PRAKASH PIPES LIMITED

Policy On Materiality of Related Party Transactions and also on dealing with Related Party Transaction

(This policy is approved by Board of Directors on 24th April, 2019 and Reviewed on 11th February, 2022 and further reviewed on 14th November, 2024)

1. Preamble

This Policy ("Policy") is for determining the materiality of Related Party Transactions and also about dealing with Related Party Transaction) regulations. This Policy is prepared and adopted to build a framework for the Related Party Transactions of Prakash Pipes Limited ("PPL" or "Company") in accordance with the requirements of SEBI (LODR) Regulations , 2015 read with the provisions of the Companies Act, 2013 and relevant rules made thereunder; as amended from time to time. This Policy shall regulate the transactions between the Company and its related parties as per the requirements and disclosures under the applicable laws, rules and regulations.

2. Purpose of the Policy

Regulation 23 of SEBI (LODR) Regulations, 2015 mandates that all listed companies formulate their policy on materiality of related party transactions and also on dealing with Related Party Transactions, to ensure the proper approval and reporting of transactions between the Company and its Related Parties. The Company is required to make various disclosures of its related party transactions before the Board/Shareholders, as the case may be, and also disclose the same as required, in its Board Report, Financial Statements or any other documents as provided under law, on an annual basis and in the compliance report to be sent to the stock exchanges on quarterly basis. This Policy is also prepared for the identification and regulation of the Related Party Transactions keeping in view the provisions of the Companies Act, 2013 and the rules thereunder.

3. Applicable Definitions

3.1. Act means Companies Act, 2013;
3.2. 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;
3.3. Board means the Board of Directors of Prakash Pipes Limited ;
3.4. Committee means the Audit committee as defined under the Companies Act, 2013 and the SEBI (LODR) Regulations, 2015;
3.5. Company means Prakash Pipes Limited**;**
3.6. Key Managerial Personnel or KMP means key managerial personnel as defined under the Companies Act, 2013 and includes:
(i) Chief Executive Officer or manager and in their absence, a whole-time Director;
(ii) Chief Financial Officer; and
(iii) Company Secretary;
3.7. Listing Agreement means the Stock Exchange Listing Agreement;
3.8. Material Related Party Transaction means a transaction with a related party if the transaction/

transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover as per the last audited financial statements of the Company;

3.9. Related Party Transaction means a contract or arrangement or transaction of the Company with a Related Party under the relevant provisions of the Companies Act, 2013 and Regulation 23 of SEBI (LODR) regulations, 2015;

3.10. Policy means this Policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions;

3.11. Rules means the Company (Meetings of Board and Its Powers) Rules, 2014;

3.12. Related Party means an entity related to the Company where:

(i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or

(ii) such entity is a related party under the applicable accounting standards;

3.13. Relative means relative as defined under the Companies Act, 2013. A person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely:

i. they are members of a Hindu undivided family;
ii. they are husband and wife; or
iii. Father (including step-father)
iv. Mother (including step-mother)
v. Son (including step-son)
vi. Son's wife
vii. Daughter
viii. Daughter's husband
ix. Brother (including step-brother)
x. Sister (including step-sister)

3.14. Transaction(s) with a related party shall be construed to include single transaction or a group of transactions in a contract/arrangement;

4. The Policy

Following shall be the structure of dealing with transactions with Related Parties with the Company:

ı Identification of potential Related Party Transactions;
ı Restrictions relating to Related Party Transactions;
ı Approval of Related Party Transactions; and
ı Disclosure of Related Party Transactions.

4.1. Identification of potential Related Party Transactions;

In terms of the Companies Act, 2013, the Transactions which shall be considered as Related Party Transactions, if entered into between the Company and its Related Party are any contracts or arrangements that the Company enters into with a Related Party with respect to as prescribed in
Section 188 of the Companies Act, 2013:

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.
Any other transaction wherein transfer of resources, services or obligations is taking place with a related party, regardless of whether a price is charged as per the Listing Agreement.
Each Director, its nominee, executive officer or employee and the KMP of the Company shall be responsible for providing the information and notice of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that may be reasonably requested, to the Chairman of the Board or the Audit Committee, in writing.
The Audit Committee will determine whether or not such a transaction constitutes a Related Party Transaction, requiring the compliance with this Policy. The Audit Committee shall review information about the proposed transaction approve the same before it refers the same to the Board of Directors for its approval.

4.2. Approval of Related Party Transactions:

4.2.1. Audit Committee

All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

2. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

3. Such omnibus approval shall specify (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;
Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

4. Audit Committee shall review, at-least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

5. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
The agenda of the meeting at which such Related Party Transaction is proposed to be reviewed/approved by the Audit Committee shall disclose the following: -

i. the name of the related party and nature of relationship;
ii. the nature, duration of the contract and particulars of the contract or arrangement;
iii. the material terms of the contract or arrangement including the value, if any;
iv. any advance paid or received for the contract or arrangement, if any;

v. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
vi. 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;
vii. the persons/authority approving the transaction; and
viii. any other information relevant or important for the Committee to take a decision on the proposed transaction.
In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:
i. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company.
ii. 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;
iii. Whether the nature of the proposed transaction is something that the Company would have ordinarily done in the course of its business;
iv. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
v. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Committee, the reason for not obtaining the prior approval of the Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company or in contravention of any law; and
vi. Any other factor the Committee deems relevant for reviewing and approving such Related Party Transaction.

4.2.2. Board of Directors

Where the transaction is not in ordinary course of business and/ or not at arm's length price, such Related Party Transaction shall require approval of the Board at their meeting as required under the Companies Act, 2013 or rules made thereunder and statutory modification or enactment thereof.

The agenda of the Board meeting at which the resolution related to Related Party Transaction is proposed to be moved shall disclose

ı name of the Related Party and nature of relationship;
ı nature, duration and particulars of the contract or arrangement;
ı material terms of the contract or arrangement including the value, if any;
ı any advance paid or received for the contract or arrangement, if any; the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
ı 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
ı any other information relevant or important for the Board to take a decision on the proposed transaction.

4.2.3. Shareholders' Approval

a. In terms of the Companies Act,2013, all Related Party Transactions in the Company, which are not in ordinary course of business and/ or not at arm's length price shall require prior approval of the shareholders by way of special resolution except pursuance to Companies

(Meetings of Board and its Powers) Rules, 2014, as contracts or arrangements with respect to clause (a) to (e) of sub-section (1) of section 188 of the Companies Act, 2013 as mentioned in para 4.1 above, with criteria as mentioned below-

(ii) a Company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into -
(a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below -
(i) sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to 10 percent or more of the turnover of the company or rupees one hundred crore, whichever is lower as mentioned in clause a) and e) respectively of sub-section (1) of section 188;
(ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to 10 percent or more of net worth of the company or rupee one hundred crore whichever is lower as mentioned in clause b) and e) respectively of sub-section (1) of section 188;
(iii) leasing of property of any kind amounting to ten percent or more of the net worth of the company or ten percent or more of turnover or rupees one hundred crore whichever is lower, as mentioned in clause (c) of sub-section (1) of section 188;
(iv) availing or rendering of any services directly or through appointment of agents amounting to ten percent or more of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;
(b) appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or
(c) remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation- It is hereby clarified that 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.

b. all Material Related Party Transactions shall require the approval of the shareholders.
The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of approving such related party transactions shall include the following particulars:
1. Name of the related party;
2. Name of the Director or key managerial personnel who is related, if any;
3. Nature of relationship;
4. Nature, material terms, monetary value & particulars of the contract or arrangement;
5. Any other information relevant or important for the members to take a decision on the proposed resolution.
4.2.4. All entities falling under the definition of the Related Parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not in the above transactions.

4.3. Transactions in ordinary course of the business

The approval of the Board and the shareholders will not be required if the transaction does not qualify the concept of materiality under clause 49 of the Listing Agreement and is in ordinary course of business and at arm's length price.
However, prior approval of the audit committee will be required for all the transactions irrespective of the fact that the transaction is in ordinary course of business and at arm's length price and whether such transaction qualifies the concept of materiality.
All the potential Related Party Transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair and is being carried out on an arm's length basis to the Company. It shall also consider whether the Committee was informed of the proposed transaction well in advance, and whether all the relevant information was disclosed or not, including no suppression of facts. Lastly, the Committee shall take note whether the Related Party Transaction would lead to an improper conflict of interest for any Director or Key Managerial Personnel of the Company or any Related Party.

4.4. Disclosure of Related Party Transactions

4.4.1. Every related party transaction entered into shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
4.4.2. Adequate disclosure of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
4.4.3. The Company shall disclose the Policy on dealing with Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.
4.4.4. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the Directors present at the Meeting.

5. OTHER MISCELLANEOUS MATTERS

Where the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its implementation, the matter shall be reviewed by the Audit Committee. In such circumstance, the Committee shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.
In case where the Committee does not deem it fit to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, as appropriate. The Committee shall also have the authority to modify or waive any procedural requirements of the Related Party Transaction to suit the modus operandi of this Policy.

6. REVIEW

The Committee shall, at least once in each year, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices.

7. INDEMNITY AGAINST LOSSES TO THE COMPANY AND PENALTY

In the event of entering into any Related Party Transaction with the Director(s) of the Company, that has been entered into without obtaining of requisite approvals as may be required, the concerned Director, if he has so acted negligently or deliberately, shall be liable for all the losses, if any, that may be suffered by the Company in that transaction and he/she shall indemnify the Company for the same.

The Company may also proceed against a Director or any other employee for recovery of any loss sustained by it as a result of a contract/ arrangement entered into by such person in contravention of the provisions of the law relating to Related Party Transactions.

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