



## **POLICY ON RELATED PARTY TRANSACTIONS**

**AND**

### **MATERIALITY OF RELATED PARTY TRANSACTIONS**

**[Approved by the Board of Directors on 30<sup>th</sup> March 2018 and amended on 24<sup>th</sup> January, 2022 and further amended on 06<sup>th</sup> May, 2022]**

#### **Preamble**

This Policy (“Policy”) is for determining the materiality of Related Party Transactions and also about dealing with Related Party Transactions. This Policy is prepared and adopted to build a framework for the Related Party Transactions of Apollo pipes Limited (“Company”) in accordance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) 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.

#### **Purpose of the Policy**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Apollo Pipes Limited (Company) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, above regulations requires the company to formulate a policy on materiality of related party transactions and dealing with related party transactions. In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee.

Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

### **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 Apollo pipes Limited;

**3.4. Committee** means the Audit committee as defined under the Act and Listing Regulations;

**3.5. "Key Managerial Personnel" or "KMP"** shall have the meaning as defined under the Act;

**3.6. Listing Regulations** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

**3.7. "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 one thousand crore or ten percent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower;

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover as per the last audited financial statements of the Company.

**3.8. "Material Modifications"** mean any modification of the existing related party transactions which amounts to;

"Material Modification" of related party transaction will mean and include any modification to an existing related party transaction having variance of 20% or more of the existing value as sanctioned by the Audit Committee / Board / Shareholders, as the case may be."

Provided that Audit Committee may while granting approval to any related party transaction, outline the criteria for determining material modification for the said transaction.

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

**3.10. Related Party** means a party related to the Company where:

- (i) such party is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such party is a related party under Regulation 2(1) (zb) of the Listing Regulations.

**3.11. 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;
- 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)

Any other term not defined herein shall have the same meaning as defined in the Act, rules issued thereunder and/ or the Listing Regulations.

#### **4. The Policy**

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

- Identification & Monitoring of Related Parties
- Identification of potential Related Party Transactions;
- Restrictions relating to Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

#### **4.1. Identification & Monitoring of Related Parties**

##### **Process for Identification of Related Parties**

- a) The Company shall identify all Related Parties for the Company on the basis of disclosures received from the Directors/ KMPs/Promoter and Promoter Group, corporate and investment structure, as per the definition provided in the Companies Act, 2013 and Listing Regulations as

amended from time to time. Disclosure from the Directors/KMPs shall be received by the Company at the beginning of every year and as and when the information changes. Disclosure from promoter and promoter group shall be received on annual basis.

- b) At the end of every financial year, the Company shall identify the person(s) apart from promoter or promoter group, who at any time during the proceeding financial year held 20% or 10% as the case may be, of the equity shareholding of the Company
- c) The names of all Related Parties identified of the Company shall be consolidated, as a Related Party List and this List as amended from time to time shall be progressively shared with the Accounts and Finance team of the Company and its Subsidiaries.

#### Monitoring of Related Parties

The Directors and KMP's and Promoter and Promoter Group of the Company should promptly communicate to the Company, any subsequent changes in the initial disclosure submitted by them in the beginning of the year. The Company shall update the Related Party List based on intimations received from the Directors, KMPs and Promoter and Promoter Group or changes in corporate or investment structure as informed from time to time.

#### **Responsibility of Directors and KMP's:**

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

**Time Line:** 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.

#### **4.2. Identification of potential Related Party Transactions;**

Any transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and

- a) a related party of the listed entity or any of its subsidiaries on the other hand; or
- b) 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, with effect from April 1, 2023;

regardless of whether a price is charged will be treated as related party transaction. And a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract.

However, following shall not be treated as Related Party Transactions:

- a) The issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,

2018;

b) The following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

- (i) payment of dividend;
- (ii) subdivision or consolidation of securities;
- (iii) issuance of securities by way of a rights issue or a bonus issue; and
- (iv) buy-back of securities.

#### **4.3. Approval of Related Party Transactions:**

##### **4.3.1. Audit Committee**

All Related Party Transactions and subsequent modification therein 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;
- viii. any other information relevant or important for the Committee to take a decision on the proposed transaction; and
- ix. such other information as may be required under the Act or Listing Regulations

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.

While considering any modification in any Related Party Transaction, the Audit Committee shall also consider the following:

- Need for the modification and factors on account of which modification is necessary.
- Whether subject of modification could have been assessed at the time of approval of original transaction itself.

Further, the transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

- Transactions which are not at arm's length or not in the ordinary course of business.
- Transactions which are not repetitive in nature.
- Transactions exceeding materiality thresholds as laid down in this Policy.
- Transactions in respect of selling or disposing of the undertaking of the company.
- Financial Transactions eg. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties.
- Any other transaction the Audit Committee may deem not fit for omnibus approval.

#### **4.3.2. 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 and subsequent modification thereto 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.

Further, Transactions, which are referred by the Audit Committee, & Material Related Party Transactions and material modifications therein, shall require the prior approval of Board.

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

- All details as disclosed to the Audit Committee; and
- any other information relevant or important for the Board to take a decision on the proposed transaction.

#### **4.3.3. Shareholders' Approval**

All the Material Related Party Transactions and subsequent Material Modifications shall require approval of the shareholders through a ordinary resolution.

Further, in terms of Section 188 of the Act, following 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 ordinary resolution:-

- (i) Sale, purchase and supply of any goods or materials, directly or through appointment of agent, equal to or exceeding 10% of the turnover of the company or Rs. 100 crores (whichever is lower);
- (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent equal to or exceeding 10% of net worth of the company or Rs. 100 Crores (whichever is lower);
- (iii) leasing of property of any kind equal to or exceeding 10% of net worth of the company or 10% of the turnover of the company or Rs. 100 Crores (whichever is lower);
- (iv) availing or rendering of any services, directly or through appointment of agent, equal to or exceeding 10% of the turnover of the company or Rs. 50 Crores (whichever is lower).

Explanation- 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.

Also the approval of following transactions shall be required under Section 188 if the same is not in Ordinary Course of Business and/ or Arm's length basis:

- (i) Related party's appointment to any office or place of profit in the company, its Subsidiary Company or Associate Company at a monthly remuneration exceeding Rs 2.5 lakhs.
- (ii) Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the net worth of the Company.

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. Such other details as required under the Act & the Listing Regulations.

4.3.4. All entities falling under the definition of the Related Parties shall not to vote to approve the transaction irrespective of whether the entity is a party to the particular transaction or not.

#### **4.4. Disclosure of Related Party Transactions**

4.4.1. Adequate disclosure of all related party transactions shall be submitted to the stock exchanges in the format as specified by SEBI from time to time and copy of the same will be posted on the website of the Company. Further, details of all Material Related Party Transactions shall also be disclosed in accordance with Regulation 27 of the Listing Regulations.

4.4.2. The Company shall disclose this Policy on its website and also a web link thereto shall be provided in the Annual Report.

4.4.3. 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, as required from time to time.

4.4.4. In addition to the above, all necessary information/ details about the Related Party Transactions shall be made available to the Board/ Audit Committee, disclosed in Corporate Governance Report/ Annual Report and/or shall be placed wherever required under the provisions of the Act and Listing Regulations, as amended from time to time.

## **5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THE POLICY**

### By Audit Committee

Subject to the provisions of the Act, in case any transaction is entered into by a director or officer of the company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorised by any other director, the director concerned shall indemnify the company against any loss incurred by it.

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 recommend the same for approval of Board and/ or direct additional actions including, but not limited to, immediate discontinuation of the transaction.

### By Board and shareholders

If any Related Party Transaction is entered without obtaining the consent of the Board or Shareholders, as the case may be, the same is required to be ratified by the Board or the shareholders, as the case may be, within three months from the date on which such related party transaction was entered into. The Board shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to it under this Policy and shall take any such action it deems appropriate.

If the related party transaction is not ratified by Board or Shareholders as mentioned above, such related party transaction shall be voidable at the option of the Board or Shareholders, as the case may be, and if the related party transaction is with a party related to any director, the director concerned shall indemnify the Company against any loss incurred by it.

## **6. REVIEW**

The Committee shall, at least once in every three years from last review, 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.