

# SWAN DEFENCE AND HEAVY INDUSTRIES LIMITED

## Policy on Related Party Transactions

## 1. Preamble

The reconstituted Board of Directors [the "Board"] of Swan Defence and Heavy Industries Limited [the "Company"] has adopted the following policy and procedures with regard to its related party transactions ["Related Party Transactions (RPT) Policy" or "Policy"], dealing with the requirements of the relevant sections of the Companies Act, 2013 read with Rules made there under [hereinafter referred to as 'the Act'] and the relevant regulations under the Securities and Exchange Board of India [Listing Obligations and Disclosures Requirements] Regulations, 2015 on RPT and subsequent amendments thereto [hereinafter referred to as 'LODR'],

The Board shall review [at least once in every three years] and may consider amendments to this Policy based on the recommendations of the Audit Committee, from time to time as it may deem appropriate.

## 2. Purpose

The objective of this Policy is to ensure proper approval, disclosure, and reporting of transactions, as applicable, between the Company and any of its related parties in the best interest of the Company. Further, as per LODR, a Policy needs to be formulated to deal with RPT including formulating a policy on materiality of RPT. This policy therefore lays down the mechanism to deal with RPT including material transactions.

The Audit Committee shall periodically review this Policy and may recommend amendments to the Board from time to time as it may deem appropriate.

## 3. Applicability and governing law

The RPT Policy shall be governed by the Act, as may be in force for the time being as well as LODR or such other Rules/Regulations, as may be notified by SEBI from time to time. Any references to statutory provisions shall be construed as references to those provisions as amended or re-enacted or as their application is modified by other statutory provisions [whether before or after the date hereof] from time to time and shall include any provisions of which they are re-enactments [whether with or without modifications]

## 4. Definitions

- a. **"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. Pricing, though being an important factor, may not be the only determinant of a transaction being at arm's length.

In order to ensure that the transaction is at 'arm's length', judgement needs to be applied and the following points *inter alia* may be considered for the same:

- Transaction is in line with the principles of the Transfer Pricing Guidelines of the Income Tax Act, 1961 [though transfer pricing is not applicable for domestic transactions under the IT Act]
- Transaction is as per the prevailing pricing policy / market price / same price [or margin] as compared to transactions with unrelated parties.
- Transaction is comparable with third party quotations / bids.

- Transaction is based on cost sharing agreements [in cases where cost is shared based on benefits derived].
- Transaction is at a price in line with the valuation done by an external independent expert.

Guidance may be taken from the examples laid down in the Standard on Auditing 550 on Related Parties [SA 550] for this purpose.

- b. **“Group Company”** or **“Group Companies”** means Swan Energy Limited, the Holding Company and its Subsidiaries, Associates and Joint Ventures.
- c. **“Material modification”** would mean:
  - any modification[s] to the Related Party Transactions having upward variance of not less than 25% of the existing limit approved by the Audit Committee, the Board or the Shareholders, as the case may be; or
  - Novation of RPT in favor of another group company, except where such novation is on account of any statutory requirement.
- d. **“Material Related Party Transactions”** shall mean a transaction as defined “material” in Regulation 23 of LODR and/or contracts or arrangements as mentioned under Rule 15 of the Companies [Meetings of Board and its Powers] Rules, 2014, requiring shareholder's approval.
- e. **Ordinary course of business** shall mean a transaction can be considered to be in the ordinary course of business 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 counterparty 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 the business.
- f. **“Related Party”** is a party as defined in sub-section [76] of Section 2 of the Act and Regulation 2[zb] of SEBI LODR including modifications or amendments made thereto.
- g. **“Related Party transaction”** or **“RPT”** shall mean such transaction as specified under Section 188 of the Act and Regulation 2 [1] [zc] of the LODR.

The words and expressions used but not defined in this Policy, shall have the same meaning as defined in the Companies Act, 2013, SEBI Listing Regulations or any other applicable law or regulation, as amended from time to time.

## 5. Approval of Transactions

### a. Audit Committee:

All RPT proposed to be entered into by the Company and its subsequent ‘Material Modifications’ shall require prior approval of the Audit Committee. The Audit Committee can grant omnibus approval, to the Company or its subsidiaries, for the proposed RPT which are repetitive in nature and are in the ordinary course of business and are at Arm's Length, subject to compliance of the conditions set forth

in LODR and the Act and shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

Only those members of the Audit Committee who are Independent Directors shall approve RPTs. Any member of the Audit Committee who has a potential interest in the proposed RPT shall neither participate in the discussions nor vote on the proposal for approval of the transaction.

The Audit Committee shall review on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. Where a RPT cannot be foreseen and aforesaid details are not available, the Audit Committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

The prior approval of the Audit Committee would also be required for such additional RPT[s] entered into by its subsidiaries [where Company is not a party] and if value of such transaction whether individually or taken together with previous transactions with a Related Party during the financial year exceeds such threshold as may be determined by LODR/Act from time to time.

In the event that the Company becomes aware of a Related Party Transaction that was not approved in accordance with this policy, the Audit Committee shall examine all facts and circumstances pertaining to the non-reporting of such RPT and may, within three months from the date of the transaction or at the next meeting of the Audit Committee, whichever is earlier, ratify the said Related Party Transaction, subject to the following conditions:

- i. the value of the transaction[s] proposed to be ratified with a Related Party, whether entered into individually or taken together during a financial year, shall not exceed Rs 1 crore;
- ii. the transaction is not material, as defined under Regulation 23[1] of the LODR;
- iii. the rationale for not obtaining prior approval shall be placed before the Audit Committee at the time of seeking ratification.

Failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee.

### **b. Board of Directors**

All transactions with Related Parties [as defined under the Act] 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 ["the Board"]. Information in such form and manner as prescribed in the Act would be provided to the Board.

In the above context, where any Director is interested in any contract or arrangement with a Related Party, such Director shall not be present during the discussions and voting on the subject matter of the resolution relating to such contract or arrangement.

**c. Shareholders**

Transaction with Related Parties [as defined under Act] covered within the scope of Section 188 of the Act, which are either not in the ordinary course of business or not on arm's length basis and exceeds the threshold under section 188 of the Act read with applicable rules framed thereunder shall require prior approval of the shareholders through a resolution.

All Material Related Party Transactions and subsequent Material Modifications covered within the scope of LODR shall require prior approval of the shareholders through a resolution.

**6. Disclosure**

The RPT Policy shall be uploaded on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

Appropriate disclosures as required under the Act and the LODR will be made in the Annual Return, Board Report and to the Stock Exchange, as may be applicable.

**7. Amendments in Laws**

Any subsequent amendment/modification in the Act / LODR and/or other applicable Laws in this regard shall automatically apply to this Policy.

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**Document Control:**

Version	Author	Approved by	Date
01	Company Secretary	Board of Directors	23/05/2025