



**SCAN STEELS LIMITED**

# **SCAN STEELS LIMITED**

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



**POLICY ON RELATED PARTY TRANSACTIONS**

*Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time*

**A. SCOPE AND PURPOSE OF THE POLICY**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, **Scan Steels Limited** (“COMPANY” or “the **Company**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

**B. OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out (a) the materiality thresholds for related party transactions and; (b) the manner of dealing with all the transactions between the Company and its related parties based on the Act, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company including amendments or modifications thereof. (c) ensure proper approval and reporting of related party transactions. (d) policy sets forth the nature of related party transactions, approvals and disclosure requirements.

**C. DEFINITIONS**

“**Act**” means the Companies Act, 2013, including any amendment thereof from time to time, to be read with rules made thereunder.

“**LODR Regulations 2015**” means the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, including any **amendment thereof from time to time**.

“**Company**” means Scan Steels Limited.

“**Policy**” means this Related Party Transaction Policy.

“**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of the Act and LODR Regulations 2015.

“**Board**” means Board of Directors of the Company.

“**Arm’s length transaction (‘ALP’)**” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

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**“Relative”** means relative with reference to a Director or KMP as defined in Section 2(77) of the Act read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014, including any amendment thereof from time to time.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Act and the Indian Accounting Standards (**Ind AS**), as the case may be, and includes:

- a. the Chief Executive Officer or the Managing Director or the Manager;
- b. the Whole-time Director;
- c. the Company Secretary;
- d. the Chief Financial Officer; and
- e. 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;

**“Ordinary course of business”** means customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. And a usual transaction if it is entered into in relation to provision of goods or services in which the Company regularly deals or where the transaction is in respect of goods or services in which the counter party normally deals, and the Company repeatedly enters into such transactions for the purpose of its business or the transaction is necessary, normal and incidental to business. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

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

**“Turnover”** has been defined under section 2(91) of the Companies Act as the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year;

**“Related Party”**, with reference to a Company, shall have the same meaning as defined in:

- a. a related party as defined under section 2(76) of the Act; or
- b. a related party as defined under the applicable accounting standards; or
- c. a related party as defined under regulations 2(1)(zb) read with Regulation 23 of LODR Regulations 2015.

**“Related Party Transaction” (RPT)** means a transaction, between the Company and its Related Party, is a related party transaction as ascribed under Regulation 2(zc) of LODR Regulations 2015 read with specified transaction mentioned in clause (a) to (g) of sub-section 1 of Section 188 of Act;

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**“Materiality of Related Party Transactions”** means a transaction with a related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds INR 1,000 crore or ten percent of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

However, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered as a Material Related Party Transaction, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Material modification to a Related Party Transaction”** means any modification for an amount more than 10 percent to a Related Party Transaction which has already been approved by the shareholders, Board or Audit Committee, as the case may be.

In addition to the above, the Audit Committee may from time to time and based on the facts of particular matter(s) in hand, take a decision whether the modification in any terms and conditions of an existing Related Party Transaction would tantamount to be a material modification and thus requisite approvals may be required for the modification of the said transaction.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

### **D. REQUIREMENTS OF THE RESPECTIVE REGULATIONS**

#### **Act**

As per Section 188 of the Act read with the rules made thereunder, all transactions specified therein with related parties shall require prior approval of the Board and of the shareholders if it exceeds the limits prescribed under Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014, except transactions which are in the ordinary course of business and on arm's length basis.

Section 177(4)(iv) of the Act, requires Audit Committee to approve transactions or any subsequent modification thereof of the company with the related parties.

#### **LODR Regulations 2015**

As per Regulation 23 of the LODR Regulations 2015, the requirements for Related Party Transactions are:

- Formulation of a policy for all material transactions which shall include clear threshold limits duly approved by the Board;
- Formulation of a policy for the treatment of Related Party Transactions;
- All Related Party Transactions and any subsequent Material modification to a Related Party Transaction shall require prior approval of the Audit Committee. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to compliance with conditions as prescribed;

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- All material related party transactions and any subsequent Material modification to a Related Party Transaction shall require prior approval of the shareholders through a resolution and no related party shall vote to approve on such resolution irrespective of the fact whether the entity is a related party to the particular transaction;
- The provisions of this regulation shall be applicable to all prospective transactions.
- Transactions covered under LODR Regulation 2015 are:
  - Transfer of resources
  - Transfer of services
  - Transfer of obligations

### E. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

#### a) Identification of related parties

Before the start of each financial year, the Company shall identify a list of 'Related Parties' in accordance with the definition given in LODR Regulations, 2015 containing the names of individuals and entities. The identification would be carried out based on the disclosures received from Directors / Key Managerial Personnel / Shareholders of the Company and by reviewing the shareholding, the Group structure.

The list of related parties shall be reviewed quarterly by the Company Secretary. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors, Key Managerial Personnel, Shareholders and change in the Group structure.

Each Director and Key Managerial Personnel of the Company is responsible for providing notice to the Board or 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 or Audit Committee may request.

#### b) Identification of related party transactions

The Company would put together list of Related Party Transactions as follows:

- Continuing Related Party Transactions as per the disclosure made in its financial statements.
- Transactions which are likely to be entered into with each Related Party and estimated value of such transactions before the beginning of each financial year to obtain necessary approvals in accordance with this Policy.
- Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company seeks external professional opinion, if necessary

Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and abstain from participating in the discussion and voting for such item under consideration by Audit Committee and Board, as the case maybe.



**c) Procedure for approval of related party transactions**

**Prior Approval of the Audit Committee**

All Transactions entered with Related parties and any subsequent Material modification to a Related Party Transaction shall be undertaken only after prior approval of Audit Committee. The Audit Committee shall be provided with the requisite information for approval of each Related Party Transaction.

Further, only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.

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

- i. The Audit Committee shall lay down the criteria as approved by the Board for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature;
- ii. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii. Such omnibus approval shall specify:
  - a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - b) the indicative base price / current contracted price and the formula for variation in the price, if any; and
  - c) such other conditions as the Audit Committee may deem fit.

Further, 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.

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.

Such omnibus approvals shall be valid for a period not exceeding 1 year and shall require fresh approvals after the expiry of one year.

- All Transactions proposed to be entered into by the Company with Related parties will be put up for approval of Audit Committee on regular basis. (Section 177(4) (iv) of the Act).
- The management proposal for the related party transaction will include all material particulars of the proposed transaction and a detailed analysis and justification/rationale for entering into a related party transaction as compared to a transaction with a non-related party. And state whether the transaction is of a routine nature or a one-off transaction.



- In each case, the management proposal will include analysis as to whether the transaction price is at an arm's length. The proposal may be supported by any third-party evaluation or certification in that behalf.

Audit Committee would also review transaction/s involving payments made to a related party with respect to brand usage or royalty.

### **Approval of the Board of Directors of the Company**

All transactions with related parties within the scope of Section 188 of the Act, which are either not in the ordinary course of business or are not at Arm's Length shall require prior approval of the Board of Directors.

In addition to the above, the following kinds of transactions with related parties shall also be placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e., value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval;
- Material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, which are intended to be placed before the shareholders for approval.

### **Approval of the Shareholders of the Company**

All Material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, shall require prior approval of the shareholders through Resolution. The Notice to be sent to the Shareholders to seek approval for a Related Party Transaction shall provide requisite information for each such transaction as required under both LODR Regulations 2015 and Act.

In addition to the above, all kinds of transactions with related parties covered under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 or in this Policy, shall require prior approval of the shareholders through resolution.





## **F. VOTING**

In determining whether to approve or ratify a Related Party Transaction, the Committee / Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the ordinary course of business of the Company and on arm's length basis and the extent of the related party's interest in the transaction. For this purpose, the Audit Committee / Board, as the case may be, are entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.

If any director of the Company is interested in any contract or arrangement with a related party, such director cannot be present at the board meeting of the Company during discussions in the matter.

Members who are related parties in the context of the related party contract or arrangement for which resolution is to be passed shall not vote to approve the resolution if such Member is a related party.

Members who are related parties shall not vote to approve the resolution in respect of approval of material Related Party Transactions and any subsequent Material modification to a Related Party Transaction, irrespective of whether the Member is a party to the particular transaction or not.

## **G. ORDINARY COURSE OF BUSINESS / ARM'S LENGTH PRICE**

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not also all other Information's in such form and manner as prescribed in the Act and/or LODR Regulations 2015 shall be provided to the Audit Committee / Board.

- ❖ Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- ❖ Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- ❖ Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- ❖ Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- ❖ Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - Comparative analysis, if any, of other such transaction entered into by the company.
  - Prices charged by the Company to other third-party unrelated parties;



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If Price cannot be justified for any transaction, then approval should be taken from Board and shareholders as required under the Companies Act, 2013 and All Related part Transactions should be adequately supported by Contracts or purchase orders/ work order or sales order and documentations to justify Price.

Determining arm's length price is a matter of judgement and it shall be assessed on case-by-case basis depending upon the facts and circumstances in each case. The Company adopts generally accepted practices and principles in determining whether the transaction is at 'arm's length'. In the absence of any definition, the Company may refer to guidance given in Income Tax laws.

### H. REPORTING AND DISCLOSURE

Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013 & LODR Regulations 2015.

The Company shall disclose to the stock exchanges along with the compliance report on corporate governance on a quarterly basis, details of all material transactions with Related Parties.

The Company shall submit disclosures of Related Party Transactions in the specified format in accordance with the LODR Regulations 2015 (as may be amended from time to time) to the stock exchanges and publish the same on its website.

Company shall further, make Disclosures of transactions if any, with any person or entity belonging to the promoter/promoter group and any person or entity which hold(s) 20% or more (10% w.e.f 01.04.2023) shareholding in the Company either directly or on beneficial Interest basis as per Section 89 of the Act, in the format prescribed in the relevant accounting standards for annual results in the Annual Report.

Further, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended from time to time clear threshold limits have been disclosed in this policy, which was duly approved by the board of directors.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and also in the Annual Report.

To conclude every contract or arrangement, which is required to be approved by the Board/Shareholders under this Policy, shall be referred to in the Boards' report to the shareholders along with the justification for entering into such contract or arrangement.

### I. THRESHOLD LIMITS FOR DEALING WITH RELATED PARTIES

As required under Regulation 23(1) of the LODR Regulations, the Company has fixed the following materiality threshold limits, beyond which approval of the shareholders through resolution will be required except for the transactions exempted pursuant to the proviso to Regulation 23(4) of the LODR Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per last its audited financial statements.
- Other transactions with a Related Party - INR 1,000 crore or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.



## **J. IND AS 24 - RELATED PARTY DISCLOSURES**

Ind AS requires the disclosure of the related party relationship and the transactions with related parties in the annual report

Following are some examples of the related party transactions under Ind AS 24:

- Purchase or sale of goods (finished or unfinished)
- Purchase or sale of fixed assets
- Rendering or receiving of services
- Agency arrangements
- Leasing or hire purchase arrangements
- Transfer of research and development
- Licence agreements
- Finance (including loans and equity contributions in cash or in kind)
- Guarantees and collaterals
- Management contracts including deputation of employees

## **K. RELATED PARTY TRANSACTION NOT APPROVED UNDER THIS POLICY**

In the event any Transaction has been undertaken/ is being undertaken with a Related Party without obtaining requisite approval under this RPT policy, The Audit Committee shall be provided with all the relevant facts and circumstances for entering into such transaction with a related party.

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, then such transactions shall be immediately reported to the Company Secretary and also be put up for review by the Audit Committee in its next meeting. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Board of Directors or Shareholders. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **L. REVIEW OF POLICY**

In light of the above, Company has framed this Policy on Related Party Transactions (**"Policy"**). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to approval by the Board. Policy was last amended on 25.01.2022.

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