

PRAJ INDUSTRIES LIMITED

RELATED PARTY TRANSACTIONS POLICY

Versions of the policy			
Sr. No.	Particulars	Board approval date	Effective date
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1. PREAMBLE

The Related Party Transactions Policy (the “Policy”) is framed in accordance with the requirements of the applicable law in force. Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (hereinafter referred to as “Regulation 23), Section 188 of the Companies Act, 2013 (the “Act”) along with Rule 6A of Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time, and Ind AS 24 on Related Party Disclosures (“Ind AS”), deal with provisions regarding Related Party Transactions.

Praj Industries Limited (the “Company” or “Praj”) recognizes the principles and objectives behind the mechanism prescribed by Regulation 23 and, applicable provisions of the Act and Ind AS, with respect to the related party transactions. Being a listed Company, the above regulatory framework needs to be considered cumulatively and carefully as it mandates application of stricter of all applicable requirements.

The objective of this policy is to ensure that the Related Party Transactions are in the best interests of the Company and its stakeholders and have been approved by following due processes as set out by the Company and as required by applicable laws and regulations. The policy is intended to ensure transparency while dealing with the related parties, proper approval and reporting of transactions between the Company and its Related Parties.

2. DEFINITIONS

- 2.1 “Act” means the Companies Act, 2013 and the Rules framed there under, including any modifications, amendments, clarifications, circulars or re- enactment thereof.
- 2.2 “Arm’s Length Transaction” as defined under Section 188(1) of the Act, shall mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Pricing, though being an important factor, may not be the only determinant of a transaction being at arm’s length.

In order to ensure that the transaction is at arm’s length, judgement needs to be applied and the following points can be considered for the same:

- ✓ Transaction is in line with the principles of the Transfer Pricing Guidelines of the Income Tax Act, 1961 (though transfer pricing is not applicable for domestic transactions under the IT Act)
- ✓ Transaction is as per the prevailing pricing policy / market price / same price (or margin) as compared to transactions with unrelated parties.
- ✓ Transaction is comparable with third party quotations / bids.

- ✓ Transaction is based on cost sharing agreements (in cases where cost is shared based on benefits derived).
- ✓ Transaction is at a price in line with the valuation done by an external independent expert.
- ✓ Guidance may be taken from the examples laid down in the Standard on Auditing 550 on Related Parties (SA 550) for this purpose.

- 2.3 **“Key Managerial Personnel”** shall have the meaning assigned to it under Section 2 (51) of the Act.
- 2.4 **“Material modification to Related Party Transactions”** means any subsequent change in the Related Party Transaction, having variance of 20% of the existing limit.
- 2.5 **“Material Related Party Transactions”** shall have the meaning assigned to it in paragraph 3 below.
- 2.6 **“Office or place of profit”** means any office or place- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
(ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.
- 2.7 **“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.
- 2.8 **“Policy”** means this policy of the Company on Related Party Transactions.
- 2.9 **“Related Party”** means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, Regulation 2(1)(zb) of Listing Regulations, and Ind AS 24 (as detailed below), as may be amended from time to time.

The definition of “Related Party” under Section 2(76) of the Act is as under:

“Related Party”, with reference to a company, means -

- i. a director or his relative;
- ii. a key managerial personnel or his relative;
- iii. a firm, in which a director, manager or his relative is a partner;
- iv. a private company in which a director or manager or his relative is a member or director;

- v. a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
- vi. 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;
- vii. any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- viii. any body corporate which is —
 - a) a holding, subsidiary or an associate company of such company, or;
 - b) a subsidiary of a holding company to which it is also a subsidiary;
 - c) an investing company or the venturer of the company;Explanation-For the purpose of this clause, “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.
- ix. a director, other than an independent director, or key managerial personnel of the holding company or his relative.

The definition of ‘Related Party’ under Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as under:

“Related party” 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 of ten per cent or more 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 immediate preceding financial year;
- shall be deemed to be a related party

The definition of “Related Party” as per Ind AS 24 is as under:

A related party is a person or entity that is related to the entity that is preparing its financial statements.

- 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 key management personnel 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 key management personnel 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 key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members shall have the meaning assigned to it in paragraph 9 of Ind AS 24.

2.10 “Related party transactions” or “RPT”

The definition of ‘Related Party Transactions’ as given under Section 188 of the Companies Act, 2013 is as under:

Related party transactions include the following transaction or contract or arrangement:

- a) sale, purchase or supply of any goods or materials;
- b) selling or otherwise disposing of, or buying, property of any kind;
- c) leasing of property of any kind;
- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

The definition of ‘Related Party Transactions’ as given under Regulation 2(1)(zc) of SEBI Listing Regulations is as under:

Related party transaction 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;

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:

The definition of ‘Related Party Transactions’ as given under Ind AS 24 is as under:

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2.11 **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.

2.12 **“SEBI Listing Regulations” or “SEBI Regulations” or “Listing Regulations”** means SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. MATERIAL RELATED PARTY TRANSACTION

Regulation 23 of SEBI Regulations requires a Company to provide materiality thresholds for transactions beyond which approval of the shareholders through an ordinary resolution will be required.

In the backdrop as above, Praj Industries Ltd. has fixed the following materiality threshold for the purpose of Regulation 23(1) and 23(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- ✓ Any related party transaction will be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees one thousand crore or ten percent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower.
- ✓ Payments to a related party towards brand usage or royalty exceeding five percent of the annual consolidated turnover of the Company would be considered as ‘material transaction’

The materiality threshold limit shall also apply for the purposes of making disclosures under the Companies Act, 2013 with respect to disclosure of material related party transactions.

Provided that in case of any amendment to the definition of Material Related Party Transactions in the Act or Listing Regulations or Ind AS, the definition of Material Related Party Transactions in this policy shall be deemed to be changed without any further approval of Audit Committee or Board.

However, the Audit Committee and Board shall be informed about the change and the amendment to this policy to that extent shall be ratified in the meeting next to the date of amendments in respective enactments.

4. MECHANISM FOR PLACING PROPOSED RELATED PARTY TRANSACTIONS BEFORE THE AUDIT COMMITTEE AND THE BOARD OF DIRECTORS FOR DECISION

As per Regulation 23(5) of SEBI Regulations,

The Company has set up appropriate internal procedures for capturing proposed Related Party Transactions from the data available with the Company and on getting the information on such proposed transactions the same is brought to the notice of management for initiating due process for approval of the same by the Audit Committee (omnibus approval) and/or as the case may be, by the Board of Directors or by the Members/shareholders of the Company.

Role of Audit Committee:

- a) All RPTs shall be referred to the Audit Committee for prior approval irrespective of its materiality. The Audit Committee shall also approve any subsequent material modification of RPTs.
- b) Transactions between a subsidiary of the listed entity and the subsidiary's related party, shall be approved by the Audit Committee of the listed entity. Such approval will be required only if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- c) Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to certain conditions as mentioned in Regulation 23 (3) of SEBI LODR Regulations.

The Audit Committee will take into account following aspects while granting omnibus approval to the RPTs:

- ✓ Name of the Related Party and its relationship with the listed entity or its Subsidiary Company, including nature of its concern or interest (financial or otherwise)
- ✓ Type, material terms and particulars of the proposed transaction;
- ✓ Tenure of the proposed transaction;
- ✓ Value of the proposed transaction;
- ✓ The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a 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 listed entity 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 listed entity;
 - ✓ a copy of the valuation or other external party report, if any such report has been relied upon;
 - ✓ percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.
 - ✓ any other information relevant or important for the Audit Committee/ Board to take a decision on the proposed transaction;
- d) However, omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- e) The Audit Committee shall review, at least on quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals given.
- f) The Board, as and when it shall deem fit and expedient, shall take an objective evaluation of the reviews made by Audit Committee of any related party transaction consistent with the objectives and principles of Regulation 23 and applicable provisions of the Act,
- g) The Audit Committee may recommend any modifications required in the policy.
- h) The Audit Committee shall also review the status of long term (more than one year) or recurring RPTs on an annual basis.
- i) In case transactions are not in ordinary course of business and/or not at arm's length, then apart from omnibus approval of Audit Committee, approval of Board shall also require. Where the Audit Committee does not approve the RPTs, it shall make its recommendations to the Board for approval. If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

Provisions of Sub-Regulations (2), (3) and (4) of Regulation 23 of SEBI LODR Regulations i.e. regarding prior approval, omnibus approval and approval of shareholders shall not be applicable in the following:

- a) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- b) transactions entered into between two wholly owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval

Role of Board of Directors:

- a) Board shall take note of all Related Party Transactions, duly approved by the Audit Committee.
- b) The Board will approve all RPT's which are not at arm's length and / or which are not in the ordinary course of business.

Once contracts / arrangements with related parties are approved by the Audit Committee / Board, transactions arising out of the same and which are within the omnibus limits as approved by the Audit Committee, would not be subject to evaluation when they are executed. This process will be monitored by the Finance & Accounts head continuously.

Approval of Shareholders:

Pursuant to Rule 15 of Companies (Meetings of Board and its Powers) Rules,2014, without prior approval of shareholders by a Resolution, a Company cannot transact with related parties where the transaction or transactions to be entered into are for-

Type of Transaction	Maximum Limit
sale, purchase or supply of any goods or materials, directly or through appointment of agent	amounting to 10% or more of the turnover
selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	amounting to 10% or more of net worth
leasing of property of any kind	amounting to 10% or more of the turnover
availing or rendering of any services, directly or through appointment of agent	amounting to 10% or more of the turnover
appointment to any office or place of profit in the company, its subsidiary company or associate company	monthly remuneration exceeding ₹ 2.50 lakh
remuneration for underwriting the subscription of any securities or derivatives thereof of the company	exceeding 1% of the net worth

Note: the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

5. INFORMATION AND RECORDS

To review a Related Party Transaction, the Audit Committee and the Board as the case may be, shall be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. The Audit Committee may ask for the further information for reviewing the same.

6. DISCLOSURES

Disclosures as required by the Act, SEBI Regulations, Ind AS and any other applicable law in force will be made by the Company at such frequency and in such format and to such agency as may be required by the applicable law in force.

Any amendment to this policy shall be first considered at the Audit Committee Meeting and same shall be recommended by it to the Board for their approval.

After approval by the Board of Directors, this Policy will be uploaded on the website of the Company i.e. www.praj.net.

In case of any subsequent changes in the provisions of the Act, the Listing Regulations, Ind AS or any other applicable law or regulations, which makes any of the provisions in the Policy inconsistent with the Act, Listing regulations, Ind AS or any other applicable law or regulations, the amended provisions of the Act, Listing regulations, Ind AS or any other applicable law or regulations would prevail over the Policy and the provisions in this Policy would be modified in due course to make it consistent with law.

For Praj Industries Ltd.

Sd/-

Dr. Pramod Chaudhari
Executive Chairman

Date: 25th October, 2024