



POLICY ON

RELATED PARTY TRANSACTIONS

OF

SUNIL HITECH ENGINEERS LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

1. Preamble

The revised clause 49 of the Listing Agreement requires all the listed companies to formulate a policy on materiality of Related Party Transactions and also on dealing with related party transactions. Hence the Board of Directors of Sunil Hitech Engineers Limited has, on the recommendation of Audit Committee, adopted the following policy and procedures with regard to Related Party Transactions as defined below. The said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Clause 49 of the Listing Agreement. The Board of Directors has also reviewed the requirements of Domestic Transfer Pricing Regulations and Accounting Standards 18 requirements of Related Party Transactions.

The Audit Committee will review and may amend this policy from time to time. This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company

2. Purpose/Objective of the Policy

This Policy is framed largely based on the listing agreement entered by the Company with the stock exchanges and primarily aimed towards the conduct of good governance, adequate transparency in the related party transactions.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

3. Definitions

- a. Board of Directors means Board of Directors of Sunil Hitech Engineers Limited.
- b. Company means Sunil Hitech Engineers Limited.
- c. Policy means policy on related part transactions.
- d. Material Related Party Transaction means a transaction with a related party if 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 financial statements of the Company.
- e. **Related Party means following:**

An entity shall be considered as related to the Company if:

 - i. such entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - ii. such entity is a related party under the applicable accounting standards.
- f. **Relative**
 - i. With reference to any person, anyone who is related to another, if :
 - a) They are members of a Hindu Undivided Family;
 - b) They are husband and wife; or

- ii. A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
- a. Father including step-father
 - b. Mother including step-mother
 - c. Son including step-son
 - d. Son's wife
 - e. Daughter
 - f. Daughter's husband
 - g. Brother including step-brother
 - h. Sister including step-sister

g. **Related Party Transactions**

(i) Under Clause 49-

A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

(ii) Under Section 188 of the Act –

Any contract or arrangement with respect to the following shall be considered as a Related Party Transaction:

- sale, purchase or supply of any goods or materials;
- selling or otherwise disposing of, or buying, property of any kind;
- leasing of property of any kind;
- availing or rendering of any services;
- appointment of any agent for purchase or sale of goods, materials, services or property;
- appointment of a person to any office or place of profit in the company, its subsidiary company or associate company;
- under writing the subscription of any securities or derivatives thereof, of the Company

Explanation:

(I) Arms' length transaction - Section 188 (1)

The expression "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.

(II) Office or place of profit - Section 188 (1)

Office or place of profit means any office or place of profit:

- is held by a director, if the director holding it receives from the company anything by way of remuneration, over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

4. Policy

All proposed Related Party Transactions must be reported to the Audit Committee for its approval prior to initiation of actual transaction in accordance with this Policy. The Audit Committee shall periodically review this Policy and may recommend amendments to this Policy, from time to time, as it may deem fit/appropriate

4.1. Identification of Potential Related Party and Transactions

Each Director and Key Managerial Personnel is responsible for providing Notice to the Audit Committee/Board 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. 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 has to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

4.2. Review and approval of Related Party Transactions

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation or through electronic mode. A 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 and shall not be counted for the purpose of quorum, when such transaction is being considered.

The Committee will be provided with all relevant material information of the Related Party Transaction while reviewing a Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

4.3. Consideration by the Audit Committee while approving Related Party Transactions

While determining any Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a. Whether the terms of the Related Party Transaction is in the ordinary course of business and on arm's length basis;
- b. Whether there are any undue business reasons for the Company to enter into Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would affect the independence of the directors/KMP;
- d. Whether the proposed transaction includes any potential reputational risk that may arise as a result of or in connection with the proposed transaction;
- e. 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
- f. Whether the Related Party transaction would present an improper conflict of interest for any director/KMP, 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/KMP'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.

In case of ongoing Related Party Transactions, the Audit Committee may establish guidelines for the management to follow for such ongoing dealings with Related Parties. The Committee shall periodically review and assess such ongoing relationships with Related Parties. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

The Committee while considering the arm's length nature of any transaction, shall take into account the facts and circumstances as were applicable at the time of entering into such transactions with Related Party. The Committee shall take into consideration that subsequent events like evolving business strategies/short term commercial decisions to improve/sustain the Company's market share, changing market dynamics, local competitive scenario, economic/regulatory conditions affecting the global/domestic infrastructure industry impacting the Company's profitability but which may not have a bearing on the otherwise arm's length nature of the transaction.

4.4. Omnibus approval by Audit Committee

In case of any repetitive/frequent/regular transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval for such proposed transactions to be entered into by the Company. While granting the approval the Audit Committee shall satisfy itself of the need for such omnibus approval and that the same is in the interests 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; and
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied or amended. Any proposed variations or amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rs.1,00,00,000/- (Rupees One Crore only) per transaction, details of which shall be reported at the next meeting of the Audit Committee for ratification. The Audit Committee shall on a quarterly basis review and assess such transactions, including the limits to ensure that the same is in compliance with this Policy. The omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of one year.

4.5. Approval of the Board of Directors

Transactions with related parties within the scope of Section 188 of the Companies Act, 2013 which are not in the ordinary course of business nor at arm's length basis, shall require Board's approval.

4.6. Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, as per the Company's Policy, needs to be placed before the shareholders for its approval. All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which –

- (a) are not in the ordinary course of business and at arm's length basis; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 shall be placed before the shareholders for its approval.

4.7. Decision regarding transaction in ordinary course of business and on arm's length basis

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. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

4.8. Material Related Party Transaction

A transaction with a related party shall be considered to material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the consolidated annual turnover of the Company

5. Exceptions

Following transactions shall not require separate approval under this policy:

1. Any transaction pertaining to appointment and remuneration of Directors and KMPs that has already been approved by the Nomination and Remuneration Committee of the Company or the Board;
2. Transactions that have been approved by the Board under the specific provisions of the Companies Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
3. Payment of Dividend;
4. Contribution to Corporate Social Responsibility (CSR), subject to approval of CSR Committee and within the overall limits approved by the Board of Directors of the Company.

6. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

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 Audit Committee. The Committee shall consider all 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. 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 remedial action that it may deem appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party, etc. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company and shall be placed on the website of the Company at www.sunilhitech.com.

7. DISCLOSURE

Every Related Party Transaction entered into by the Company shall be disclosed in the Directors' Report on an annual basis and also as part of the financial statements of the Company, along with justification for entering into such transaction.

8. AMENDMENTS AND UPDATES

The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time, as it deems appropriate. In addition to guidelines for ongoing Related Party Transactions, the Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of other Related Party Transactions. The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy.

9. LIMITATION/SCOPE

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 or any other statutory enactments, rules/Listing Agreement then the provisions of the Companies Act, 2013 or statutory enactments, rules or the Listing Agreement shall prevail over this Policy. Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made there under, SEBI Act or Rules and Regulations made there under, Listing Agreement, Accounting Standards or any other relevant legislation/law applicable to the Company.

In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee for its decision. In interpreting such term/provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert, as it deems fit.