SEA BLUE SHIPYARD LIMITED

CIN: U35111KL2003PLC016677

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RELATED PARTY TRANSACTIONS POLICY

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1. PREAMBLE

The Board of Directors ("Board") of **SEA BLUE SHIPYARD LIMITED** ("Company") has adopted this Related Party Transactions Policy ("Policy") to regulate transactions entered into between the Company and its Related Parties in accordance with the provisions of the Companies Act, 2013 and the Rules made thereunder.

The Policy shall be administered by the Audit Committee constituted pursuant to Section 177 of the Companies Act, 2013. The Audit Committee shall review and may recommend amendments to this Policy from time to time for approval of the Board.

This Policy is intended to ensure proper approval, disclosure and reporting of Related Party Transactions and to promote transparency in dealings with Related Parties.

2. PURPOSE

This Policy is framed pursuant to the provisions of Section 188 of the Companies Act, 2013 and other applicable provisions of the Act and Rules made thereunder.

The objective of this Policy is:

- To ensure proper identification, approval and reporting of Related Party Transactions.
- To establish a framework for review and approval of Related Party Transactions.
- To ensure compliance with statutory requirements relating to Related Party Transactions.
- To safeguard the interests of the Company and its stakeholders while dealing with Related Parties.

3. DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings assigned below:

3.1 **Act:** "Act" means the Companies Act, 2013 and the Rules framed thereunder, including any statutory modification(s), amendment(s), clarification(s), circular(s) or re-enactment(s) thereof.

3.2 **Arm's Length Transaction:** "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. For determination of Arm's Length basis, guidance may be taken from Transfer Pricing provisions under the Income-tax Act, 1961.

3.3 **Audit Committee or Committee:** “Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company under Section 177 of the Act.

3.4 **Associate Company:** "Associate Company" means any other company in which the Company has a significant influence but which is not a subsidiary company of the Company and includes a joint venture company.

Explanation: For the purpose of this clause, "significant influence" means control of at least twenty per cent of total share capital, or business decisions under an agreement.

3.5 **Board of Directors or Board:** "Board" means the Board of Directors of the Company, as constituted from time to time.

3.6 **Control:** “Control" shall have the same meaning as assigned under Section 2(27) of the Act.

3.7 **Material Related Party Transaction:** "Material Related Party Transaction" means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, which exceeds the monetary threshold prescribed under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014 (as amended from time to time) for the relevant category of transaction, computed on the basis of the Company's last audited financial statements, and for which prior approval of the shareholders by way of Ordinary Resolution is required under the first proviso to Section 188(1) of the Act.

3.8 **Material Modification:** "Material Modification" means any modification in the pricing, quantity, duration or overall value of a previously approved Related Party Transaction which, on a standalone basis or taken together with the previously approved transaction, would independently attract the requirement of Audit Committee, Board or shareholder approval under this Policy and the Act, and shall accordingly be treated as a fresh Related Party Transaction requiring approval in the same manner.

3.9 **Policy:** "Policy" means this Related Party Transactions Policy.

3.10 **Related Party:** "Related Party" means a related party as defined under Section 2(76) of the Act and the Rules framed thereunder or under the applicable accounting standards.

3.11 **Related Party Transaction ("RPT"):** RPTs means contracts or arrangements between a company and its related parties with respect to transactions covered in Section 188 of the Act.

Explanation 1: *The expression 'contract or arrangement' has different connotations under the Act. While 'contract' envisages a written / formal binding document, 'arrangement' may be with or without a written document*.

Explanation 2: *Further, any transaction though not covered under Section 188 of the Act, the requirements of other provisions of the Act would continue to apply.*

4. POLICY AND PROCEDURE

4.1 Policy Statement

All Related Party Transactions entered into by the Company shall be governed by this Policy and shall be subject to prior review and approval by the Audit Committee and, wherever applicable, the Board of Directors and the shareholders.

4.2 Identification of Related Parties and Related Party Transactions

4.2.1 Identification of Related Parties

The Company shall identify Related Parties as per the requirements of the Act and maintain an updated list of such Related Parties.

Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) who would in turn take necessary steps to place the same before the Audit Committee.

4.2.2 Disclosure by Directors, KMPs and Promoters

Every Director, Key Managerial Personnel ("KMP") and Promoter shall:

- At the beginning of every financial year, provide disclosure of their concern or interest in any entity which may be regarded as a Related Party.
- Provide details of their relatives regarded as Related Parties under the Act.
- Inform the Company regarding any engagement with another entity during the financial year that may result in such entity becoming a Related Party.

Any change in the disclosures previously provided shall be intimated to the Company Secretary **within seven days** of such change so that the Company Secretary (or such other person who may be entrusted for this purpose by the Audit Committee) has adequate time to obtain and review information about the proposed transaction and place the same before the Audit Committee.

4.2.3 Tagging in Accounting System

The identified Related Parties shall be appropriately tagged in the accounting system of the Company. (E.g. SAP, TALLY)

4.2.4 Vendor and Customer Due Diligence

Before onboarding any new vendor or customer, a due diligence exercise shall be undertaken to determine whether such vendor or customer is a Related Party based on:

- The list of Related Parties maintained by the Company; and
- Other statutory disclosures available with the Company.

Where identified as a Related Party, appropriate tagging shall be carried out in the accounting system

<u>4.3 Review and Approval of Related Party Transactions</u>

A. <u>Audit Committee Approval</u>

4.3.1 Prior Approval

Every Related Party Transaction and every subsequent Material Modification shall require prior approval of the Audit Committee.

4.3.2 Interested Members

Any member of the Audit Committee having an interest in a Related Party Transaction shall abstain from discussion and voting on the matter.

4.3.3 Omnibus Approval

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in accordance with the Companies Act, 2013 and Rules made thereunder.

The Audit Committee may grant omnibus approval to Related Party Transactions that are:

a. repetitive in nature; and

b. entered in the ordinary course of business and on arm's length basis.

Such omnibus approval may be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

(a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
(b) The requisite information is presented to the Audit Committee's satisfaction to confirm that the transaction is entered in the ordinary course of business and on arm's length basis;

The Company shall, while placing any proposed Related Party Transaction before the Committee for review and approval, provide the information in the format specified by the Audit Committee and such other information as may be called for by the Audit Committee:

The omnibus approval shall remain **valid for one year** from the date of approval.

4.3.4 Unforeseen Transactions

Where the need for Related Party Transactions cannot be foreseen and necessary details are not available, the Audit Committee may grant omnibus approval for such transactions, provided the value of each such transaction **does not exceed ₹1 crore.**

4.3.5 Information to be Placed Before Audit Committee

The Company shall place before the Audit Committee such details and information relating to the proposed Related Party Transaction as may be specified by the Committee.

4.3.6 Annual Review

The Audit Committee shall annually review:

- Long-term Related Party Transactions extending beyond one year; and
- Recurring Related Party Transactions.

4.3.7 Ratification of Transactions

Notwithstanding anything to the contrary in this Policy, the members of the Audit Committee, excepting any member who has a potential interest in any Related Party Transaction or is a Related Party, **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:

- The value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall be ratified irrespective of value, there being no monetary cap on ratification under Section 188(3) of the Act;
- the transaction is not material in terms of the provisions of hereof;
- rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;
- the details of ratification shall be disclosed along with the disclosures of related party transactions;
- any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a party related to any director, key managerial personnel and promoters, or is authorised by any other director, key managerial personnel and promoters, the concerned director, key managerial personnel and promoters shall indemnify the Company against any loss incurred by it.

4.3.8 Additional Transactions

Where any additional Related Party Transaction is proposed after omnibus approval is granted, such transaction shall be placed before the Audit Committee for prior approval.

4.3.9 Review of Related Party Transactions

The Audit Committee shall:

- Review significant Related Party Transactions reported by management.
- Examine information and supporting documents pertaining to proposed Related Party Transactions.
- Recommend transactions requiring Board or shareholder approval.

<u>B. Approval of the Board of Directors</u>

All Related Party Transactions which are:

- Not in the ordinary course of business; or

- Not at arm's length basis,

shall require prior approval of the Board of Directors.

Any Director interested in a Related Party Transaction shall abstain from discussion and voting on the relevant agenda item.

C. Approval of Shareholders

All Related Party Transactions which are:

- Not in the ordinary course of business; or
- Not at arm's length basis; and
- Exceed the thresholds prescribed under Section 188 of the Act and applicable Rules,

shall require prior approval of the shareholders by Ordinary Resolution.

No Related Party shall vote on such resolution, irrespective of whether such Related Party is a party to the transaction.

The explanatory statement annexed to the notice of meeting shall contain all disclosures prescribed under the Act and Rules.

Provided further that the Related Party Transactions entered into by the Company with its wholly owned subsidiary(ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval, shall not require approval of the audit committee, board or shareholders.

Provided further that the provisions pertaining to:

- Prior approval of the Audit Committee for all RPTs;
- Omnibus approval for RPTs; and
- Prior approval of audit committee, board or shareholders for Material Related Party Transactions and subsequent Material Modifications shall not be applicable when the transactions are entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

D. Material Related Party Transactions

All Material Related Party Transactions and subsequent Material Modifications shall require:

- Prior approval of the Board of Directors; and
- Prior approval of the shareholders by Ordinary Resolution.

No Related Party shall vote to approve such resolutions.

5. TRANSACTIONS WHICH DO NOT REQUIRE APPROVAL

The following transactions shall not require separate approval under this Policy:

5.1 Director and KMP Remuneration

Appointment and remuneration of Directors and KMPs requiring approval of the Nomination and Remuneration Committee and/or Board.

5.2 Transactions Approved Under Specific Provisions of the Act

Transactions approved under specific provisions of the Companies Act, 2013, including inter-corporate loans, deposits, guarantees, investments, borrowings and similar transactions.

5.3 Corporate Restructuring Transactions

Transactions involving:

- Buy-back of shares;
- Capital reduction;
- Bonus issue;
- Rights issue;
- Merger;
- Demerger;
- Hive-off;
- Subdivision or consolidation of securities; or
- Similar restructuring activities,

carried out in accordance with the provisions of the Act.

5.4 Remuneration and Sitting Fees

Remuneration and sitting fees paid to Directors, KMPs or senior management personnel, provided the same is not material in nature.

5.5 CSR Contributions

Contributions towards Corporate Social Responsibility within limits approved by the Board and recommended by the CSR Committee.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

Where any Related Party Transaction is entered into without obtaining approval in accordance with this Policy, the transaction shall be placed before the Audit Committee for review.

The Audit Committee may:

- Ratify the transaction subject to applicable provisions;
- Require modification of the transaction;
- Direct termination of the transaction; or
- Take such other action as it deems appropriate.

7. DISCLOSURES

7.1 Disclosure in Board's Report

Details of Related Party Transactions required under Section 188 of the Act shall be disclosed in the Board's Report in Form AOC-2 together with the Board's justification for entering into such transactions.

7.2 Register of Contracts and Arrangements

The Company shall maintain a Register of Contracts and Arrangements in Form MBP-4 pursuant to Section 189 of the Act.

The Register shall be placed before the Board at every meeting and shall be signed by the Directors present.

7.3 Annual Report Disclosures

Related Party Transactions shall be disclosed in the Annual Report in accordance with the applicable provisions of the Act and accounting standards.

7.4 Internal Communication

This Policy shall be communicated to all operational employees and other concerned persons of the Company.

8. POLICY REVIEW

This Policy is based on the provisions of the Companies Act, 2013 and Rules made thereunder.

In the event of any amendment, modification, clarification or re-enactment of any statutory provision, the relevant provisions of the Act and Rules shall prevail over this Policy.

The Audit Committee shall review this Policy periodically and recommend necessary amendments to the Board.

Any amendment to this Policy shall become effective upon approval of the Board of Directors.

Provided that this Policy shall be reviewed by the Board at least once every two years and updated accordingly.