



Sanghvi Brands Limited

SANGHVI BRANDS LIMITED

CIN- L74999PN2010PLC135586

RELATED PARTY TRANSACTION POLICY

Registered Address: -

Sanghvihouse,105/2, Shivajinagar, Pune, Maharashtra-411005



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PREAMBLE

The enactment of the Companies Act 2013 (the “Act”), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and requirements under the Income Tax Act relating to Transfer Pricing both for International and Domestic transactions, has resulted into a significant importance on the compliances to be made on the Related Party Transactions. Pursuant to Regulation 23 of Listing Regulations, the Company is required to devise a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. Sanghvi Brands Limited Limited (the “Company” or “SBL”) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stakeholders’ best interests.

1. PURPOSE AND SCOPE OF THE POLICY

The Objective of this Policy is to bring uniform practices relating to Related Party Transactions covering the process, methodology, arm’s length pricing, approval mechanism, disclosures and compliance with the provisions of the Companies Act 2013 and rules framed thereunder, Listing Regulations and the Transfer Pricing norms prescribed under the Income Tax Act, 1961 and Accounting Standards. Hence the Company seeks to formulate a robust Policy on Related Party Transactions to deal with the identification, review and approval of Related Party Transactions.

This Policy is applicable to all Related Party Transactions entered by the Company as per the Companies Act, 2013 and the Listing Regulations.

The purpose of this policy is to ensure that all related party transactions (RPTs) are conducted in a manner that is transparent, fair, and in compliance with applicable laws and regulations. This policy establishes guidelines for identifying, reviewing, approving, and disclosing transactions with related parties to safeguard the interests of the company and its stakeholders.

2. DEFINITIONS

- A. “Act” or “Act, 2013” means the Companies Act, 2013;
- 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 (“SEBI LODR”) and Indian Accounting Standards (including any modifications/ re-enactments thereof) and includes any other statute, law, standards, regulations, circulars or other governmental instruction relating to Related Party Transactions applicable on the Company;
- C. “Audit Committee” means the Committee of Board of Directors of the Company constituted under provisions of Section 177 of Companies Act, 2013 read with Regulation 18 of SEBI LODR;



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- D. "Board" means the Board of Directors of the Company;
- E. "Compliance Officer" means the Company Secretary of the Company or such Compliance Officer identified by the Board for the purpose of SEBI LODR;
- F. "Key Managerial Personnel" means
- the Chief Executive Officer or the Managing Director or the Manager;
 - the Company Secretary;
 - Whole-time Director;
 - the Chief Financial Officer.
 - such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
 - such other officer as may be prescribed under the Act.
- G. "Material Related Party Transactions under SEBI LODR" means-
- 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 Transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company or Rs.1,000 crore, whichever is lower, as per the last audited financial statements of the Company or such other threshold as may be laid down from time to time under the applicable law;
- H. 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;
- I. "**Material Related Party Transaction under the Act, 2013**" means transactions as defined under Section 188(1) of the Act, 2013 by the Company with Related Parties as defined under Section 2(76) of the Act, 2013 where the aggregate value of the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under rule 15 of the Companies (Meeting of Board and its Power) Rules, 2014 from time to time.



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J. “Material modifications” shall mean any modification made in the terms and conditions of any Related Party Transaction, which are existing as on date of adoption of this Policy or entered subsequently, as originally approved by the Audit Committee and/or shareholders, as the case may be, having a significant impact, including the criteria illustrated below, on the nature, value, tenure, exposure, or likely financial impact of such transaction, as may be determined by the Audit Committee from time to time.

An Illustrative list of rebuttable presumption that a modification is material, if such modification, together with previous modifications during a financial year, results into any of the following-

- A variation in the value of the transaction/contract as originally approved, by 25%, or more of the existing limit as sanctioned by the Audit Committee or the Board or shareholders, as the case may be.
- The terms of the contract cease to be on arms’ length.
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract, subject to a minimum of Rs. 10 Crore.
- Extension of tenure of the contract by 25% or more of the original tenure, except for completion of any residual performances.
- Any modification which results into the claims of either party being subordinated, or relaxation of security interest:
 - Provided that giving any consent for cessation of *pari passu* charge or any other security interest, provided there is adequate asset cover, shall not be deemed as modification of contract.
- Any novation of the contract or arrangement to a third party.

Provided further that the following shall not be considered as material modification -

- modifications which may be mandated pursuant to change in law,
- modifications pursuant to and in accordance with the terms of the approved transaction/contract, whether with or without mutual consent of parties, as the case may be,
- modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement (e.g. merger, amalgamation, demerger, etc.),
- modifications which are purely technical and do not result in substantive change or alteration of rights, interests, and obligations of any of the parties,
- modifications uniformly affected for similar transactions with unrelated parties

K. “Relative(s)” shall have the same meaning as assigned to it under Section 2(77) of the Companies Act, 2013 and the Rules made thereunder and Regulation 2(1)(zd) of SEBI LODR.

L. “Related Party” means an individual or an entity who is “related” to the Company in terms of -

- A. Section 2(76) of the Act
- B. Regulation 2(1)(zb) of the SEBI LODR
- C. Ind AS 24, as amended from time to time



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M. “Related Party Transaction” means a transaction/ group of transactions in a contract, involving a 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 1st April, 2023);

regardless of whether a price is charged or not and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract, subject to the exclusions as provided below.

Notwithstanding the foregoing, the following shall not be considered Related Party Transactions for the purpose of this Policy:

- 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 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.
- c. Any transaction that involves providing of compensation to a director or Key Managerial Personnel or Senior Management, except who is part of promoter or promoter group, at the time of his/her appointment, 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, provided that the same is not material in terms of Regulation 23 of SEBI LODR, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- d. Reimbursement of expenses incurred by a Related Party for business purpose of the Company.
- e. 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, or other pro rata interest of a Related Party included in a transaction involving generic interest of stakeholders involving one or more Related Parties as well as other parties.



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- f. retail purchases from any listed entity 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.
- g. Any other exception which is consistent with the applicable laws, including any rules or regulations made thereunder, and does not require approval in advance by the Audit Committee.

3. POLICY

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

3.1 IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

- Each director and Key Managerial Personnel is responsible for providing Notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee and the Board. The Board shall record the disclosure of Interest and the 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 at least 10 days in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

3.2 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION BY THE AUDIT COMMITTEE

Every Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolutions by circulation, except transactions with wholly owned subsidiaries which requires only approval (and not prior approval) of the Audit Committee. Any member of the Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

- The Audit Committee of the Board will review and, if appropriate, approve Related Party Transactions. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that calendar year:
 - a) The name of the Related Party and nature of relationship.
 - b) The nature, duration of the contract and particulars of contract or arrangement;
 - c) The material terms of the contract or arrangement including the value, if any;
 - d) Maximum amount of transaction that can be entered into and the period of such approval;



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- e) Any advance paid or received for the contract or arrangement, if any;
 - f) The manner of determining the pricing and other commercial terms both included as part of contract and the indicative base price / current contracted price and the formula for variation in the price if any;
 - g) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
 - h) Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction; and
 - i) any other information relevant or important for the Board to take a decision on the proposed transaction.
- In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant and grant an omnibus approval to the Related Party Transaction which are repetitive in nature and proposed to be entered into by the company:
- i) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company
 - ii) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - iii) Audit Committee may refer to SA 550, Related parties issued by ICAI which inter alia suggests the following to determine whether the transactions are at an arm's length:
 - a. Comparison of the terms with those of an identical or similar transaction with one or more unrelated parties;
 - b. Comparison of the terms to known market terms for identical or similar transactions; and
 - c. In making the comparison, consideration should be given not only to the price but also to other terms and conditions, for example, credit terms, contingencies, specific charges
 - iv) The Committee can also refer to international guidelines / principles i.e., OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administration.
 - v) The Audit committee shall determine whether the transaction is in the ordinary course of business with the help of the following parameters drawn from judicial precedents like reasonability of transaction in the context of business, whether it necessary, normal and incidental to the business, customary and happen with certain frequency etc.
 - vi) Whether the Related Party Transaction would affect the independence of the directors/KMP;
 - vii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;



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- viii) Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company; and
 - ix) Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.
- 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. i Omnibus approval shall not be given for transactions in respect of selling or disposing of the undertaking of the Company.
 - If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee. – If any additional Related Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, management shall present such transactions to the Committee for approval.
 - Audit Committee shall review, on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.

3.3 APPROVAL OF TRANSACTIONS BY THE BOARD OF DIRECTORS

- The Audit Committee or the Board shall, in respect of the related party transactions referred to them for approval, shall after considering the materials placed before them, shall judge if the transaction is the ordinary course of business or at arm's length basis. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis.
- For transactions covered under Sec 188 of the Companies Act 2013 as stated below will require Board's approval if not at arm's length and not in the ordinary course of business:
 - 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;



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f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

3.4 SHAREHOLDERS' APPROVAL

- The Audit Committee shall report all “Material Related Party Transactions” to the Board of Directors. Material Related Party Transactions means transactions exceeding 10% of the annual consolidated turnover as per latest audited financial statements of the company.

The Company will also seek approval for “material related party transactions” from unrelated shareholders’ in the subsequent general meeting of the year in which the related party transaction is undertaken.

- All the transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business or at Arms’ Length Basis shall also require the approval of the shareholders through special resolution if the specified thresholds are met and the Related Parties interested in the contract/arrangement shall abstain from voting on such resolution



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The specified thresholds are as listed below:

Sl. No.	Prescribed Transaction Category	Thresholds
1.	Sale, purchase or supply of any goods or materials (directly or through appointment of agents)	Exceeding 10% of the turnover of the company or INR 100 crores, whichever is lower*
2.	Selling or otherwise disposing of, or buying, property of any kind (directly or through appointment of agents)	Exceeding 10% of net worth of the company or INR 100 crores, whichever is lower*
3.	Leasing of property of any kind	Exceeding 10% of the net worth or 10% of turnover of the company or INR 100 crores, whichever is lower*
4.	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of the turnover of the company or INR 50 crore, whichever is lower*
5.	Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakhs as mentioned
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth

**Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*

3.5 RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

The objectives of the Company are subject to both external and internal risks that are enumerated below: -

- In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of 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.



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- The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

4. REPORTING REQUIREMENTS

- Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts / arrangements with the Related-parties as part of Directors' Report. Form AOC 2 prescribes the manner in which disclosure is to be made in the Director's Report.
- The Company will also disclose the details of all material related party on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges as per LODR.

5. NOTICE TO THE READER

- This policy is framed based on the provisions of the Companies Act 2013 and rules thereunder and the requirements of the LODR.
- In case of any subsequent changes in the provisions of the Companies Act 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.
- This policy shall be reviewed by the Audit Committee and the Board of Directors as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Board. Any changes or modification on the policy would be approved by the Audit Committee and the Board of Directors.



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