POLICY ON RELATED PARTY TRANSACTIONS

OF

SHARP CHUCKS AND MACHINES LIMITED

RELATED PARTY TRANSACTIONS POLICY

(*In compliance with Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) Regulations, 2015 and other applicable standards*)

1. PREAMBLE

Sharp Chucks and Machines Limited ("SCML" or "the Company"), being a SME listed entity, recognises that transactions with Related Parties may give rise to actual, potential or perceived conflicts of interest. Accordingly, Related Party Transactions require appropriate governance, transparency, review and oversight to protect the interests of the Company and its shareholders and other stakeholders.

The Company has therefore formulated this Policy on Related Party Transactions ("Policy") to establish a structured framework for identification, review, approval, monitoring and disclosure of Related Party Transactions.

This Policy shall be read together with and is subject to:

- the Companies Act, 2013, including Section 188 and other applicable provisions, and the rules made thereunder;
- Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), as amended from time to time;
- Indian Accounting Standard (Ind AS) 24 or Accounting Standard (AS) 18, as applicable;
- Any other applicable statutory, regulatory or governance requirements.

2. OBJECTIVE

The objectives of this Policy are to:

- Ensure transparency, fairness and integrity in dealings with Related Parties;
- Facilitate proper identification, documentation, review, approval and monitoring of Related Party Transactions;
- Ensure compliance with applicable provisions of the Companies Act, 2013, SEBI LODR Regulations and applicable accounting standards;
- Protect the interests of the Company, its shareholders and other stakeholders;
- Ensure compliance with SME-specific thresholds and half-yearly disclosure requirements applicable to SME-listed entities under SEBI LODR 2025.

3. DEFINITIONS

Unless the context otherwise requires, the terms used in this Policy shall have the meanings assigned to them under the applicable provisions of the Companies Act, 2013, the SEBI LODR Regulations and applicable accounting standards, as amended from time to time.

3.1 "Related Party"

"Related Party" shall mean a related party as defined under Section 2(76) of the Companies Act, 2013, Regulation 2(1)(zb) of the SEBI LODR Regulations and the applicable accounting standards, as amended from time to time.

3.2 "Related Party Transaction" or "RPT"

"**Related Party Transaction**" shall mean a transaction involving a transfer of resources, services or obligations between the Company and a Related Party, regardless of whether it is entered into on commercial terms.

Note: All RPTs are subject to the approval and disclosure requirements under Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI LODR, 2015, including thresholds for materiality.

3.3 "Material Related Party Transaction"

"Material Related Party Transaction" shall mean a Related Party Transaction exceeding the materiality threshold prescribed under Regulation 23 of the SEBI LODR Regulations including applicable amendments for SMEs.

- General RPTs: Transactions exceeding ₹50 crore or 10% of the annual consolidated turnover, whichever is lower.
- Brand usage or royalty transactions: Transactions exceeding 5% of the annual consolidated turnover.

Materiality is assessed individually or cumulatively with previous transactions during the financial year. For SME-listed entities, thresholds under SEBI LODR 2025 apply: general RPTs above ₹50 crore or 10% of annual consolidated turnover, and brand/royalty transactions above 5% of turnover are considered material and require applicable approvals and disclosures.

3.4 "Material Modification"

"Material Modification" shall mean any modification to a Related Party Transaction that is material in accordance with the criteria approved by the Audit Committee and/or as prescribed under applicable law.

3.5 "Arm's Length Transaction"

An Arm's Length Transaction is a transaction between the Company (or its subsidiaries) and a Related Party that is conducted on commercial terms equivalent to those prevailing in an open market, such that no undue advantage is conferred on the Related Party.

4. APPLICABILITY

1. All Related Party Transactions (RPTs) entered into by the Company, including those involving its subsidiaries, joint ventures, and associates.

2. All Material Related Party Transactions as defined under SEBI LODR, 2015, including applicable thresholds and amendments for SMEs.

3. Transactions requiring approval of the Audit Committee, Board of Directors, or Shareholders, in accordance with applicable laws, regulations, and governance practices.

4. Employees, Directors, Key Managerial Personnel (KMP), and other officers involved in the identification, execution, review, or approval of Related Party Transactions.

5. Industry best practices as per RPT Industry Standards 2025, to ensure transparency, fairness, and accountability in the conduct of all RPTs, even where not explicitly required by law.

Note: This Policy provides a structured framework aligning statutory requirements, regulatory compliance, accounting standards (Ind AS/AS), and recognized industry standards, to ensure proper governance, review, approval, and disclosure of all Related Party Transactions.

5. APPROVAL OF RELATED PARTY TRANSACTIONS

5.1 Audit Committee Approval

All Related Party Transactions (RPTs), including any subsequent material modifications, shall require prior approval of the Audit Committee. The Audit Committee may grant omnibus approvals for repetitive or routine transactions, subject to conditions prescribed under SEBI LODR. Such omnibus approvals shall specify the Related Party, nature of the transaction, period, maximum value, pricing, and other relevant terms, ensuring arm's-length pricing and fairness. The Committee shall review all omnibus approvals at least quarterly, and these approvals are valid for one financial year, requiring renewal annually. For SME-listed entities, all RPTs approved by the Audit Committee shall additionally be disclosed to the stock exchanges on a half-yearly basis and published on the Company's website. These disclosures shall include details of material RPTs, the rationale, pricing, and terms, in compliance with SEBI LODR, Section 188 of the Companies Act, 2013, and Ind AS 24/ AS-18, ensuring transparency, fairness, and accountability in all Related Party dealings.

5.2 Board Approval

Board approval is required if the RPT falls under Section 188 of the Companies Act, 2013 and is not in the ordinary course of business or not at arm's length.

5.3 Shareholders' Approval

Shareholder approval is required for all Material Related Party Transactions (RPTs) as per SEBI LODR thresholds, as well as for transactions where a Related Party has a material personal interest. In such cases, Related Parties shall abstain from voting on resolutions concerning transactions in which they are interested. Certain RPTs of subsidiaries are exempt from shareholder approval in line with SEBI LODR provisions. For unlisted subsidiaries of the Company, prior shareholder approval of the listed entity is not required unless the transaction exceeds the materiality thresholds prescribed under Regulation 23 of SEBI LODR, 2015. In instances where RPTs are inadvertently entered into without prior approval, the Audit Committee may ratify such transactions within three months, subject to applicable SEBI LODR limits for SME-listed entities. This ensures that all Related Party Transactions are conducted in a fair, transparent, and compliant manner, safeguarding the interests of the Company and its stakeholders. Such ratification shall be documented with commercial rationale and pricing, and will comply with SEBI LODR limits applicable to SME-listed entities.

6. CRITERIA FOR REVIEW AND APPROVAL

While reviewing a Related Party Transaction, the Audit Committee, Board and/or shareholders, as applicable, may consider:

6.1 Ordinary Course of Business: - Whether the transaction is in the ordinary course of business;
6.2 Arm's Length Basis: - Whether the transaction is on an arm's length basis, where relevant;
6.3 Commercial Rationale and Benefits: The strategic, operational, and financial benefits to the Company, including alignment with business objectives;
6.4 Pricing, Terms, and Market Benchmarking: The pricing, terms and conditions and available market benchmarks;
6.5 Fairness and Reasonableness: Assessment of the equity, fairness, and reasonableness of the transaction for all stakeholders;
6.6 Financial and Operational Impact: Impact on the Company's cash flows, profitability, operations, and balance sheet;
6.7 Potential Conflicts of Interest: - Identification of any actual, potential, or perceived conflicts of interest, including those involving Related Parties, and measures to mitigate them

7. DISCLOSURES

The Company shall ensure that all Related Party Transactions (RPTs) and related information are disclosed in a transparent, timely, and comprehensive manner, in compliance with applicable laws and regulations, including Regulation 23 of SEBI LODR, 2015, Section 188 of the Companies Act, 2013, and Ind AS 24 - Related Party Disclosures (or AS 18, as applicable)

RPT Policy Disclosure:

The Company shall make the Related Party Transaction Policy available on its website in accordance with Regulation 46 of SEBI LODR, ensuring easy access for shareholders and other stakeholders. This provides transparency on the governance framework, approval process, and monitoring mechanisms for RPTs.

Annual Report Disclosures:

All RPTs, whether material or non-material, shall be disclosed in the Notes to Accounts of the Annual Report. Such disclosures shall include details of the parties involved, nature of the transaction, monetary value, and terms, enabling shareholders to understand the commercial rationale and compliance with arm's-length principles.

Half-Yearly Disclosures for SME-Listed Entities:

In line with SME-specific requirements under SEBI LODR, all RPTs approved by the Audit Committee shall be disclosed to the stock exchanges on a half-yearly basis, along with the financial results. This ensures that shareholders and regulators are kept informed of ongoing transactions, even if they are not material individually.

Material RPTs:

Material RPTs, as defined under SEBI LODR thresholds for SMEs, shall be disclosed with the full rationale, pricing, and terms. This enables stakeholders to assess the fairness, transparency, and arm's length nature of significant transactions with Related Parties.

Notes and Best Practices: 1. Remuneration and sitting fees paid to directors, Key Managerial Personnel (KMP), or senior management (non-promoter) need not be separately disclosed if they are not material. 2. All disclosures shall follow best practices under RPT Industry Standards 2025, ensuring full accountability, fairness, and transparency in all Related Party dealings.

8. RECORDS AND DOCUMENTATION

The Company shall maintain appropriate records and supporting documentation relating to Related Party Transactions, including approvals, commercial rationale, pricing information, declarations, disclosures and other relevant documents, for the period required under applicable law and the Company's record retention practices.

9. REVIEW AND AMENDMENT OF POLICY

This Policy shall be reviewed by the Board of Directors at least once every three years, or earlier if required due to changes in applicable laws, regulations, accounting standards, SEBI directives, or other regulatory requirements. Reviews may also be triggered by recommendations from the Board or Audit Committee, or in response to evolving business, operational, or industry practices, including SME specific considerations.

Any updates or amendments to the Policy shall be approved by the Board of Directors and subsequently uploaded on the Company's website to ensure transparency, accessibility, and public disclosure.

Note: The review process is intended to ensure that the Policy remains current, compliant with statutory and regulatory requirements, and aligned with best practices, including the RPT Industry Standards 2025

10. POLICY ENFORCEMENT

Any violation of this Policy shall be dealt with in accordance with the applicable provisions of law and the internal policies and procedures of the Company. The Audit Committee and/or Board may direct appropriate corrective action, including review, modification, ratification, cancellation or other action permissible under applicable law.

11. EFFECTIVE DATE

This Policy shall come into effect from the date of its approval by the Board of Directors of the Company and shall remain in force until amended, modified or replaced by the Board of Directors in accordance with applicable law.

****