

Elpro International Limited

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

(AMENDED ON MAY 29, 2023)

**Pursuant to the Section 188 of the Companies Act, 2013 and
Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements)
Regulations, 2015**

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ELPRO INTERNATIONAL LIMITED

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

1. PREAMBLE

The Board of Directors (the “Board”) of Elpro International Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (“the Act”) and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), as amended, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee. This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

2. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard. Further the objective of this Policy is to set out (a) timely identification of RPT and its salient terms and conditions; (b) the materiality threshold for related party transactions; (b) define subsequent material modifications; (c) the manner of dealing with and disclosing the transaction between the Company and its related parties; and (d) approval process in detail, outline the disclosure and reporting requirements thereof, as required under the Act, the SEBI Regulations and any other laws and regulations as may be applicable to the Company.

3. TERMS AND REFERENCES

Terms referred in this Policy shall have the same meaning as defined in the Act and SEBI Listing Regulations respectively, as assigned to them in the said Act or SEBI Listing Regulations or any statutory modifications or re-enactment thereto, as the case may be

4. DEFINITIONS

“**Audit Committee**” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 177 of the Companies Act, 2013.

“**Board**” means the Board of Directors as defined under Section 2(10) of the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Section 2(51) of the Companies Act, 2013.

“Ordinary Course of Business” shall mean and include:

(i) the usual transactions, customs and practices carried on by the Company. However, it shall not include the following transactions:

- (a) Complex equity transactions such as corporate restructuring or acquisitions
- (b) Any unusual transactions with an off shore entities
- (c) Leasing of surplus space in the premises or rendering of management services by the Company to any Related Party without adequate consideration, and vice versa.
- (d) Sales transactions with unusually large discounts or returns
- (e) Transactions with circular arrangements viz. sales with a commitment to repurchase
- (f) Transactions under contracts, whose terms are changed before expiry having material adverse impact on the Company

(ii) In the light of (i) above, the following transactions shall, inter alia, be deemed to have been made in the ordinary course of business:

- (a) Any transaction covered in the Main Objects or the Objects incidental to attainment of the Main Objects, as envisaged in the Memorandum and Articles of Association of the Company
- (b) Any transaction which is usually carried on by any Company having similar business within India or overseas
- (c) Any transaction which has been done by the Company frequently in the last three years
- (d) Any transaction done with a Related Party on similar basis as of a Third Party
- (e) Is common commercial practice

“Arms’ Length Transactions” shall mean:

- (a) The transaction carried on between the Company and the Related Party on similar terms and conditions as of a unrelated party, so that there is no conflict of interest including the price, and
- (b) Such price charged for the transactions to a Related Party has in no case been influenced by the relationship and meets the criteria prescribed in Transfer Pricing Guidelines prescribed under the Income-tax Act, 1961.

“Material Related Party Transaction” means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds rupees one thousand crore or ten percent (10%) 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 (5%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Material modification” means any modification made in the value / exposure of any ongoing or proposed Related Party Transaction, as originally approved by the Audit Committee and / or shareholders, which has the effect of variation in the approved value of the transaction, 25% or more or by which the transaction ceases to be in ordinary course and/or on arm’s length basis or such other parameters as elaborated in **“Annexure A”** as may be determined by the Audit Committee from time to time.

“Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Companies Act, 2013.

“Related Party” a means related party as defined under Section 2(76) of the Companies Act, 2013 read with Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

“Related Party Transaction” shall have the meaning as defined under Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or as envisaged in Section 188(1) of the Companies Act, 2013.

5. POLICY

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre – approval / omnibus approval, details whereof are given in a separate section of this Policy. In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

(a) Identification of related parties:

The Company shall identify and update the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations, as amended from time to time.

(b) Identification Of related party transactions:

- (i) The Company shall identify related party transactions in accordance with Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations for the consent of the Audit Committee or Board of Directors or Shareholders of the Company, as may be applicable. The Company shall determine whether the transaction is in the ordinary course of business and at arm’s length basis and for this purpose, the Company may seek professional opinion, if necessary.

- (ii) Each Director, Key Managerial Personnel whenever wishes to enter into a Related Party Transaction with the Company involving either him / her or his / her relative, shall give a Notice to the Company along with all the relevant details and documents.
- (iii) Notice of any Related Party Transaction, referred to in above clause, shall be given well in advance so that the Company has adequate time to obtain additional information or document about the proposed Related Party Transaction, if necessary, which is required to be placed before the Audit Committee to enable it to approve the Related Party Transaction.

Every Director, Key Managerial Personnel shall also make annual disclosures as per containing the following information to the Company on an annual basis:

- i. Names of his / her Relatives;
- ii. Partnership firms in which he / she or his / her Relative is a partner;
- iii. Private Companies in which he / she is a member or Director;
- iv. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
- v. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
- vi. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel shall also update the Company, of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

8. CONSIDERATION BY THE AUDIT COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Audit Committee shall take into account all relevant facts and circumstances 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.

Prior to the approval, the Audit Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Audit Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

Approval of the Audit Committee

1. All related party transactions and subsequent material modifications thereof, shall require prior approval of the Audit Committee of the Board. However, the Company may obtain omnibus approval from the Audit Committee for related party transactions proposed to be entered into by the Company subject to compliance of applicable rules and regulation.
2. Only members of the Audit Committee, who are independent directors, shall approve related party transactions.
3. A related party transaction to which subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the Audit Committee of the listed entity 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 listed entity.
4. Further, with effect from April 1, 2023, a related party transaction to which subsidiary of a listed entity is a party but the listed entity is not a party, shall require approval of the Audit Committee of the listed entity 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.

5. Prior approval of the Audit Committee of the Company shall not be required for a related party transaction to which listed subsidiary is a party but the Company is not a party, if Regulations 23 and 15(2) of the SEBI Listing Regulations are not applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (5) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

9. APPROVAL OF BOARD OF DIRECTORS

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval after the approval is accorded by the Audit Committee.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

10. STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company.

The Omnibus Approval shall specify the following:

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall 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.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

The requirement for seeking Audit Committee approval for related party transaction shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company.

11. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS / APPROVAL OF SHAREHOLDERS OF THE COMPANY

All material related party transactions and any material modifications thereto as defined under Clause 4 will be placed before the shareholders for prior approval through special resolution and all entities falling under the definition of “Related Parties” shall abstain from voting on such resolution, irrespective of whether the entity is a party to the particular transaction or not.

In addition to the above, all kinds of transactions specified under the Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm’s length basis; and (b) exceeds the thresholds as mentioned in “**Annexure B**” of this Policy and laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, are to be placed before the shareholders for their approval.

Pursuant to Regulation 23(5) of the SEBI Regulations, and Section 188 of the Act the requirement for seeking shareholders approval shall not be applicable, inter alia to:

- a) Transactions entered between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- b) Transactions between two wholly owned subsidiary of the Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Above prior approval of the shareholders shall not be required in cases where the subsidiary is a listed entity and Regulation 23 and 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

12. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy prior to its consummation, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification. The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting regarding related party transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction. and the Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems and shall take such action it deems appropriate under the circumstances.

13. DISCLOSURES

- 1) The particulars of contracts or arrangement with Related Parties will be disclosed in the Register of Contracts or Arrangements in which directors are interested (refer Rule 16 of the Companies (Meetings of the Board and its Powers) Rules, 2014 and in the Directors' report in Form AOC-2, in the manner prescribed in the Act, 2013 and the Rules thereunder.
- 2) In addition to the above, the Company shall submit to the stock exchange where the shares of the Company are listed, disclosures of the related party transactions in the format specified by SEBI from time to time.

Provided that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results.

Further provided that the Company shall make such disclosures every six months on the date of publication of its on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

- 3) As per Regulation 46(2)(g) of the SEBI Listing Regulations, this policy shall be disclosed on the Company's website at www.elpro.co.in.

14. SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

15. AMENDMENT OF THIS POLICY

This Policy shall be reviewed by the Audit Committee and the Board of Directors at least once in every three years or as and when required and update the same accordingly. This policy is effective from April 1, 2022.

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Annexure A

Parameters that would be considered as material modifications as given below:

- The terms of the contract cease to be on an arms' length basis;
- Granting of any waiver, abatement or any other relief to either party, which results into a financial implication equal to 25% or more of the value of the contract;
- Any novation of the contract or arrangement to a third party; or
- Any other modification considered to be material by the Audit Committee.

Annexure B

Threshold Limits as laid down in the Companies (Meetings of Board and its Powers) Rules, 2014

Sr. No.	Transaction(s)	Threshold Limits
1.	sale, purchase or supply of any goods or material, directly or through appointment of agent	amounting to ten percent or more of the turnover of the company
2.	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	amounting to ten percent or more of net worth of the company
3.	Leasing of property of any kind	amounting to ten percent or more of turnover of the company
4.	availing or rendering of any services, directly or through appointment of agent	amounting to ten percent or more of the turnover of the company
5.	appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration up to two and a half lakh rupees
6.	remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	One percent of the net worth

Note: It is hereby clarified that the limits specified above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.