

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

SILVER CONSUMER ELECTRICALS LIMITED
CIN: U46539GJ2021PLC122633

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INTRODUCTION:

In accordance with the provisions of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, as amended (the “**SEBI Listing Regulations**”) and the Companies Act, 2013 together with the rules notified thereunder, as amended, every company is required to adopt a policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors (the “**Board**”) at least once every three years and updated accordingly. (the “**Related Party Transactions Policy**” / the “**Policy**”). Provided that a transaction with a related party shall be considered material,

if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

The Policy inter-alia governs the transactions with the Related Parties keeping in view the potential or actual conflict of interest which may arise upon the transactions entered into by Silver Consumer Electricals Limited (“the **Company**”) and whether such transactions are consistent with the interest of the Company and its members.

PURPOSE OF THIS POLICY:

This Policy provides the criteria for determining the materiality of Related Party Transactions. The objective of this Policy is to ensure proper approvals & reporting of the transactions between Silver Consumer Electricals and its Related Parties in compliance of provisions of the Act, SEBI Listing Regulations and any other applicable statutory provisions for the time being in force, in this regard.

DEFINITIONS:

“**Act**” Act means the Companies Act, 2013 and rules made thereunder.

“**Arm’s Length Transaction**” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest, as defined in Explanation (b) to Section 188 (1) of the Act.

“**Audit Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of SEBI Listing Regulation and the Act, as may be amended from time to time.

“**Board**” means the Board of Directors of Silver Consumer Electricals Limited.

“**Key Managerial Personnel**” or “**(KMP)**” means the Managing Director, the

Company Secretary, the Chief Financial Officer and such other officers/employees of the Company as defined in section 2(51) of the Act.

“Material Modification” means any subsequent change to an existing Related Party Transaction, having a variance of [ten percent] of the existing limit.

“Material Related Party Transaction” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per the last audited consolidated financial statements of the Company.

Notwithstanding the above, a 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 five percent of the annual consolidated turnover of the Company as per its last audited financial statements

A related party transaction to which the subsidiary of an entity is a party but the entity is not a party, shall require prior approval of the audit committee of the 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 entity.

A related party transaction to which the subsidiary of a entity is a party but the entity is not a party, shall require prior approval of the audit committee of the 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.

“Related Party” means a related party as defined under the Act, SEBI Listing Regulations.

“Relative” means a relative as defined under Section 2(77) of the Act, read with the SEBI Listing Regulations.

“Related Party Transaction” means the transaction as prescribed under Regulation 2(1)(zc) of the SEBI Listing Regulations and Section 188 of the Act, and Accounting Standard 18, and includes any Material Modifications.

“Subsidiary” shall mean a subsidiary as defined under the Act.

“Transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract and includes prospective transactions.

Words or expressions used and not defined in this Policy, but defined in any the Act or SEBI Listing Regulations or other statute, shall have the same meanings assigned to them therein.

DEALING WITH RELATED PARTY TRANSACTIONS

The Board shall fulfil the function of monitoring and managing potential conflicts of interest of management, Board and shareholders, including misuse of corporate resources and abuse in Related Party Transactions.

The Company shall comply with applicable provisions of the SEBI Listing Regulations, the Act, the listing agreement and other applicable law in force from time to time in dealing with the Related Party Transactions.

APPROVAL PROCESS

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company.

All Directors, Members of the Management Committee and Key Managerial Personnel are responsible for informing the Company of their interest (including interest of their Relatives) in other Companies, firms or concerns at the beginning of every financial year and any change in such interest during the year. In addition, all Directors, Members of the Management Committee and KMPs are 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 Audit Committee may request. The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis.

Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

(i) Audit Committee

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee (which for the purpose of approval, includes only the independent director members). Accordingly, all proposed Related Party Transactions or Material Modifications must be reported to the Audit Committee for prior approval by the Committee. Further, a Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the

Audit Committee if (i) 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 Company or (ii) 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.

Provided that, prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the entity is not a party, if Regulation 23 and Sub-Regulation (2) of Regulation 15 of Listing Regulations are applicable to such listed subsidiary.

Remuneration and sitting fees paid by the entity 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 of the provisions of sub-regulation (1) of Regulation 15 of the Listing Regulations.

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 the provisions of sub-regulation (1) of Regulation 23 (2)(e) of Listing Regulations;
- (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 (9) of Regulation 23 of Listing Regulations;
- (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 entity against any loss incurred by it.

A person designated by Managing Director shall provide to the Committee all relevant material information of all Related Party Transaction(s), including the terms of the transaction(s), the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters inter alia including the following:

- (i) the name of the related party and nature of relationship;
- (ii) the nature, duration of the contract and particulars of the contract or arrangement;
- (iii) the material terms of the contract or arrangement including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;
- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) 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;
- (vii) the persons/authority seeking the approval of the proposed transaction; and
- (viii) any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction or Material Modification, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction or Material Modification thereof:

- (i) 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;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect nature of the Directors, 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.
- (v) Whether there are any compelling business reasons / rationale for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (vi) Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company.

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board or shareholders.

Further, in the event a Related Party Transaction is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Act, and obtain approval of the Board and/or its shareholders, as applicable.

Omnibus approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company or its subsidiary subject to the following conditions:

- (i) The Audit Committee shall lay down the criteria for granting an omnibus approval in line with this Policy and such approval shall be applicable in respect of Related Party Transactions which are repetitive in nature;
- (ii) The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the company;
- (iii) Such omnibus approval shall specify (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;

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

- (iv) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
- (v) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of the financial year.

The Company shall enter into any contract(s) or arrangement(s) or transaction(s) with a Related Party only after seeking necessary approvals of the following, subject to exemptions, if any, under any law for the time being in force:

(ii) Board of Directors

A Related Party Transaction shall be approved by the Board by passing a resolution in this regard at a meeting of the Board, provided that Board approval is not required for any the Related Party Transaction(s) to be entered into in the ordinary course of business and on an arm's length basis.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

(iii) Shareholders

All material Related Party Transactions and subsequent Material Modifications as defined by the audit committee under 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:

Provided that prior approval of the shareholders of an entity shall not be required for a related party transaction to which the listed subsidiary is a party but the entity is not a party, if Regulation 23 and Sub-Regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

The provisions of sub-regulations (2), (3) and (4) of regulation 23 of the Listing Regulations shall not be applicable in the following cases:

- a) transactions entered into between two public sector companies;
- b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and

placed before the shareholders at the general meeting for approval.

- c) transactions entered into between two wholly-owned subsidiaries of the holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- e) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- (i) Transactions entered into between (i) the Company and its wholly owned subsidiary or (ii) 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;
- (ii) Such other transactions as prescribed under applicable law.

RATIFICATION OF TRANSACTIONS WITH RELATED PARTIES

In exceptional circumstances, where it is not feasible to seek prior approval of the Audit Committee, Board of Directors and / or shareholders, as the case may be, in respect of any Related Party Transaction, then it shall be required to be ratified by the Audit Committee, Board of Directors and/or shareholders, as the case may be, within a period of three months of entering into Related Party Transaction.

Further, while submitting proposal for ratification of Related Party Transaction by the Audit Committee / Board / shareholders, adequate justification shall be provided for entering into Related Party transaction without seeking prior approvals, in the Agenda note.

DISCLOSURES

1. Every Contract or arrangement entered with Related Party with the approval of the Board/shareholders in line with Section 188 of the Act, are required to be disclosed in the Board's Report along with justification for entering into such contracts or arrangements.
2. The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time:

Provided that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results:

Provided further that the remuneration and sitting fees paid by the entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under the Sub-Regulation 9 of Regulation 23 of the Listing Regulations provided that the same is not material in terms of the provisions of Sub- Regulation 9 of Regulation 23 of the Listing Regulations.

3. This Policy shall be disclosed on the website of the Company and a web link thereto shall be provided in the Annual Report.
4. Any other disclosures as may be required in accordance with the applicable statutory provisions.

AMENDMENT AND REVIEW

The Board may, subject to applicable laws, amend, suspend or rescind this Policy at any time. Further, in any case, the Policy shall be reviewed by the Board at least once every three years and updated accordingly. Any difficulties or ambiguities in the Policy will be resolved by the Board in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Related Party Policy.

INTERPRETATION

In case of any subsequent changes in the provisions of the aforementioned statutes, the statutes would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with prevailing law. Any subsequent amendment/modification in SEBI Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy

