

Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

1. Purpose of this Policy:

Panchmahal Steel Limited ("**Company**") is governed, amongst others, by the Companies Act, 2013 and the rules framed thereunder, as amended ("**Act**"), and regulations framed by Securities and Exchange Board of India ("**SEBI**"). The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**") has mandated every listed company to formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions ("**Policy**").

- A. Accordingly, the Company has formulated this policy (Policy) on materiality of Related Party Transactions and on dealing with Related Party Transactions. This Policy regulates all transactions between the Company and its Related Parties.
- B. The Board of Directors of the Company ("Board") on recommendation of the Audit Committee of the Company ("Audit Committee") shall review the Policy once in three years and may amend the same from time to time.

This Policy regulates all transactions between the Company and its Related Parties.

2. Definitions:

- A. "**Act**" shall mean the Companies Act, 2013 and includes any amendment thereof.
- B. "**Related Party**" means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, rules prescribed thereunder or under the applicable accounting standard and Regulation 2(1)(zb) of Listing Regulations, including the following:

- (a) any person or entity forming a part of the promoter or promoter group of the company; or
- (b) any person or any entity, holding equity shares:
 - i. of 20% or more; or
 - ii. of 10% or more, with effect from April 01, 2023;

in the company either directly or on a beneficial interest basis as provided under section 89 of the Act at any time, during the immediately preceding financial year.

- C. "**Related Party Transaction**" ('RPT') means a transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries and a related party of the Company or any of its subsidiaries, regardless of whether a price charged, including but not limited to the following:
 - (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) appointment to any office or place of profit in the Company, its subsidiary company or associate company;
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company.
- (h) such other transactions as may be specified in the Act or Listing Regulations.

Effective 1st April, 2023, the same is also to include transactions between company 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 company or any of its subsidiaries.

A transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Further, the transactions specifically excluded under the Act or Listing Regulations shall not be considered as related party transactions.

- D. **“Material Related Party Transaction”** shall mean a transaction which individually or taken together with previous transactions during a financial year, exceeds Rs. 1,000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Further, 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 in to individually or taken together with previous transactions during a financial year exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

- E. **“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
- F. **“Material modification”** means any subsequent change to an existing RPT, having variance of 25% of the existing approved transaction limit.
- G. **“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.

All capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), as amended from time to time.

In case of any conflict between this Policy and applicable law, the applicable law (as existing on the date of the concerned transaction) shall prevail

3. Identification of Related Parties and the Related Party Transactions:

Every promoter, director and key managerial personnel (KMP) of the Company and its holding/subsidiaries/associate companies shall,

- a. at the time of appointment;
- b. periodically – as required by the Company or applicable law
- c. whenever there is any change in the information already submitted,

provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the holding/subsidiary/ associate companies (as the case may be). Every such promoter, director and KMP shall also provide any additional information about the transaction, that the Board /Audit Committee may reasonably request.

4. Review and approval of Related Party Transactions:

Approval of Related Party Transactions

A. Audit Committee

- i. All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- ii. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself 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 basis, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.
- iii. The Audit Committee may grant omnibus approval for Related Party Transactions, proposed to be entered into by the Company or its subsidiary, which are repetitive in nature and subject to such criteria / conditions as mentioned under the Act and the Listing Regulations 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 year.
- iv. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions and Material modifications thereof, entered into by the Company or its subsidiary 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.

- v. The members of the Audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:
 - i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
 - ii. the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI Listing Regulations;
 - iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
 - iv. the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of Regulation 23 of the SEBI Listing Regulations;
 - v. any other condition as specified by the Audit Committee:

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

- vi The Audit Committee shall also pre-approve Related Party Transactions, where the Company is not a party, but the Company's holding/subsidiary/associate company is a party, if the value of such transaction crosses the thresholds as prescribed under the Listing Regulations.
- vii remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, the Board will *inter alia* consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem important/relevant for taking decision on a proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

C. Shareholders

- i. If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Act, then such Related Party Transaction and any subsequent Material modification thereto, shall require shareholders' approval by a resolution. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.
- ii. The provisions of regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in the following cases:
 - Transactions entered into between two public sector companies;
 - Transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
 - Transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand.
 - transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- iii. In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would seek post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations.

Reporting of Related Party Transactions

- i. Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ii. The details of all transactions with Related Parties shall be submitted, in the prescribed format to the stock exchanges, and requisite disclosures shall be made in other public documents/certificates as legally required, in the manner and as per the timelines set out in the Listing Regulations and the same shall be published on the Company's website.

Provided further that the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.

5. **Limitation, Review and Amendment:**

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other legal requirement ("**Applicable Law**"), the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy.

The Board may review this Policy periodically (and at least once every three years) and make amendments from time to time, as may be deemed necessary (including based on recommendation(s) of the Audit Committee).

6. **Disclosure of the Policy:**

This Policy will be uploaded on the website of the Company and a web link thereto shall be provided in the annual report.
