

**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**  
**AND ON DEALING WITH RELATED PARTY TRANSACTIONS**

## **1. Background and Object**

Alpex Solar Limited (“Company”) recognises that related party transactions may give rise to actual or potential conflicts of interest and therefore require an appropriate approval, monitoring and disclosure framework.

This Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions (“Policy”) has been framed in accordance with the Companies Act, 2013, the rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), applicable SEBI circulars, Industry Standards, accounting standards and other applicable laws.

This Policy sets out:

1. the manner of identification, approval, review and disclosure of Related Party Transactions;
2. the materiality threshold applicable to Related Party Transactions;
3. the definition of Material Modification;
4. the criteria for granting omnibus approval; and
5. the framework for ratification, wherever permitted under applicable law.

The Company is an SME listed entity; however, Regulation 23 of the SEBI Listing Regulations is applicable to the Company and this Policy is drafted accordingly.

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## **2. Definitions**

Unless the context otherwise requires, the following terms shall have the meaning assigned below. Terms not defined in this Policy shall have the meaning assigned to them under the Companies Act, 2013, the SEBI Listing Regulations, applicable accounting standards or other applicable laws, as the case may be.

### **2.1 Act**

“Act” means the Companies Act, 2013, including the rules, circulars, notifications, clarifications and amendments thereunder.

### **2.2 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.

### **2.3 Audit Committee**

“Audit Committee” means the Audit Committee of the Board of Directors of the Company.

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## **2.4 Board**

“Board” means the Board of Directors of the Company.

## **2.5 Industry Standards**

“Industry Standards” means the Industry Standards on minimum information to be provided to the Audit Committee and shareholders for approval of Related Party Transactions, issued in consultation with SEBI and the stock exchanges, as amended from time to time.

## **2.6 Key Managerial Personnel or KMP**

“Key Managerial Personnel” or “KMP” shall have the meaning assigned to it under Section 2(51) of the Act.

## **2.7 Material Related Party Transaction**

“Material Related Party Transaction” means a transaction with a Related Party, where the transaction or transactions to be entered into individually or taken together with previous transactions with such Related Party during a financial year, exceed the materiality threshold applicable under Regulation 23 of the SEBI Listing Regulations.

For the Company, the materiality threshold shall be determined in accordance with Regulation 23 of the SEBI Listing Regulations, as applicable to the Company from time to time. Where the SME-specific threshold is applicable, the threshold shall be lower of:

1. ₹50 crore; or
2. 10% of the annual consolidated turnover of the Company as per the last audited financial statements.

The applicable threshold shall be computed for each financial year on the basis of the last audited financial statements and the law in force at the relevant time.

A transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transaction or transactions to be entered into individually or taken together with previous transactions during a financial year exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements, or such other threshold as may be prescribed.

## **2.8 Material Modification**

“Material Modification” means any modification, variation, amendment, renewal, extension, waiver, revision or change to an approved Related Party Transaction which materially changes the value, nature, tenure, scope, pricing, commercial terms, rights, obligations, risk allocation, security, guarantee, financial exposure or economic substance of such approved transaction.

Without prejudice to the above, the following shall be treated as Material Modifications:

1. any modification which results in the transaction becoming a Material Related Party Transaction;
2. any increase in approved value which, individually or together with previous transactions with the same Related Party during the financial year, exceeds the applicable materiality threshold;
3. any modification requiring shareholders' approval under Regulation 23(4) of the SEBI Listing Regulations;
4. any change in the nature, scope, object, purpose, Related Party or counterparty of the transaction, except where the change is merely pursuant to change of name or restructuring without change in beneficial ownership, control or economic substance;
5. any material change in pricing, margin, credit period, payment terms, repayment terms, tenure, security, guarantee, collateral, loan terms or other commercial terms; and
6. any other modification which the Audit Committee considers material based on the facts and circumstances.

A purely administrative, clerical or procedural change which does not alter the value, nature, scope, pricing, commercial terms, rights, obligations or economic substance of the transaction shall not ordinarily be treated as a Material Modification.

## **2.9 Ordinary Course of Business**

“Ordinary Course of Business” means the usual, normal, regular or incidental activities of the Company or its subsidiaries, including activities necessary, desirable or commercially relevant for carrying on their business.

In determining whether a transaction is in the Ordinary Course of Business, the Company may consider whether the transaction is covered by or incidental to the objects of the Company, consistent with past practice or industry practice, commercially justified, recurring in nature, or otherwise considered by the Audit Committee or Board to be in the ordinary course based on facts and circumstances.

## **2.10 Related Party**

“Related Party” means a related party as defined under the Act, the SEBI Listing Regulations, applicable accounting standards and any other applicable law.

For the purpose of the Act, “related party”, with reference to a company, includes:

1. a director or his relative;
2. a key managerial personnel or his relative;
3. a firm, in which a director, manager or his relative is a partner;
4. a private company in which a director or manager or his relative is a member or director;

5. a public company in which a director or manager is a director and holds, along with his relatives, more than 2% of its paid-up share capital;
6. anybody corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
7. any person on whose advice, directions or instructions a director or manager is accustomed to act, other than advice given in a professional capacity;
8. anybody corporate which is a holding, subsidiary or associate company of such company, a subsidiary of a holding company to which it is also a subsidiary, or an investing company or venturer of the company;
9. a director, other than an independent director, or key managerial personnel of the holding company or his relative, with reference to a company; and
10. such other person as may be prescribed.

For the purpose of the SEBI Listing Regulations, Related Party shall also include:

1. any person or entity forming part of the promoter or promoter group of the Company; and
2. any person or entity holding equity shares of 10% or more in the Company, either directly or on a beneficial interest basis under Section 89 of the Act, at any time during the immediately preceding financial year,

and any other person or entity treated as a related party under applicable law.

### **2.11 Related Party Transaction or RPT**

“Related Party Transaction” or “RPT” shall have the meaning assigned under Regulation 2(1)(zc) of the SEBI Listing Regulations, the Act and applicable accounting standards.

Accordingly, RPT shall include a transaction involving transfer of resources, services or obligations between:

1. the Company or any of its subsidiaries on one hand and a Related Party of the Company or any of its subsidiaries on the other hand; or
2. 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,

regardless of whether a price is charged.

A transaction with a Related Party shall be construed to include a single transaction or a group of transactions in a contract.

RPT shall also include contracts or arrangements covered under Section 188 of the Act, including sale, purchase or supply of goods or materials, sale or purchase of property, leasing, availing or rendering of services, appointment of agent, appointment to office or place of profit and underwriting of securities or derivatives.

Transactions specifically excluded under Regulation 2(1)(zc), Regulation 23(5) or any other applicable provision shall not be treated as RPTs to the extent of such exclusion and subject to fulfilment of prescribed conditions.

## **2.12 Relative**

“Relative” shall have the meaning assigned under Section 2(77) of the Act and the rules made thereunder.

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## **3. Identification of Related Parties and RPTs**

Every Director and KMP shall provide disclosures of interest, concern, relationship and other relevant particulars as required under the Act, SEBI Listing Regulations and internal requirements of the Company, and shall promptly intimate any change therein.

The Company Secretary and Compliance Officer, in coordination with the Chief Financial Officer, shall maintain and update the list of Related Parties based on disclosures received, statutory records, shareholding pattern, promoter/promoter group details, beneficial ownership declarations, accounting standards and other relevant information.

All business and functional departments shall identify proposed transactions with Related Parties in advance and provide requisite particulars to the Company Secretary and Compliance Officer and Chief Financial Officer before entering into such transactions.

No RPT shall be entered into unless approval required under this Policy and applicable law has been obtained, unless the transaction is exempt under applicable law.

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## **4. Approval Framework**

### **4.1 Audit Committee approval**

All RPTs and subsequent Material Modifications shall require prior approval of the Audit Committee, unless exempt under applicable law.

Only those members of the Audit Committee who are Independent Directors shall approve RPTs under the SEBI Listing Regulations.

The Audit Committee may approve, reject, modify, defer or seek additional information in relation to any proposed RPT. Any member having interest in an RPT shall recuse from discussion and voting to the extent required under applicable law and governance practice.

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## 4.2 Board approval

Board approval shall be obtained wherever required under the Act, SEBI Listing Regulations or any other applicable law, including where:

1. the transaction is not in the Ordinary Course of Business or is not on Arm's Length basis and requires Board approval under Section 188 of the Act;
2. the transaction requires Board approval under Sections 179, 185, 186 or any other provision of the Act;
3. the Audit Committee recommends the transaction for Board consideration; or
4. Board approval is otherwise required under applicable law or internal authority matrix.

Interested directors shall disclose their interest and shall not participate in discussion or voting to the extent restricted under applicable law.

## 4.3 Shareholders' approval

Prior approval of shareholders shall be obtained for:

1. all Material Related Party Transactions and subsequent Material Modifications thereto, wherever required under Regulation 23(4) of the SEBI Listing Regulations;
2. RPTs requiring shareholders' approval under Section 188 of the Act and the rules made thereunder;
3. transactions involving remuneration, office or place of profit, loan, guarantee, security, investment or any other matter requiring shareholders' approval under applicable law; and
4. any other transaction requiring shareholders' approval under applicable law.

For approval under Regulation 23 of the SEBI Listing Regulations, no Related Party shall vote to approve such resolution, whether the entity is a Related Party to the particular transaction or not, to the extent required under applicable law.

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## 5. Information to be Placed Before the Audit Committee / Shareholders

The management shall place before the Audit Committee all information necessary for taking an informed decision, including information required under the Act, SEBI Listing Regulations, SEBI circulars, Industry Standards and this Policy.

Such information shall include, to the extent applicable:

1. name of the Related Party and nature of relationship;
2. nature, tenure, material terms and value of the transaction;
3. value of previous transactions with the same Related Party during the financial year;

4. percentage of the transaction value to the annual consolidated turnover of the Company as per the last audited financial statements;
5. where the transaction involves a subsidiary and the Company is not a party, percentage of the transaction value to the annual standalone turnover of such subsidiary, wherever applicable;
6. Ordinary Course of Business and Arm's Length assessment;
7. pricing basis, price variation formula and commercial justification;
8. business rationale and benefit to the Company;
9. details of loans, investments, guarantees, securities, advances or financial arrangements, wherever applicable;
10. valuation report or external report, if relied upon;
11. certificate, confirmation or declaration from management, wherever required under SEBI circulars or Industry Standards; and
12. any other information required by the Audit Committee, Board, shareholders or applicable law.

Where shareholder approval is required, the notice to shareholders shall contain the information prescribed under the Act, SEBI Listing Regulations, SEBI circulars, Industry Standards and Secretarial Standards.

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## **6. Minimum Information and Industry Standards**

The Company shall comply with applicable SEBI circulars and Industry Standards on minimum information to be placed before the Audit Committee and shareholders for approval of RPTs.

For determining the applicable information requirement, transaction(s) with the same Related Party shall be considered individually or taken together with previous transactions with such Related Party during the financial year.

The present information framework shall be as follows, subject to changes in applicable law:

1. where the transaction value with a Related Party during the financial year does not exceed ₹1 crore, the prescribed Industry Standards format may not apply; however, basic information under Regulation 23, the Act and this Policy shall still be placed before the approving authority unless the transaction is exempt;
2. where the transaction value with a Related Party during the financial year exceeds ₹1 crore but does not exceed the lower of 1% of annual consolidated turnover of the Company as per the last audited financial statements or ₹10 crore, the minimum information prescribed in Annexure-13A or such other simplified format prescribed by SEBI circulars / Industry Standards shall be placed; and
3. where the transaction value with a Related Party during the financial year exceeds the lower of 1% of annual consolidated turnover of the Company as per the last audited financial statements or ₹10 crore, full information under the applicable Industry Standards shall be placed.

Where the Industry Standards are not applicable to a transaction, the Company shall still place such information as is necessary under Regulation 23, the Act and this Policy for the approving authority to take an informed decision.

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## **7. Omnibus Approval**

The Audit Committee may grant omnibus approval for RPTs proposed to be entered into by the Company and/or its subsidiaries, wherever applicable, subject to Regulation 23 of the SEBI Listing Regulations, Rule 6A of the Companies (Meetings of Board and its Powers) Rules, 2014 and this Policy.

### **7.1 Criteria for Granting Omnibus Approval**

Omnibus approval may be granted only where:

1. the transaction is repetitive in nature, whether by reason of past transactions or expected recurring business requirements;
2. the transaction is in line with this Policy;
3. the Audit Committee is satisfied regarding the need for granting omnibus approval and that such approval is in the interest of the Company;
4. the transaction is proposed to be on Arm's Length basis and, wherever applicable, in the Ordinary Course of Business;
5. the required particulars are placed before the Audit Committee; and
6. the transaction is not prohibited from omnibus approval under applicable law or this Policy.

### **7.2 Contents, Validity and Review of Omnibus Approval**

The omnibus approval shall specify the name of the Related Party, nature of transaction, period of transaction, maximum amount of transaction, indicative base price or current contracted price, formula for variation in price, if any, and such other conditions as the Audit Committee may deem fit.

Where the need for an RPT cannot be foreseen and the required details are not available, the Audit Committee may grant omnibus approval, provided that the value of each such transaction shall not exceed ₹1 crore per transaction or such other limit as may be prescribed.

Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after expiry of such period. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into pursuant to each omnibus approval.

Omnibus approval shall not be granted for transactions in respect of selling or disposing of an undertaking of the Company or for such other transactions as may be restricted under applicable law or by the Audit Committee.

## **8. Ratification of RPTs**

### **8.1 Ratification under SEBI Listing Regulations**

Where an RPT has been entered into without prior approval of the Audit Committee due to oversight, urgency or any other valid reason, the same may be placed for ratification before the Audit Committee only to the extent permitted under the SEBI Listing Regulations.

The Independent Directors who are members of the Audit Committee may ratify such RPT, subject to the following conditions:

1. ratification is obtained within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier;
2. the value of the ratified transaction(s) with the Related Party, whether entered into individually or taken together during the financial year, does not exceed ₹1 crore;
3. the transaction is not material under Regulation 23(1) of the SEBI Listing Regulations;
4. rationale for inability to seek prior approval is placed before the Audit Committee;
5. details of ratification are disclosed along with RPT disclosures under Regulation 23(9) of the SEBI Listing Regulations; and
6. such other conditions as may be specified by the Audit Committee or applicable law are complied with.

Failure to seek ratification within the prescribed time shall render the transaction voidable at the option of the Audit Committee. If the transaction is with a Related Party to any Director or is authorised by any Director, the concerned Director(s) shall indemnify the Company against any loss incurred by it, to the extent provided under applicable law.

### **8.2 Ratification under the Act**

Where a contract or arrangement requiring approval under Section 188 of the Act is entered into without approval of the Board or shareholders, wherever required, the same shall be placed for ratification by the Board or shareholders, as the case may be, within three months from the date on which such contract or arrangement was entered into, to the extent permitted under the Act.

Where ratification is not permitted or is not granted, the Company shall take appropriate corrective action in accordance with applicable law.

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## **9. RPTs Involving Subsidiaries**

An RPT to which a subsidiary of the Company is a party, but the Company is not a party, shall require prior approval of the Audit Committee of the Company wherever required under Regulation 23 of the SEBI Listing Regulations.

Without prejudice to the above, where an RPT above ₹1 crore, whether entered into individually or taken together with previous transactions during a financial year, is proposed to be entered into by a subsidiary of the Company and the Company is not a party, prior approval of the Audit Committee of the Company shall be required if the value of such transaction exceeds the lower of the following:

1. 10% of the annual standalone turnover of the subsidiary as per its last audited financial statements; or
2. the threshold for Material Related Party Transactions applicable to the Company under Regulation 23 of the SEBI Listing Regulations.

Where such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the Audit Committee of the Company shall be required for an RPT above ₹1 crore, whether entered into individually or taken together with previous transactions during a financial year, if the value of such transaction exceeds the lower of the following:

1. 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
2. the threshold for Material Related Party Transactions applicable to the Company under Regulation 23 of the SEBI Listing Regulations.

For the above purpose, the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date not older than three months prior to the date of seeking Audit Committee approval.

Prior approval of the Audit Committee of the Company shall not be required for an RPT to which a listed subsidiary is a party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary. For RPTs of unlisted subsidiaries of such listed subsidiary, prior approval of the Audit Committee of the listed subsidiary shall suffice to the extent permitted under Regulation 23 of the SEBI Listing Regulations.

Transactions between the Company and its wholly owned subsidiary, or between two wholly owned subsidiaries of the Company, shall be dealt with in accordance with the exemptions and conditions prescribed under Regulation 23(5) of the SEBI Listing Regulations and the Act.

Where any subsidiary RPT or material modification thereto requires shareholders' approval under Regulation 23 or any other applicable law, such approval shall be obtained before entering into or modifying the transaction.

## 10. Exemptions

The approval requirements under this Policy shall not apply to transactions expressly exempted under Regulation 2(1)(zc), Regulation 23(5), the Act, applicable accounting standards or any other applicable law, subject to fulfilment of prescribed conditions.

Exemptions may include, to the extent and subject to the conditions prescribed under applicable law:

1. transactions between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before shareholders;
2. transactions between two wholly owned subsidiaries of the Company whose accounts are consolidated with the Company and placed before shareholders;
3. corporate actions uniformly applicable or offered to all shareholders in proportion to their shareholding;
4. issue of specified securities on preferential basis, subject to compliance with applicable SEBI regulations;
5. retail purchases from the Company or its subsidiary by Directors or employees, without business relationship and on terms uniformly applicable to all employees and directors; and
6. any other transaction exempted under applicable law.

Remuneration and sitting fees paid by the Company or its subsidiary to its Director, KMP or Senior Management shall be exempt from Audit Committee approval only to the extent permitted under the SEBI Listing Regulations and subject to the conditions prescribed therein. This exemption shall not apply where the recipient is part of the promoter or promoter group, where the transaction is material, or where approval is otherwise required under applicable law.

Where an exemption is relied upon, the Company shall maintain appropriate records evidencing the basis of such exemption.

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## 11. Records, Registers and Monitoring

The Company shall maintain appropriate records of RPTs and approvals granted under this Policy, including the Related Party master list, approval notes, annexures, contracts, valuation reports, omnibus approval tracker, quarterly review records and party-wise annual transaction value tracker.

The Company shall maintain the register of contracts or arrangements in which directors are interested, in the manner prescribed under the Act, wherever applicable.

The Company Secretary and Compliance Officer, in coordination with the Chief Financial Officer and concerned departments, shall monitor approved limits, utilisation, modifications and reporting requirements.

Any proposed transaction exceeding approved limits, constituting a Material Modification or requiring separate approval shall be placed before the appropriate authority before it is entered into.

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## **12. Disclosures and Reporting**

The Company shall make disclosures relating to RPTs in accordance with the Act, SEBI Listing Regulations, applicable accounting standards, SEBI circulars, Industry Standards and other applicable laws.

Such disclosures shall include, wherever applicable:

1. disclosure of this Policy on the website of the Company and web-link thereof in the annual report;
  2. disclosure of RPTs to the stock exchange(s) under Regulation 23(9) in the prescribed format and within prescribed timelines;
  3. disclosure of ratified RPTs under Regulation 23(9), wherever applicable;
  4. disclosure in financial statements, Board's Report, Form AOC-2, corporate governance report and annual report, wherever applicable; and
  5. disclosures in notice to shareholders for Material Related Party Transactions and Material Modifications.
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## **13. Review and Amendment**

This Policy shall be reviewed by the Board at least once every three years and updated accordingly. The Policy may be reviewed earlier if required due to any amendment in law, SEBI or stock exchange requirement, recommendation of the Audit Committee, observation of auditors or regulators, or business requirement.

Any substantive amendment to this Policy shall be approved by the Board based on recommendation of the Audit Committee. The Company Secretary and Compliance Officer may make only ministerial, typographical, formatting or cross-reference corrections which do not alter the substance of this Policy. In case of inconsistency between this Policy and applicable law, the applicable law shall prevail.

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## **14. Commencement**

This draft Policy shall come into force only from the date of approval/adoption by the Board of Directors of the Company, unless the Board specifies any other effective date.

Until such approval/adoption, this document shall remain a draft for consideration by the Audit Committee and the Board.

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