

# **SUNFLAG IRON AND STEEL COMPANY LIMITED**

**REGISTERED OFFICE: 33/1, MOUNT ROAD, SADAR, NAGPUR - 440001**

**Corporate Identification Number (CIN) – L 27100 MH 1984 PLC 034003**

**Tel No. + 91 712 2524661 / 2520356–7–8, Fax No. + 91 712 2520360**

**E-Mail ID: investor@sunflagsteel.com, Website: www.sunflagsteel.com**

---

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

The provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 becomes applicable to all listed Company including the Company effective 01<sup>st</sup> December 2015.

Amongst others, the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 deals with the Related Party Transactions and to formulate the Policy for materiality of Related Party Transactions and dealing with Related Party Transactions of the Company.:

### **1. PREAMBLE**

Related Party Transactions have been one of the major areas of focus for the Corporate Governance reforms being initiated by the various legislations in India.

The changes introduced in the Corporate Governance norms through the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the Companies to have enhanced transparency and due process for approval of the Related Party Transactions.

One of such requirements is that the Companies are required to formulate a policy on ‘Materiality of Related Party Transactions and also on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors’.

The Corporate Governance has been an integral part of the way, the Company - Sunflag Iron and Steel Company Limited have been doing its business since inception. As a part of the Corporate Governance and pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as ‘the Listing Regulations’ or ‘SEBI (LODR) Regulations’), the Board of Directors (‘Board’) of the Company has formulated, approved and adopted the following policy and procedures with regard to the Related

## Party Transactions and dealing with Related Party Transactions of the Company:

This Policy is intended to ensure proper approval and reporting of transactions between Sunflag Iron and Steel Company Limited ('the Company'), its Indian Subsidiary Companies ('Subsidiary') and its Associate Companies ('Associate') (the Company, Subsidiary and Associate together referred to as 'the Group') and the Related Parties in terms of the applicable laws and regulations.

## 2. DEFINITIONS

- (a) **“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.
- (b) **“Audit Committee”** means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the Listing Regulations and the Companies Act, 2013.
- (c) **“Associate Company”** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.  
Explanation —For the purpose of this clause —
  - (a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;
  - (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;
- (d) **“Board”** means the Board of Directors of the Company
- (e) **“Company”** means Sunflag Iron and Steel Company Limited.
- (f) **“Key Managerial Personnel (KMP)”** means key managerial personnel as defined under the Companies Act, 2013, viz
  - i. the Chief Executive Officer or the Managing Director or the 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 by the Board; and

vi. such other officer as may be prescribed

- (g) **“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 with a Related Party during a financial year, exceeds the following threshold:

<b>Consolidated Turnover of Company Threshold</b>	<b>Threshold</b>
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the Company
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the Company above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the Company above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

**Explanation:** For the purpose of computing the thresholds stated above, the annual consolidated turnover of the Company shall be determined based on the last audited financial statements of the Company.

- (h) **“Material Modifications”** means a modification in the transaction with a Related Party approved by the shareholders, where the transaction/transactions to be entered into individually or taken together, exceeds by Fifty (50%) of the value of the transaction/transactions already entered with that related party during a financial year.
- (i) **“Ordinary Course of Business”** for the purpose of this policy will cover the businesses of Sunflag’s & its ‘Group’, usual transactions, customs and practices of a business including incidental and/or facilitative activities of the business of Sunflag’s and its ‘Group’. The following factors have been considered for determination of whether the transactions are in ordinary course of business:
- a. The objects of the company permit the activities undertaken

- b. There is a historical practice to conduct such activities
  - c. A pattern of frequency to conduct such activities over a period of time, and
  - d. The transactions are common in industrial practice.
- (j) **“Policy”** means this Policy, as amended from time to time.
- (k) **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Companies Act, 2013 as amended from time to time and includes the following:
- i. a director or his relative;
  - ii. a Key Managerial Personnel or his relative;
  - iii. a firm, in which a director, manager or his relative is a partner;
  - iv. a private company in which a director or manager or his relative is a member or director;
  - v. a public company in which a director or manager is a director and holds, along with his relatives, more than two percent (2%) of its paid-up share capital;
  - vi. any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
  - vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- viii. any body corporate which is -
  - (a) a holding, subsidiary or an associate company of such company; or
  - (b) a subsidiary of a holding company to which it is also a subsidiary; or

- (c) an investing company or the venturer of the company.

Explanation — For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix. such other person as may be prescribed;
- x. an entity is a related party under the applicable accounting standards.

Provided that

- (a) any person or entity belonging to the promoter or promoter group of the Company; or
  - (b) any person or any entity, holding equity shares:
    - i) of twenty per cent or more; or
    - ii) of ten per cent or more, with effect from April 1, 2023in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year shall be deemed to be a related party.
- (l) **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:
- (i) a 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) a 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, 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:

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 any Company or its subsidiary by the directors or key managerial personnel of the Company or its subsidiary, and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, key managerial personnel and relatives of directors or key managerial personnel.

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);

- (m) "**Relative**" means relative as defined under the Companies Act, 2013 and includes anyone who is related to another if-
- a. they are members of a Hindu Undivided Family
  - b. they are husband and wife;
  - c. Father (including step-father)
  - d. Mother (including step-mother)
  - e. Son (including step-son)
  - f. Son's wife

- g. Daughter
- h. Daughter's husband
- i. Brother (including step-brother)
- j. Sister (including step-sister)

### **3. IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

Every Director, Key Managerial Personnel, Management, Committee Member and/or such other Designated Person of the Company is responsible for providing notice to the Board or the Audit Committee, of any potential Related Party Transaction involving him/her or his/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.

All Directors are required to declare and disclose their concerns or interests in any company or companies or bodies corporate at the first Board meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the Directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of this Policy.

The Company 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.

### **4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS**

**A.** All related party transactions and subsequent material modifications shall require prior approval of the Audit Committee and only those members of the audit committee, who are independent directors, shall approve related party transactions

Provided that a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction, exceeds the lower of the following:

- (i) 'ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary' and when subsidiary does not have audited financial statements for a period of one year 'ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary' or
- (ii) the threshold for material related party transactions of the Company as defined in point 2(g).

Further 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 Company 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 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 SEBI 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 SEBI 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 Company against any loss incurred by it.

**B.** Transactions with related parties which are in ordinary course of business of the Company and at arm's length shall be periodically disclosed to the Audit Committee/Board of Directors.

However, in case, there are any transactions which are not at arm's length or which are concluded to be not in ordinary course of business, the Company would need the

following additional approvals as mentioned hereunder:

- (i) In case of transactions which are ‘material’ in nature and/or not in the ordinary course of business or not at arm’s length, the management shall present the following information to the Audit Committee/Board of Directors for approval of those Related Party Transactions as per the provisions of the Companies Act, 2013:
  - a. name of the related party and nature of relationship
  - b. the nature, duration of the contract and particulars of the contract or arrangement;
  - c. the material terms of the contract or arrangement including the value, if any;
  - d. any advance paid or received for the contract or arrangement including the value, if any;
  - e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as of the contract;
  - f. 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; and
  - g. any other information relevant or important for the Board to take a decision on the proposed transaction.

After reviewing such information, the members of the Audit Committee (without the participation of the interested Committee member(s), if any) shall approve or disapprove such transactions.

If the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve any 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.

The Company shall also seek prior approval of Shareholders by way of a resolution (where the related party whether concerned or not to the particular transaction shall not vote to approve such a resolution) for all Material Related Party Transactions and/or for such related party transactions whose value exceeds the limits as prescribed under the SEBI (LODR) Regulations and the Companies Act, 2013 and the rules made there under.

- (ii) The Audit Committee may grant omnibus approval for such Related Party Transactions proposed to be entered into by the Company or its subsidiary which are unforeseen and repetitive in nature provided, the validity of such transactions is upto one year and the value does not exceed Rs. 1 crore per transaction.

The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given

- (iii) If any material information with respect to any approved transaction has changed, the management shall provide the updated information to the Committee.

## **5. EXEMPTION**

In terms of the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, following Related Party Transactions shall not require the approval of the Audit Committee, Board and the Shareholders :

- i. Transactions entered into between the holding Company and its wholly owned subsidiaries or between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with the holding Company and placed before the shareholders at the general meeting for approval.
- ii. Any transaction that involves paying of compensation remuneration and sitting fees paid by the Company or its subsidiary to its to a Director, Key Managerial Personnel or senior management, except who is part of promoter or promoter group, in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business provided that the same is not material.
- iii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by Company and all holders of such securities receive benefits pro rata as the Related Party.

## **6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event, the Company becomes aware of any 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 the relevant facts and circumstances regarding the Related Party Transaction (including reasons of failure to report such transaction) and evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

## **7. DISCLOSURES**

The Company shall make the following disclosures:

- a. The particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties shall be made in the Boards' Report which forms a part of the Company's Annual Report.
- b. This Policy shall also be uploaded on the website of the Company and a web link there to shall be provided in the Annual Report.
- c. Quarterly/Periodical update to the Audit Committee on all the related party transactions entered into by the Company.

## **8. DISSEMINATION**

This Policy for materiality of Related Party Transactions and dealing with Related Party Transactions of the Company shall be disclosed on the website of the Company ([www.sunflagsteel.com](http://www.sunflagsteel.com)) and a web link thereto shall be provided in the Annual Report of the Company.

## **9. POLICY REVIEW**

This Policy is framed based on the requirements of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. In case of any subsequent changes in the Regulations which make any of the provisions in the Policy inconsistent with the Regulations, the provisions of the 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 Board of Directors at least once in every three years. Any changes or modification in the Policy would be approved by the Board of Directors and the decision of the Board in this respect shall be final and binding.

This Policy has been formulated by the Board of Directors of the Company on 8 February, 2016 and subsequently modified by Board of Director at their meetings held on

10 February, 2022, 13<sup>th</sup> February, 2025 & 29<sup>th</sup> May, 2026 and shall be disclosed on the website of the Company.

## **10. INTERPRETATION**

In the event of a conflict between the terms of the Policy and any rule, regulation or standards, the provisions of such rule, regulation or standards shall prevail over this Policy, to the extent of such inconsistency.

## **11. POLICY SEVERABLE**

This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.