

# WONDER FIBROMATS LIMITED

## POLICY ON RELATED PARTY TRANSACTIONS

*Pursuant to Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“SEBI Regulations”)*

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### 1. SCOPE AND PURPOSE OF THE POLICY

This policy on Related Party Transactions (hereinafter referred to as “**RPT Policy**” or “**Policy**”) of **Wonder Fibromats Limited** (“**Wonder**” or “**the Company**”) is framed considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“**the Act**”) read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“**SEBI LODR**”) including SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulation 2021. Wonder has formulated the RPT policy and guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23(1) of the SEBI LODR requires a Company to formulate a policy on materiality of related party transactions (“**RPT’s**”) and dealing with related party transactions. Regulation 23(2) of the SEBI LODR also requires defining material modifications of RPTs and disclose it as part of the RPT policy.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of Audit Committee of the Company. Going forward, the Audit Committee will review and amend the RPT policy, as and when required, subject to the approval of the Board. In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.

### 2. OBJECTIVE OF THE POLICY

The Objective of the Policy is to set out (a) the materiality thresholds for RPTs and (b) the manner of dealing with the transactions between the Company and its related parties, based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

### 3. DEFINITIONS

“**Act**” means the Companies Act, 2013 including any statutory modification or re-enactment thereof for the time being in force.

“**Applicable Law**” includes (a) the Act and the Rules prescribed thereunder, (b) SEBI (LODR) 2015 and any other statute, law, standards, regulations or other governmental instruction relating to RPTs and amendments made thereto.

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

**“Material Modification(s)”** means and include any modification to an existing RPT, in aggregate with a related party, having variance of 25% in value of the transaction/ Extension of agreement tenure for more than one year, already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee/Board.

**“Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;

**“Related party”** have the meaning as defined in Section 2(76) of the Act or under the applicable accounting standards and Regulation 2(1) (zb) of the SEBI Regulations;

**“Related party Transactions”** shall have the same meaning as specified under the Act and Rules made thereunder and Regulation 2(1) (zc) of the SEBI LODR, as amended and shall mean a transaction involving a transfer of resources, services or obligations between

- The Company or any of its subsidiaries on the one hand and a related party of the Company or any of its subsidiaries on the other hand;
- The Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries with effect from April 1, 2023, 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.

Provided that following shall not be considered RPTs:

1. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
2. the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - payment of dividend by the Company;
  - subdivision or consolidation of securities by the Company;
  - issuance of securities by way of a rights issue or a bonus issue and
  - buy-back of securities.
3. Such other RPTs as may be specified by Applicable Laws to be exempt

**“Material Related Party Transactions”** means a transaction defined as per Sub-regulation 1 & 1A of Regulation 23 of SEBI (LODR) Regulation, 2015, as amended.

“SEBI LODR” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

*Any other term not defined herein shall have the same meaning as defined in the Act, SEBI LODR or any other applicable law or regulation.*

#### **4. MATERIALITY THRESHOLDS**

The Board of the Company has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

##### **A. As per SEBI LODR:**

- Any transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or ₹ 1,000 crore, 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

##### **B. As per the Act:**

- RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

#### **5. MANNER OF DEALING WITH RELATED PARTY TRANSACTION**

##### **Identification of Related Parties**

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the rules framed there under and Regulation 2(1) (zb) of the SEBI Listing Regulations both from the declaration of Directors/ KMPs and from the list of Companies/ body corporates which shall be otherwise treated as related under the Act and Indian Accounting Standards

##### **Identification of Related Party transactions**

The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1) (zc) of the SEBI LODR. The Company shall also determine whether the transaction is in the ordinary course of business and at arm's length basis, as per applicable rules & regulation and for this purpose, the Company will seek external expert opinion, if and wherever necessary.

## **6. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION**

### **➤ Prior Approval of the Audit Committee**

- a) All RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR.
- b) A RPT to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company.
- c) With effect from April 1, 2023, an RPT to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary company.
- d) With effect from April 1, 2023, the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries.

Prior approval of the Audit Committee shall not be required for:

- i. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI LODR are applicable to such listed subsidiary.
- ii. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
- iii. RPT or subsequent material modifications of RPT (other than those RPT stipulated under Section 188 of the Act) entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv. RPT 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.

Members of the Audit Committee, who are independent directors, shall only approve RPTs.

The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party. Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

- The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future);

- The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the Interest of the Company;
- The omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any, (iii) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and above details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees 1 crore per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year;
- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company;
- While assessing a proposal put up before the Audit Committee/Board for approval, the Audit Committee /Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
  - ✓ Type, nature, material terms and particulars of the proposed transaction
  - ✓ Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - ✓ Tenure of the proposed transaction (particular tenure shall be specified);
  - ✓ Value of the proposed transaction;
  - ✓ The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
  - ✓ If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - details of the source of funds in connection with the proposed transaction;
    - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
      - nature of indebtedness;
      - cost of funds; and
      - tenure;
    - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- ✓ Justification as to why the RPT is in the interest of the Company;
- ✓ A copy of the valuation or other external party report, if any such report has been relied upon
- ✓ Any other relevant information or such information as may be prescribed under SEBI LODR.

- The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

➤ **APPROVAL OF BOARD OF DIRECTORS OF THE COMPANY**

As per the provision of Section 188 of the Act, all kinds of transactions specified under the said section and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/ or at arms' length.

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

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e., value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval;
- Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

➤ **APPROVAL OF THE SHAREHOLDERS OF THE COMPANY**

All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, shall be placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meeting of Board and its Power) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval.

The requirement for seeking Shareholders' approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Further, the requirement for seeking shareholders' approval shall not be applicable for RPTs between the 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.

No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

The following information shall be provided to the shareholders while seeking their approval for RPTs:

- i. A summary of the information provided by the management of the Company to the audit committee
- ii. Reasons/justification for why the proposed transaction is in the interest of the Company;
- iii. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:
  - a) details of the source of funds in connection with the proposed transaction;
  - b) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - i. nature of indebtedness;
    - ii. cost of funds; and
    - iii. tenure;
  - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- iv) A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- v) Any other relevant information or such information as may be prescribed under SEBI LODR.

## **7. DISCLOSURES AND REPORTING**

Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.

The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in the ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.

In addition to the above, the Company shall also provide details of all Material Related Party Transactions on a to the stock exchanges as per the applicable law.

The Company shall also on half yearly basis submit disclosures of RPTs, in the format specified by SEBI from time to time, to the stock exchanges and publish the same on its website in accordance with SEBI LODR.

## **8. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the RPTs, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Audit Committee under this policy and the failure of internal control systems, and shall take any such action it deems appropriate.

A related party transaction entered into without approval under this Policy shall not be deemed to violate this policy, or to be invalid or unenforceable, so long as the transaction is approved or ratified as soon as reasonably practical after any Officer/Director of the Company becomes aware of such transaction.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit 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 by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

## **9. AMENDMENTS**

The Board may subject to applicable laws, amend any provisions(s) or substitute any of the provisions(s) with the new provision(s) or replace the RPT Policy entirely with a new policy. The RPT Policy is subject to review from time to time.

In the event of any conflict between the provisions of this RPT Policy and applicable laws, the provisions of such applicable laws shall prevail over this Policy.

*This Policy is amended and approved by the Board on 11<sup>th</sup> February 2022 and effective from 1<sup>st</sup> April 2022.*

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