



## **RELATED PARTY TRANSACTION POLICY**

### **SEVEN ISLANDS SHIPPING LIMITED**

**(CIN: U61100MH2002PLC135732)**

**Regd. Office: Suite 4, Level 8, B Wing, Times Square,  
Andheri - Kurla Road, Andheri (East), Mumbai 400059.**

**Ph : +91-22-4225 4225 ♦ Fax : +91-22-4225 4226**

**E-mail : [sevenislands@sishipping.com](mailto:sevenislands@sishipping.com)**

**Website : [www.sishipping.com](http://www.sishipping.com)**



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### **RELATED PARTY TRANSACTION POLICY**

#### **PREAMBLE**

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Related Party Transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its stakeholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 read with the Rules framed thereunder which introduced specific provisions relating to Related Party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel and have also laid down the financial limits and the approval process for such transactions and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, Seven Islands Shipping Limited has framed this Related Party Transactions Policy. This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

#### **APPLICABILITY**

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This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

#### **OBJECTIVE**

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This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its Related Party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The objective of this Policy is to set out the following:

1. The materiality thresholds for related party transactions and
2. The manner of dealing with the transactions between the Company and its related parties based on the Act, Regulation of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.



## DEFINITIONS

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“**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.

“**Audit Committee or Committee**” means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and the Companies Act, 2013.

“**Board**” means the Board of Directors of Seven Islands Shipping Limited.

“**Company**” means Seven Islands Shipping Limited, a company incorporated under the Companies Act, 1956.

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

“**Key Managerial Personnel or KMP**” shall have the meaning as defined in the Companies Act 2013.

“**Material Related Party Transaction**” means a transaction with a related party entered into individually or taken together with previous transactions during a financial year, exceeding ten percent of the annual turnover of the listed entity as per the last audited financial statements of the listed entity.

“**Policy**” means Related Party Transaction Policy, as amended from time to time.

“**Regulation**” means Regulation 23 of the Securities & Exchange Board of India (Listing Obligation & Disclosure Requirements) Regulations, 2015.

“**Related Party**” in relation to the Company means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards and Regulation 2(1)(zb) of the Securities & Exchange Board of India (Listing Obligation & Disclosure Requirements) Regulations, 2015 as amended from time to time.

“**Relative**” Means a relative as defined under sub-section (77) of section 2 of the Companies Act, 2013 and rules prescribed there under:



A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:

1. Father including step-father
2. Mother including step-mother
3. Son including step-son
4. Son's wife
5. Daughter
6. Daughter's husband
7. Brother including step-brother
8. Sister including step-sister

**“Related Party Transaction”** in relation to the Company 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, including but not limited to:

1. Sale, purchase or supply of any goods or materials
2. Selling or otherwise disposing of, or buying, property of any kind
3. Leasing of property of any kind
4. Availing or rendering of any services
5. Appointment of any agent for purchase or sale of goods, materials, services or property
6. Appointment to any office or place of profit in the company
7. Underwriting the subscription of any securities or derivatives thereof, of the company
8. Financing (including loans and equity contributions in cash or kind)
9. Providing or obtaining guarantees and collaterals and
10. Deputation of employees.

**“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 Memorandum & Articles of Association.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

## **MATERIALITY THRESHOLDS**

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Regulation 23 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a special resolution. The Company has fixed its materiality threshold at 10% of the turnover of the Company as per last audited financial statements of the Company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.



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

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### **I. Approval of the Audit Committee:**

1. All related party transactions require prior approval of the Audit Committee, whether at a meeting or by a circular resolution or any other manner as provided by the Act or Rules made thereunder.
2. To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
3. Any member of the Committee who has a potential interest in any Related Party Transaction shall not remain present at the meeting when such Related Party Transaction is considered.
4. The Audit Committee shall recommend the Related Party Transactions for approval of Board of Directors/Shareholders as per terms of this policy.
5. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee may review the following documents/seek inter alia 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:
  - a) Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed—including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction.
  - b) Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum.
  - c) Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction.
  - d) Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction.
  - e) Benchmarking information that may have a bearing on the arm's length basis analysis, such as:



- Market analysis, research report, industry trends, business strategies, financial forecasts, etc.
  - Third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
  - Management assessment of pricing terms and business justification for the proposed transaction;
  - Comparative analysis, if any, of other such transaction entered into by the company.
6. The Committee may grant omnibus approval for such transactions, subject to compliances with the following conditions:
- a) The Audit Committee shall specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following:
- Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year.
  - The maximum value per transaction which can be allowed.
  - Extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval.
  - Review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made.
  - Transactions which cannot be subject to the omnibus approval by the Audit Committee. Following are such transactions:
    - i) Transactions which are not at arm's length or not in the ordinary course of business.
    - ii) Transactions which are not repetitive in nature.
    - iii) Transactions exceeding materiality thresholds as laid down in 'Materiality Threshold' Clause of the Policy.
    - iv) Transactions in respect of selling or disposing of the undertaking of the company.



- v) Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
  - vi) Any other transaction the Audit Committee may deem not fit for omnibus approval.
- b) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval:
- repetitiveness of the transactions (in past or in future).
  - justification for the need of omnibus approval.
- c) 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.
- d) The omnibus approval shall provide details of:
- 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.
  - Basis of arriving at the indicative base price/current contracted price and the formula for variation in the price if any and
  - Such other conditions as the Audit Committee may deem fit.
- e) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given.
- f) 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.
- g) Any other conditions as the Audit Committee may deem fit.



## II. Approval of the Board of Directors:

As per the provisions 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 or not at arm's length basis, are placed before the Board for its approval. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

1. 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.
2. 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.
3. 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.
4. Transactions meeting the materiality thresholds which are intended to be placed before the shareholders for approval.

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 shall abstain from discussion and voting on the approval of the related party transaction.

## III. Approval of the Shareholders:

All the transactions with related parties meeting the materiality thresholds shall be placed before the shareholders for approval. For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Regulation 23(5)(b) of the Regulations and Section 188(1) of the Act provides that the requirement for seeking shareholder's approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies, if any whose accounts are consolidated with the Company.





In addition to the above, all kinds of transactions specified under Section 188 of the Act which are not in the ordinary course of business or not at arm's length basis and exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

In case the shareholders decide not to approve a Related Party Transaction, the Audit Committee/Board, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or recession of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

### **IDENTIFICATION OF RELATED PARTIES**

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Every Director and Key Managerial Personnel will be responsible for providing a declaration disclosing his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals to the Company Secretary on an annual basis. Such declaration shall be in Form MBP-1 for directors and in the format as per Annexure 1 for Key Managerial Personnel.

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and/or controls immediately on him becoming aware of such changes.

The Responsible Persons (Company Secretary and the Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause above, along with their personal/company details including any revisions therein.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional heads/ Chief Financial Officer/Company Secretary/shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional heads will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board/Committee may request, for being placed before the Committee and the Board.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.



## **IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS**

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Each Director and Key Managerial Personnel is responsible for providing a declaration to the Company of any potential Related Party Transaction involving him or his relative, including any additional information about the transaction that the Board/Audit Committee may reasonably require. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with the Policy.

The Company strongly advocates receipt of such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

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

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In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the 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 shall take such action as it deems appropriate.

Where any contract or arrangement is entered into by a director or any other employee of the Company with a Related Party, without obtaining the consent of the Committee/Board or approval by a resolution in the general meeting, where required and if it is not ratified by the Committee/Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a Related Party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

In any case, where the Committee decides 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, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this policy.

The Company may proceed against a director or any other employee who had entered into such contract or arrangement in contravention of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement and shall take any such action, it deems appropriate



## **REPORTING REQUIREMENTS**

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The Company shall report to Stock Exchanges on quarterly basis, the details of all material transactions with Related Parties. Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Act.

This policy shall also be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

## **LIMITATION AND AMENDMENTS**

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

The Board shall have the power to amend/substitute any of the provisions of this Policy with a new provision or replace this Policy entirely with a new Policy as per the recommendation of the Audit Committee.



**Annexure 1**  
**Notice of Interest by Key Managerial Personnel**

To,  
The Company Secretary,  
Seven Islands Shipping Limited,  
Suite 4, Level 8, B Wing, Times Square,  
Andheri-Kurla Road, Andheri (East),  
Mumbai 400059.

Respected Sir/Madam,

I, \_\_\_\_\_ son/daughter/spouse of \_\_\_\_\_, resident of \_\_\_\_\_ holding \_\_\_\_\_ shares (equity or preference) of Rs. 10/- (\_\_\_\_\_ percent of the paid-up Capital) in the Company in my name, being a \_\_\_\_\_ in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

<b>Sr. No.</b>	<b>Name of the Companies/Bodies Corporate/Firms/ Association of Individuals</b>	<b>Nature of Interest or concern / Change in Interest or Concern</b>	<b>Shareholding</b>	<b>Date on which Interest or Concern arose/changed</b>

The Following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions:

<b>Sr. No.</b>	<b>Name of the Body Corporate</b>

I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).

<b>Sr. No.</b>	<b>Name of the Person</b>	<b>Relation</b>

Signature:

Name:

Designation:

Place:

Date: