss incurred by it.

Nothing in this Policy shall override any provisions of law made in respect of any matter stated in this Policy.

V. Exemption from Prior Approval:

Notwithstanding the above mentioned, the following Related Party Transactions shall not entail any approval:

- 1) 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 as per SEBI (LODR) Regulations, 2015.
- 2) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- 3) Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

VI. Disclosures

Particulars of contracts or arrangements with Related Parties referred to in sub section (1) of Section 188 of the Companies Act, 2013 shall be disclosed in the Directors Report in the prescribed format as per the provisions.

The details of all transactions with related parties shall be submitted, in the format specified, half-yearly to the stock exchanges, as per the manner and timelines set-out in the SEBI Listing Regulations.

Such other disclosures, as may be required under any statutory provision as may be applicable to the Company, shall be made accordingly by the Company.

This Policy shall be disclosed on the website of the Company and provide weblink in its Annual Report.

VII. Policy Review

This Policy shall be reviewed by the Committee once in every three years and appropriate recommendations shall be made to the Board to update the Policy according. In case of any subsequent changes in the provisions of the SEBI Regulations or the Companies Act, 2013 and rules thereunder or other applicable law, the relevant amended provisions would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

VIII. Amendments

Though the Committee or Board shall have all the right to amend/alter/modify this Policy, however, this Policy may stand amended because of any regulatory amendments, clarifications etc. issued under the applicable laws. The amendment shall be deemed to be effective from the date on which such regulatory amendments, clarifications etc. comes into force. An appropriate recommendation shall be made to the Board to update the Policy accordingly.

In the event of any conflict between the provisions of this Policy and of the Act or SEBI Listing Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment

/modification in the SEBI Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

Amended in the Board Meeting held on 29th October, 2024 and further on 6th February 2025

Guidelines on Determination of Basis of Arm's Length Price

These are guidelines to employees on applying the arm's length principle. The guidance on arm's length principle is applicable to all transactions, both local and cross-border, between the Company and its related parties.

Arm's Length Basis

The arm's length principle requires the transaction with a related party to be made at similar terms & price under comparable conditions and circumstances as a transaction with an unrelated party. The application of arm's length principle involves the identification of comparable situation(s) or transaction(s) undertaken by unrelated parties against which the Related Party Transaction or margin is to be benchmarked. This step commonly known as "comparability analysis". It entails an analysis of the similarities and differences in the conditions and characteristics that are found in the Related Party Transaction with those in an unrelated party transaction.

The method as prescribed in Income Tax Act, 1961 as amended from time to time, may also be considered for determination of optimum Arm's Length price

Factors Affecting Comparability

a- Characteristics of Goods, Services or Intangible Properties under transactions

The specific characteristics of goods, services or intangible properties play a significant part in determining their values in the open market. For instance, a product with better quality and more features would fetch a higher selling price.

b- Analysis of Functions, Risks and Assets

Proposed pricing depends on functional characteristics of the assets used and risks assumed. For instance, an entity selling a product with warranty should earn a higher return compared to another entity selling the same product without the provision of warranty. Likewise, a product with a reputable branding is expected to fetch a higher return compared to that of a similar product without the branding.

c- Commercial and Economic Circumstances

Prices may vary across different markets even for transactions involving the same property or services. In order to make meaningful comparisons of prices or margins between entities/transactions, the markets and economic conditions in which the entities operate or where the transactions are undertaken should be comparable.

d- Government policies and regulations

Government policies and regulations such as price controls etc. may have an impact on prices and margins. Hence, the effects of these regulations should also be examined as part of the examination for comparability of the market and economic conditions.

e- Commercial parlance, customs and trade practices

Custom and trade practices in respect of particular transaction(s) are important in determining arm's length basis. For example, interest free security deposits given in property lease transactions.

Concluding basis of Arm's length price

Based on comprehensive assessment of outcome of comparability analysis, significant similarities and differences between the transactions/entities in question and those to be benchmarked against, adjustments could be made for material differences identified.