

**POLICY ON THE  
MATERIALITY OF  
RELATED PARTY TRANSACTIONS  
AND DEALING WITH  
RELATED PARTY  
OF  
SJP ULTRASONICS LIMITED  
(FORMERLY KNOWN AS SJP ULTRASONICS PRIVATE LIMITED)**

## **PREAMBLE CUM INTRODUCTION:**

The Board of Directors, acting upon recommendation of Audit Committee of the Company (“the Committee”), has adopted the policy considering the requirements of Companies Act 2013 read with Rules made there under and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 on materiality of Related Party Transactions (“RPTs”) and also on dealing with RPTs which consists of a need for proper identification, conduct and documentation of the RPTs.

SJP Ultrasonics Limited (hereinafter referred to as “SUL” or “the Company”) recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company and also provides for materiality of related party transactions.

The Policy has been approved by the Board of Directors on July 29, 2024

## **DEFINITIONS:**

“**Act**” means the Companies Act, 2013.

“**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.

The following has been considered to be helpful in concluding whether a transaction is on an arm’s length basis or not:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price (or margin) at which entered into with independent third parties;
- The transaction is in line with third party quotations / bids;
- The transaction is at a price / rate in line with Government guidelines / industry body specifications where relevant
- Taking assistance of an expert – valuation specialist
- Principles under the transfer pricing guidelines (considering whether the pricing would be in line with what would have been charged to an unrelated party, without any conflict of interest)

**“Material Related Party”** will have the same meaning as defined in Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. 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 10% (ten percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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 5% (five) percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

**"Key Managerial Personnel" (KMP)** means:

- a) the Chief Executive Officer (CEO) or the Managing Director (MD) or the Manager and in their absence the Whole Time Director (WTD);
- b) the Company Secretary (CS);
- c) the Chief Financial Officer (CFO);
- d) such other officer, not more than one level below the directors who is in whole-time employment, designated as KMP by the Board; and
- e) any other person appointed as the KMP by the Board of Directors of the Company;

**“Relative”** will have the same meaning as defined under Section 2(77) of the Act and includes anyone who is related in any of the following manner:

- a) Members of a Hindu undivided family;
- b) Husband or wife;
- c) Father (including step-father);
- d) Mother (including step-mother); e. Son (including step-son);
- e) Son’s wife;
- f) Daughter;
- g) Daughter’s husband;
- h) Brother (including step-brother); or
- i) Sister (including step-sister).

**“Related Party”** shall have the same meaning as defined under Section 2(76) of the Act and/ or Regulation 2(zb) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or under the applicable accounting standards and any amendments thereto, if any.

Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.

**“Relative”** in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations and any amendments thereto.

**“SEBI”** means the Securities and Exchange Board of India.

**“SEBI Act”** means Securities and Exchange Board of India Act, 1992.

**“SEBI (LODR) Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Words and phrases used in this Policy and not defined herein shall derive their meaning from the Applicable Law.

**“Related Party Transaction”** means a transfer of resources, services or obligations between a listed entity and a related party, 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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Securities Contract (Regulation) Act, 1956 or any other applicable regulation, as amended.

## **REVIEW AND APPROVALS OF RELATED PARTY TRANSACTION:**

### **Approval of related party transactions:**

#### **1) Audit Committee**

- 1.1 All the transactions which are identified as related party transactions should be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- 1.2 Any member of the Committee who has a potential interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders as discussed subsequently.
- 1.3 The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under SEBI (LODR) Regulations and the Act and such other conditions as it may consider necessary in line with this policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

- 1.4 Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.
- 1.5 A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committee, will be placed before the Committee for ratification.

## **2) Board of Directors:**

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

## **3) Shareholders:**

If a related party transaction is

- i. A material transaction as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015,
- Or**
- ii. Not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is a related party shall not vote on resolution passed for approving such related party transaction.

## **Review and Approval of Related Party Transactions**

Any member of the Audit Committee who has a potential conflict of interest in any Related Party Transaction shall not vote to approve the relevant transaction.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits to the Company and the related party, whether such transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed transaction and any other relevant matters.

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.

### **Standing Pre-Approval/ Omnibus approval by Audit Committee:**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a) Name of the related party & Nature of relationship with 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) Nature, material terms and conditions, monetary values and particulars of the contract or arrangement
- f) Indicative base price / current contracted price and formula for variation in price, if any
- g) Whether the transaction is at arm's length or not;
- h) 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 / amended. Any proposed variations / 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 all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. The Committee shall on quarterly basis review all omnibus transactions and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

### **Related Party Transactions that shall not require Approval:**

Following transactions shall not require separate approval under this policy: -

- Payment of Dividend;
- Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, amalgamation, hive-off, etc. duly approved by the Board and carries out in accordance with the specific provisions of the Companies Act, 2013 or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## **Reporting of Related Party Transactions**

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

## **Limitation and Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or Listing Agreement or any other statutory enactments, rules, the provisions of such Act or Listing Agreement or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Agreement, Act and/or applicable laws in this regard shall automatically apply to this Policy.

## **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, after considering the materials placed before them, judge if the transaction is in 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 whether the transaction is in the ordinary course of business or at arm's length basis or not. 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.

## **RELATED PARTY TRANSACTIONS NOT COVERED UNDER THIS POLICY**

In the event the Company becomes aware of a Transaction with a Related Party, which is not on Arm's length basis or not in the ordinary course of business that has not been approved or is not in accordance with the delegation approved under this Policy, the matter shall be reviewed by the Audit Committee. The Committee shall consider all of 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 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 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 company due to the concerned related party transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

## **TRANSACTIONS COVERED UNDER THIS POLICY**

The related party transactions which are not covered by the provisions of the Companies Act, 2013 or SEBI LODR, if any, will not be governed by this Policy.

## **AMENDMENT IN LAW**

Any subsequent amendment / modification in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and / or applicable laws in this regard shall automatically apply to this Policy.

## **REVIEW:**

The Board of directors shall review this policy at least once in every three years and update accordingly.