

POLICY ON DEALING WITH RELATED PARTY TRANSACTION

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1. BACKGROUND

The Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') as amended from time to time prescribe comprehensive regulatory framework governing the Related Party Transactions.

The Act and the SEBI LODR also require the Companies to adopt comprehensive policy on dealing with the Related Parties.

In the context of above, in compliance with the provisions of the Act and SEBI LODR, the Board of Directors of Company has adopted this Policy on Materiality of and Dealing with Related Party Transactions ('the Policy').

The Policy inter-alia encompasses process for identification of Related Parties, procedure for entering into Related Party Transactions and procedure for approving Related Party Transactions, etc.

2. DEFINITIONS

- i. **"Act"** means Companies Act, 2013 including any statutory modification or re-enactment thereof.
- ii. **"Audit Committee"** means Committee of Board of Directors of the Company constituted under the provisions of SEBI LODR and the Act.
- iii. **"Board"** means Board of Directors of the Company.
- iv. **"Related Party"** means
As per Section 2(76) of Companies Act, 2013, "related party", with reference to a company, means –
 - a) a director or his relative;
 - b) key managerial personnel or his relative;
 - c) a firm, in which a director, manager or his relative is a partner;
 - d) a private company in which a director or manager or his relative is a member or director;
 - e) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
 - f) any body 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;
 - g) any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided such advice, directions or instructions are not given in a professional capacity;
 - h) any body corporate which is –

- (A) a holding, subsidiary or an associate company of such company;
- (B) a subsidiary of a holding company to which it is also a subsidiary; or
- (C) an investing company or the venturer of a company;

Explanation- “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- i) a director other than independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

As per Regulation 2(zb) of SEBI LODR, means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;
 in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per IND AS – 24, related party is defined as : -

- a. A person or a close member of that person’s family is related to a reporting entity if that person:
 - i. Has control or joint control of the reporting entity;
 - ii. Has significant influence over the reporting entity; or
 - iii. Is a member of the KMP of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a) (i) has significant influence over the entity or is a member of the KMP of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides KMP services to the reporting entity or to the parent of the reporting entity
- v. **“Related Party Transaction”** means transaction which are included under section 188 of Companies Act, 2013.

As per Regulation 2(zc) of SEBI LODR, means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity 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 the following shall not be a related party transaction:

- (a) 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;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;

- iii. issuance of securities by way of a rights issue or a bonus issue; and
- iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

As per IND AS-24, A RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

- vi. **“Relative”**, with reference to any person, means any one who is related to another, if-
 - (i) they are members of a Hindu Undivided Family;
 - (ii) they are husband and wife; or
 - (iii) one person is related to the other in the following manner, namely:
 - a. Father (the term “Father” includes step-father)
 - b. Mother (the term “Mother” includes the step-mother)
 - c. Son (the term “Son” includes the step-son)
 - d. Son’s wife
 - e. Daughter
 - f. Daughter’s husband
 - g. Brother (the term “Brother” includes the step-brother)
 - h. Sister (the term “Sister” includes the step-sister.)
- vii. **“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.
- viii. **“Material Related Party Transaction”** means a transaction with a Related Party, where the transaction(s) to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds rupees One thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, 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 five percent of the Annual Consolidated Turnover of the Company as per the last consolidated audited financial statements of the Company.

- ix. **“Annual Consolidated Turnover”** is the gross amount of revenue recognized in the statement of profit and loss from the sale, supply or distribution of goods or on account of services rendered or both, during a financial year as per the last consolidated audited financial statements of the Company.
- x. **“Ordinary Course of Business”** if transactions satisfy any of the following criteria, such transactions will generally be in the Ordinary Course of Business:
- a) The Memorandum of Association of the Company should cover such transaction;
 - b) There are previous instances of the Company having carried out such transaction;
 - c) These transactions are frequent over a period of time;
 - d) The transaction should be in furtherance of the business objectives of the Company;
 - e) The transactions, if not frequent, are important to the business objectives of Company;
 - f) The transactions are incidental to solar industry/ part of standard industry practice or but for which the business would be adversely affected;

The Application and Other Explanatory Material of SA 550 on Related Parties issued by the ICAI provides examples of transactions that can be considered to be outside the entity's normal course of business (akin to ordinary course of business). Although these are not conclusive, they will be considered as guidance to be used, based on facts and circumstances, to conclude as to whether a transaction can be considered to be in the ordinary course of business. The examples provided in SA 550 that may be considered to be outside the entity's normal course of business include:

- Complex equity transactions, such as corporate restructurings or acquisitions.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with offshore entities in jurisdictions with weak corporate laws. Transactions with circular arrangements, for example, sales with a commitment to repurchase.

This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

3. INTERPRETATION

In any circumstances, where the terms of the Policy differ from any existing or enacted Law(s), Rule(s), Regulation(s) governing the Company, then such Law(s), Rule(s) or Regulation(s) shall prevail over this Policy.

In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee/ Board of Directors and the decision of the Audit Committee/ Board of Directors in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

4. IDENTIFICATION OF RELATED PARTIES AND THE RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel (KMP) shall, at the time of appointment, annually and whenever there is any change in the information already submitted, provide requisite information about all persons, firms, entities in which he is interested whether directly or indirectly, to the Company Secretary.

On the basis of the above referred information received and basis the Act and SEBI LODR a consolidated list of Related Parties shall be prepared.

The potential transactions with the Related Parties, as per the above-mentioned list, shall be identified and a comprehensive proposal shall be submitted with details as per procedure and criteria for approving Related Party Transactions of this Policy for requisite prior approval.

5. APPROVAL OF RELATED PARTY TRANSACTIONS

I. Approval of the Audit Committee

All Related Party Transactions and subsequent Material Modifications, shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation.

These provisions shall not apply to transactions, other than transactions referred to in Section 188 of the Act, entered into with wholly owned subsidiaries.

The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, if the transactions satisfy the following conditions:

- i. Such Related Party transactions are repetitive in nature (in past or in future).
- ii. Specific need of such omnibus approval i.e., the transactions are in the best interest of the Company.
- iii. Omnibus approval shall not be made for transactions in respect of selling or disposing of the assets of the undertaking of the Company.
- iv. The omnibus approval shall provide details of
 - (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount 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, and
 - (iii) such other conditions as the Audit Committee may deem fit.
- v. Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction or such limits as specified under Listing Regulations. However, Audit Committee should be concurrently informed about such transaction(s).
- vi. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- vii. In case the Committee does not approve any transaction, then it shall make its recommendations to the Board.
- viii. In case any member of the Committee is interested in any potential Related Party Transaction, such member shall abstain from voting when such transaction is being considered.
- ix. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

II. Approval of the Board of Directors

The following Related Party Transactions shall be subject to prior approval of Board of Directors:

- All kinds of transactions with the Related Parties which are not in the Ordinary Course of Business or not executed at an arm's length shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.
- Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration / determination by the Board, may be recommended to the Board for its approval.
- Where it is mandatory under any law for Board to approve the Related Party Transactions.
- Related Party Transactions, in which the Directors or the Key Managerial Personnel, are concerned or interested.
- Where any director is concerned or interested in any potential Related Party Transaction, such director shall abstain from discussion and voting when such transaction is being considered.

III. Approval of the Shareholders of the Company

The following Related Party Transactions shall be subject to prior approval of shareholders of the company by way of a resolution:

- All Material Related Party Transactions;
- Related Party Transactions, which are not in the Ordinary Course of Business or not executed at an arm's length basis, exceeding the threshold limits as may be prescribed under the Companies Act 2013 and the Rules made thereunder.

Approval of Shareholders of the Company shall not be required for transactions entered into with wholly owned subsidiaries whose accounts are consolidated with the Company.

No Related Party shall vote to approve such resolution whether the entity is Related Party to the particular transaction or not.

6. PROCEDURE AND CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS

As approved by the Board of Directors, the Audit Committee has specified the following criteria for granting omnibus approval:

- i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - ii. the maximum value per transaction which can be allowed;
 - iii. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made.
 - v. transactions which cannot be subject to the omnibus approval by the Audit Committee.
- a) Transactions which are not repetitive in nature;
 - b) Transactions involving sale or disposal of an undertaking of the Company;
 - c) Transactions involving sale or disposal or assignment of any significant or critical asset of the Company.

For the purpose of procuring approval of the Audit Committee / the Board, the Management shall submit a comprehensive proposal for approval of the Related Party Transactions containing the following information:

- a) Name of the Related Party and nature of relationship;
- b) Nature, duration of the contract and particulars of the contract or arrangement;
- c) Material terms of the contract or arrangement including the value, if any;
- d) For transactions requiring omnibus approval:
 - Maximum amount of transaction that can be entered into during the financial year.
 - Indicative base price / current contracted price and the formula for variation in the price, if any.
- e) Any advance paid or received for the contract or arrangement, if any.
- f) in case of transactions not requiring Omnibus Approval, manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- g) Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors; and
- h) Confirmation as per this policy.

- i) Any other information relevant or important for the Board/Audit Committee to take a decision on the proposed transaction

In determining whether to approve a Related Party Transaction, the Committee shall interalia consider the following factors to the extent relevant in the matter:

- (a) Whether the proposed transactions are in the best interest of the Company
- (b) Whether the terms of the proposed Related Party Transactions are fair and on arm's length basis
- (c) Whether the proposed Related Party Transactions are permissible under the provisions of the applicable laws.
- (d) Whether such contract or arrangement is entered into on terms no less favourable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances;
- (e) Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- (f) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- (g) Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company / extent of the Director or KMP's interest in such contract or arrangement.
- (h) Audit Committee / the Board can rely on following:
 - (i) For approval or ratification or any material revision in the approved terms of the Related Party Transactions, the following opinions from Managing Director, CFO, CEO, Whole Time Director or such other officer as may be approved by the Board of Directors shall be submitted to the Audit Committee along with the proposal:

- That transactions are in the Ordinary Course of Business;
- The transactions are at an Arm's Length Basis,

Provided that the person submitting the above referred opinion or certificate should not be interested in the proposed transaction either directly or indirectly.

For the purpose of review of the Related Party Transactions under clause 9.2 of this Policy, a confirmation from either of Managing Director, CFO, CEO, Whole Time Director or such other officer as may be approved by the Board of Directors or such other officer as may be approved by the Audit Committee:

- The transactions are on arm's length

- The transactions are in the Ordinary Course of Business
- The transactions entered are as per the terms and within the limits approved by the Audit Committee / Board;

In case there is any change in the approved limits/terms of any transactions, the proposal for ratification of transaction shall be submitted. The Audit committee / Board also has the authority to modify previously approved Related Party Transactions.

The Management shall submit a certificate / opinion procured from a chartered accountant or other consultant for the purpose of transfer pricing or related tax law compliances confirming that all the transactions with related parties are at arm's length to the Audit Committee.

7. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders ('Approving Authority' for the purpose of this Clause) as may be required in accordance with this Policy, for review and ratification.

The Approving Authority shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision in the terms, or termination of such transaction. The decision of the Approving Authority shall be binding under such circumstances.

Audit committee may examine internal controls and the reasons for failure in reporting/ prior approval of such Related Party Transaction and suggest directives to strengthen the internal controls/collaboration. In connection with any review/ratification of any particular Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. DEEMED APPROVAL

The transactions or arrangements which are specifically dealt under the separate provisions of the Law and executed under separate approvals/procedures from relevant competent authority or committee shall be deemed to be approved under this Policy. Such transactions are enumerated below:

- Appointment and payment of remuneration, including any variations thereto, to Key Managerial Personnel pursuant to the Nomination and Remuneration Committee approval;
- Payment of remuneration, fees, commission, etc. to directors pursuant to the Nomination and Remuneration Committee approval.

- Share based incentive plans for the benefits of the Directors or Key Managerial Personnel pursuant to shareholders including ESOPs.
- Any benefits, interest arising to Related Party solely from the ownership of Company shares at par with other holders, for example, dividends, right issues, stock split or bonus shares approved by the Nomination and Remuneration Committee or any other Board composed committee.
- Contribution with respect to Corporate Social Responsibility to eligible entity pursuant to approval of Board or the Corporate Social Responsibility Committee.

9. DISCLOSURES & REPORTING

This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.

The details of Related Party Transactions shall be disclosed in the Annual report of the Company, to the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Act, SEBI LODR or any other applicable laws and regulations.

10. REVIEW AND AMENDMENTS

Based on the recommendations of the Audit Committee, the Board, may review or amend this Policy at any time without any prior intimation and establish further rules or procedures, periodically and as required under the Act or SEBI LODR, to give effect to this Policy, the Company Secretary are jointly authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs or SEBI w.r.t. Related Party Transactions from time to time. Such amended policy shall be periodically placed before the Audit Committee for noting and ratification.