

Policy on dealing with Related Party Transactions

The Board of Directors (the "Board") of PROMAX POWER LIMITED (the "Company"), has adopted the following policy regarding materiality of Related Party Transactions in terms of Regulation 23 of SEBI (LODR) Regulations, 2015 and Section 188 of Companies Act, 2013. The Board will review and may amend policy from time to time.

No related Party Transaction may be entered into by the Company or its Key Managerial Personnel except in accordance with this policy.

PURPOSE:

This policy is intended to ensure the proper approval and reporting of transactions between the Company and any of "Related Party" as defined below which includes its Directors, Key Managerial Personnel and their relatives or certain entities or persons related to them. This includes disclosure to be made each day in director's report about particulars of contracts and arrangements with related party referred to in sub section (1) of section 188 of Companies Act, 2013 in the prescribed form. In addition, the audit committee and the Board have to review any Related Party Transactions involving Independent Directors as a part of annual determination of their Independence as provided under Section 149 of Companies Act, 2013.

DEFINITIONS:

"Related Party" referred under section 2(76) of Companies Act, 2013 which is defined as under:

"Related Party", with reference to a company, means—

- (i) A director or his relative;
- (ii) 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 per cent of its paid-up share capital;
- (vi) 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;
- (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) Anybody 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 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.

Further as per the Companies (Specification of definition details) Rules, 2014, a director other than an 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.

“Related Party Transaction” (‘RPT’) means all the transactions between the Company on one hand and one or more related party/ parties on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Companies Act, 2013 and/ or the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Relative” with reference to any person, means anyone who is related to another, if—

(i) They are members of a Hindu Undivided Family;
(ii) They are husband and wife; Further as per Rule 4 of Companies (Specification of definition details) Rules, 2014, 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: Provided that the term “Father” includes step-father.
- (2) Mother: Provided that the term “Mother” includes the step-mother.
- (3) Son: Provided that the term “Son” includes the step-son.
- (4) Son’s wife.
- (5) Daughter.
- (6) Daughter’s husband.
- (7) Brother: Provided that the term “Brother” includes the step-brother;
- (8) Sister: Provided that the term “Sister” includes the step-sister.

“Committee” committee shall mean Audit Committee.

POLICY FOR IDENTIFICATION OF RELATED PARTIES:

1. Identify all transactions which fall within the ambit of related party transactions both as per provision of Listing Agreement, the Companies Act, 2013 and Rules made thereunder.
2. To Prepare Complete list of Related Party transaction in specific format.
3. To seek necessary approvals of Audit Committee/Board/Shareholders as may be necessary, after providing necessary information in the prescribed manner. While according such approval(s), the Related Party transactions are to be considered as appropriate if they are in the interest of the Company and other stakeholders.

4. To make necessary disclosure in the Directors Report as well as on the website of the Company.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION:

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

Each Director shall disclose of his interest or concern (MBP-1) to the Company and this disclosure shall be placed before the Board of Directors at their first meeting held in the financial year. Any further change in the list of relatives or change in interest shall be intimated by the Directors from time to time, as may be required.

Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

The Company strongly prefers to receive 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.

MATERIALITY OF RELATED PARTY TRANSACTION:

Regulation 23 of the Listing Regulations requires a company to provide materiality thresholds for transactions beyond which the prior approval of the shareholders through a resolution will be required and no related party shall vote to approve such resolution(s) whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold of an amount not exceeding Rs. 5 Crores, severally for each of the related parties as approved by the shareholders of the company for the purpose of Regulation 23(4) of the Listing Regulations.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the above shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency Code, if any, subject to the event

being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Section 188 (1) of the Companies Act, 2013 prescribed that except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed {Define in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014}, no company shall enter into any contract or arrangement with a related party with respect to—

- 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

Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as may be prescribed {Define in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014} shall be entered into except with the prior approval of the company by a resolution:

REVIEW AND APPROVAL PROCESS:

Approval of the Audit Committee:

- i) All the transactions which are identified as related party transactions shall be preapproved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.
- ii) All the related party transactions and subsequent material modifications (as defined by Audit Committee) shall require prior approval of the Audit Committee.
- iii) Only those members of the Committee, who are Independent Directors, shall approve the related party transactions.
- iv) Further the related party transactions to which subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Committee 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 consolidated turnover, as per the last audited financial statements of the Company.
- v) With effect from 1st April, 2023, a related party transaction to which the 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 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;

- vi) Any member of the Audit Committee who has a potential interest in any related party transaction will rescue himself/herself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm's length price, would require approval of the Board of Directors or of shareholders, as the case may be.
- vii) The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of Section 177 of the Act and Rules made thereunder and Regulation 23 of the Listing Regulations, as amended from time to time, and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one financial year.
- viii) Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy. Further the Audit Committee shall review the status of long-term (more than one year) or recurring related party transactions on an annual basis.
- ix) A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

Approval of Board:

As per the provisions of Section 188 of the Companies Act, 2013, 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 or board elects to review any such matter, shall be placed before the Board for its review and approval, with such modification(s) as may be necessary or appropriate under the circumstances.

Moreover, 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 or transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval or transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval, shall require board's approval.

Any member of the Board who has any interest in any Related Party Transaction will recuse himself/herself and abstain from discussion and voting on the approval of the Related Party Transaction.

Approval of shareholders:

If a related party transaction is (i) a material transaction, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds thresholds prescribed under the Act and the Rules made thereunder (as amended from time to time), it shall require shareholders' approval by a resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

The requirements of approval specified under this Policy shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 including any statutory modification(s) or reenactment thereof, subject to the event being disclosed to the recognized stock exchanges within 1 (one) day of the resolution plan being approved.

Further if 90(ninety) %(percent) or more members of the Company, in number, are relatives of promoters or are related parties then that such members who are related party(ies) is/are eligible to entitle to vote on such resolutions whether the Company is a related party to the particular transaction or not.

CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS:

The following criteria shall be taken into account, in determining whether to approve, ratify, disapprove or reject a Related Party Transaction and assessing the Related Party transactions:

- i. whether the Related Party Transaction is entered into on terms no less favorable to the Company than terms generally available to an unrelated third-party under the same or similar circumstances;
- ii. the terms of such transaction;
- iii. the Related Party's interest in the transaction;
- iv. purpose and timing of the transaction;
- v. justification as to why the transaction is in the interest of the Company;
- vi. whether the Company is a party to the transaction, and if no, the nature of the Company's participation in the transaction; vii. if the transaction involves the sale of an asset, a description of the asset, including date acquired and costs basis; viii. information concerning potential counterparties in the transaction;
- vii. approximate rupee value of the transaction and approximate rupee value of the Related Party's interest in the transaction;
- viii. whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

ix. any other relevant information regarding the transaction.

DISCLOSURES:

The Company shall submit within the prescribed time period under the Listing Regulations from the date of publication of its standalone/consolidated financial results (as the case may be) for the half year, disclosures of related party transactions on a standalone / consolidated basis (as the case may be), in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on the Company's website.

AMENDMENT/REVIEW:

The Board of Directors of the company are authorised to withdraw and/or to alter/amend the policy or any part of this Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

This policy (including the thresholds) shall be reviewed by the Board of Directors atleast once in three years and/or as and when required and updated accordingly.

NOTE: In Case of any subsequent amendment(s) and/or clarification(s) to the Regulatory Provisions based on changing requirement as prescribed by any Regulatory Authorities, the Policy shall stand automatically amended or substituted accordingly from the effective date specified as per Regulatory Provisions. No separate meetings of the board or committee will need to be called for this.
