

**POLICY ON RELATED PARTY TRANSACTIONS**

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**SHRIRAM PISTONS & RINGS LIMITED: NEW DELHI**

**POLICY ON RELATED PARTY TRANSACTIONS**

**1. SCOPE & PURPOSE**

Shriram Pistons & Rings Limited ("SPRL" or "Company") is governed, amongst others, by the rules and regulations framed by the Securities Exchange Board of India ("SEBI"). SEBI has mandated every listed company to formulate a policy on the materiality of Related Party Transactions and dealing with Related Party Transactions.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 ("Act") read with the Rules framed thereunder. Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulation 23") as amended from time to time and ensure proper approval and reporting of transactions between the Company and its Related Parties, the Board hereby adopts the following Related Party Transactions Policy based on recommendations of the Audit Committee.

**2. Purpose OBJECTIVE OF THE POLICY**

The objective of this Policy is to set out (a) the materiality thresholds and material modification for related party transactions and; (b) the manner of dealing with the transactions between the Company and its related parties based on the provisions of the Companies Act, 2013, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

SPRL intends that all Related Party Transactions are undertaken on an Arm's Length Basis in the best interest of SPRL and all its shareholders. It also intends the proper approval and reporting of the Related Party Transactions.

**3. DEFINITIONS**

The terms included in this Policy shall have the meaning as defined under the Companies Act, 2013 read with SEBI Listing Regulations/other related laws, as amended and applicable from time to time.

- a) "Audit Committee or Committee"** means Audit Committee of the Board of Directors of SPRL constituted under the provisions of SEBI Listing Regulations and Companies Act, 2013;

- b) **“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;
- c) **“Associate Company”**, means a Company as defined under section 2(6) of the Companies Act, 2013.
- d) **“Companies Act”** means the Companies Act, 2013 together with the rules and regulations framed thereunder, as amended from time to time;
- e) **“Key Managerial Personnel (“KMP”)** means key managerial personnel as defined in Section 2(51) of the Companies Act, 2013.
- f) **“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities.
- g) **“Related Party”**, has the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- h) **“Relative”**, in relation to an Individual, means persons as defined under section 2(77) of the Companies Act, 2013 and the SEBI Listing Regulations.
- i) **“Related Party Transactions” (RPTs)** shall have the meaning as defined in Regulation 2(1)(zc) of the SEBI Listing Regulations as amended.
- j) **“SEBI Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- k) **“Subsidiary”** means a Company as defined under section 2(87) of the Act.

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.

**4. DETERMINATION OF MATERIAL RELATED PARTY TRANSACTIONS - MATERIALITY THRESHOLDS**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval through resolution will be required.

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 the thresholds specified in Schedule XII of SEBI Listing regulations as under

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

Basis above is presently 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

In addition to this, any 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 the last audited financial statements of the listed entity.

**5. APPROVAL OF RELATED PARTY TRANSACTIONS AND SUBSEQUENT MODIFICATIONS**

- (i) The Audit Committee defines "material modifications" as any change of 10% or more in the amount of any already approved Related Party Transaction.
- (ii) All Related Party Transactions and any material modifications shall require the prior approval of the members of the audit

committee of SPRL in the prescribed format to the extent applicable.

- (iii) All other modifications to an approved related party transaction shall also be approved by the Audit Committee.
- (iv) Only those members of the audit committee who are independent directors shall approve the Related Party Transactions.
- (v) 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 of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
- (vi) Remuneration and sitting fees paid by the Company 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 23 of the SEBI Listing Regulation.
- (vii) 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:
  - a) 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 Rs. 10 Mn.
  - b) the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI Listing Regulation
  - c) rationale for the inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification
  - d) 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 the SEBI Listing Regulation
  - e) any other condition as specified by the audit committee

- (viii) The Audit Committee shall determine whether the Transactions are on an Arms' Length Basis and in Ordinary Course of Business while providing its approval.
- (ix) If the Audit Committee determines that the Transactions are not on Arms' Length Basis and not in Ordinary Course of Business, or are "Material", or in any case requires the Board's approval, then if it deems appropriate, may recommend such transactions to the Board for its approval.

Further, if the Board determines that such transactions are "Material", as per the criteria mentioned above, then it may recommend such transactions to the Shareholders of the Company for their approval.

- (x) All Material related party transactions and subsequent Material Modifications of such Material related party transactions shall require prior approval of the shareholders through resolution. The shareholders will be provided with the minimum prescribed information along with the draft resolution for their consideration. No related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- (xi) Omnibus approval (unforeseen) - If the need for related party transactions cannot be foreseen, transactions upto Rs. 5 crore in a year in aggregate may be entered subject to the following: -
  - a) No transaction shall exceed Rs. 50 Lacs, and
  - b) Transactions upto Rs. 1 Crore between two Audit Committee meetings may be entered,

The above transactions shall comply with the normal System and Procedure of that transaction and will be placed in the next Audit Committee meeting for approval as per normal practice.

- (xii) The provisions of Regulation 23(2), (3) and (4) of the SEBI Listing Regulation shall not be applicable in case of 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.
  - two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such

holding company and placed before the shareholders at the general meeting for approval.

- (xiii) The Person/Department originating the Related Party Transaction shall ensure compliance and will record/ store reasons/information to justify that the transaction is on Arm's Length Basis.

## **DISCLOSURE**

The Company shall submit and disclose to the stock exchange the Related Party Transactions in its applicable filings as required by the Companies Act, 2013 and SEBI Listing Regulations and the said Policy shall be disclosed on the Company's Website and in the Annual Report as prescribed.

## **6. DISCLOSURE OF INTEREST BY DIRECTORS/ KMPs**

Every Director and KMP shall, in adherence to the provisions of the Companies Act, 2013 and the SEBI Listing Regulations in this regard, furnish necessary disclosures (annually and whenever there is a change) about his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in the manner prescribed.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

Every Director should forthwith bring to the attention of the Board any related party transaction that he or she anticipates/ foresees to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

## **7. GENERAL**

The Board of Directors may review and amend this Policy from time to time but not later than three years from its last review or any other timeframe as may be stipulated under the governing laws in force.

The Policy shall be disseminated to all commercial heads and shall be available on the intranet and website of the Company.

In the event of any conflict between the Policy and the provisions of any other statute, rule, or regulation, the provisions of the statute will prevail.

Any notification/ circular or other statutory guideline(s)/ regulation(s) on the subject, shall automatically have the effect of amending this Policy with effect from the date as mentioned in the relevant amendment/ circular/ notification/ clarification etc. as issued, without the need of any further approval by the Audit Committee or Board of Directors.