

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

1) SCOPE OF THE POLICY

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 SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, as amended from time to time, Smruthi Organics Limited (“SOL” or “the **Company**”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, the SEBI (LODR) Regulations, requires a company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

In light of the above, SOL has framed this Policy on dealing with Related Party Transactions and on Materiality of Related Party Transactions (“**Policy**”).

2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI (LODR) Regulations and any other laws and regulations as may be applicable to the Company.

3) DEFINITIONS

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

“**Related Party**” with reference to a Company, shall have the same meaning as defined in Section 2(76) of the Companies Act, 2013 and SEBI (LODR) Regulations.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding 10% or more of shareholding in the Company shall be deemed to be a related party.

“Related Party Transaction” (RPT) means –

- a. for the purpose of the Act, specified transactions mentioned in clause (a) to (g) of sub-section 1 of Section 188 with the Related Parties;
- b. for the purpose of SEBI (LODR) regulations, related party transaction means a transfer of resources, services or obligations between the Company or its subsidiary(ies) on one hand and a related party of the Company or any of its subsidiaries on the other hand, 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.

The following shall not be considered as a related party transaction:

- (a) issue of securities on a preferential basis.
- (b) Corporate actions like payment of dividend, subdivision or consolidation of securities, issuance of securities by rights issue / bonus issue and buy back of securities.

“Material Modifications” means any modification or amendment to the related party agreement / transaction which is likely to result in a 25% upward or downward revision in the original contractual value of the related party agreement / transaction approved by the Audit Committee.

4) MATERIAL RELATED PARTY TRANSACTIONS

A transaction with a Related Party shall be considered material if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees One thousand crores or ten per cent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower.

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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

5) POLICY

Management will enter into transactions with Related Parties only if they are at arm's length and in the ordinary course of business.

6) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

a) Identification of related parties and Related Party Transactions

KNP shall, at the start of each financial year, on the basis of the provisions of the Act and the Listing Regulations, identify and update the list of related parties with whom transactions/ contracts have been already entered into or are to be entered into during the course of the year. Any changes in the list during the financial year shall be made as when the Company receives information in this regard.

b) Procedure for approval of related party transactions

All related party transactions and subsequent material modifications would require prior approval of the Audit Committee. Only those members of the Audit Committee, who are independent directors, shall approve related party transactions.

The Company may obtain omnibus approval from the Audit Committee for Related Party Transactions, subject to compliances with the following conditions:

- i. The Audit Committee shall lay down the criteria 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. The 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.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- iv. The 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 accorded;
- v. Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section which are not in the ordinary course of business or at arm's length basis, are to be placed before the Board for its approval.

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

All material related party transactions which are intended to be placed before the shareholders for approval.

All the material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions.

In the event such contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of Companies Act, 2013, the Rules framed there under, SEBI (LODR) Regulations and obtain approval of the Board or its Shareholders, as applicable, for such contract or arrangement.

7) AMENDMENTS IN LAW

Any amendment/ modification in the SEBI (LODR) Regulations and/ or other applicable laws in this regard shall automatically apply to this Policy.

amended on
05.05.2025