

RMC SWITCHGEARS LIMITED

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

I. Introduction :

The Board of Directors (the “Board”) of “RMC Switchgears Limited” (the “Company”) has approved this policy on materiality of related party transactions and on dealing with related party transactions in terms of Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

II. Purpose:

This policy is intended to ensure the proper approval and reporting of transactions between the Company and Related Parties as per requirement /compliance of Section 177 and 188 of the Companies Act, 2013 read with respective Rules thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

III. Objective and Scope:

- a) This policy shall be called “RMC Switchgears RPT Policy” as envisaged under Section 177 and 188 of the Companies Act, 2013 read with Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in consideration of Industry Standards Note (ISN) on Related Party Transactions.
- b) It outlines the Company’s philosophy and responsibility as a good and responsible corporate of India and lays down the procedure to have optimum compliance and Governance of the related party transactions of the Company.
- c) This policy shall apply to all segments of the Company to ensure better initiatives for governance in the free and fair transactions of the Company.

IV. Definitions:

A. “Related Party”

a) As per the Section 2(76) of Companies Act, 2013 read with Rule 3 of the Companies (Specification of Definition Details) Rules, 2014: ‘**Related party**’, with reference to the Company, means:

- i. a director or his relative;
- ii. a 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. any body 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. any body corporate which is:-

1. a holding, subsidiary or an associate company of such Company;
2. a subsidiary of a holding Company to which it is also a subsidiary; or
3. an investing Company or the venture of a Company

ix. such other person as may be prescribed - a director other than 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;

b) As per the Regulation 2 (1)(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

“**related party**” means a related party as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:

B. “Related Party Transaction”:

1. As per Section 188 (1) Companies Act, 2013, Related Party Transactions includes 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.
2. As per the Regulation 2(1)(zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

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

regardless of whether a price is charged and a “transaction” with a related party shall be construed to

include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

- 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 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.
- c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:
- d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:
Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon.
- e) retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchange(s);”

C. “Material Modification”:

Any modification to a Related Party Transaction having variance of more than 20% of the existing overall transaction value or Rs. 1 crore whichever is higher, as approved by the Audit Committee/Shareholders, as the case may be.

D. Material Related Party Transaction:

As per Explanation to Regulation 23(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

“A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent 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 of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

E. “Relative”:

As per the Section 2(77) of the Companies Act, 2013 read with Rule 4 of the Companies (Specification of definitions details) Rules, 2014:

‘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 or wife; or
- III. A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
 - (a) Father including step father
 - (b) Mother including step mother
 - (c) Son including step son
 - (d) Son’s wife
 - (e) Daughter
 - (f) Daughter’s Husband
 - (g) Brother including step brother
 - (h) Sister including step sister

V. Related Party Transaction Approval Matrix

No transaction with a related party shall be entered into by the Company unless it is approved by the appropriate authority. The table below sets out the approval matrix applicable to such transactions:

Nature of Transactions	Approving Authority	Rationale
All transactions entered into between the Company and related party (other than wholly owned subsidiary company) in ordinary course of business or/and at arm's length price	Audit Committee. The Audit Committee may provide Omnibus approval.	Section 177 (4) (iv) of Companies Act, 2013 read with Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014. Regulation 23 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
All transactions entered into between the Company and related party (other than wholly owned subsidiary company) not in ordinary course of business or/and not at arm's length price.	Audit Committee and Board of Directors If value of transaction exceeds the specified Limit, prior approval of the Shareholders by a Resolution in General Meeting would be required.	Section 177(4)(iv) and Section 188(1) of the Companies Act, 2013. Rule 15(3) of the (Meeting of Board and its Powers) Rules, 2014.

VI. Review and approval of Related Party Transactions

(A) Audit Committee

Pursuant to regulation 23 of SEBI (LODR) Regulations, 2015 and Section 177 (4) (iv) of Companies Act, 2013 read with Rule 6A of the Companies (Meeting of Board and its Powers) Rules, 2014]

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Provided further that:

- a) a related party transaction to which the subsidiary of 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 consolidated turnover, as per the last audited financial statements of the Company;
- b) with effect from April 1, 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;
- c) prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company 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 to in above, the prior approval of the audit committee of the Company shall suffice.

- d) 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 regulation 23.

- e) 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;
 - (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;
 - (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 audit 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 listed entity against any loss incurred by it.

The Audit Committee may grant/make omnibus approval for Related Party Transactions proposed to be entered into by the company or its subsidiary subject to the following conditions, namely:

1. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions and such approval shall be applicable in respect of transactions which are repetitive in nature, which shall include the following, namely:-
 - a. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - b. the maximum value per transaction which can be allowed;

- c. extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - d. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - e. transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself on the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company;
4. Such omnibus approval shall specify:
- a. the name of the related party,
 - b. nature and duration of transaction,
 - c. maximum amount of transaction that can be entered into,
 - d. the indicative base price or current contracted price and the formula for variation in the price if any and
 - e. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction

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

5. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
6. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
7. The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the

company or its subsidiary pursuant to each of the omnibus approval given.

8. Any other conditions as the Audit Committee may deem fit.

Provided further that in case of transaction, other than transactions referred to in section 188, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board:

Provided also that in case any transaction involving any amount not exceeding one crore rupees 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:

Provided also that the provisions of this clause shall not apply to a transaction, other than a transaction referred to in section 188, between a holding company and its wholly owned subsidiary company.

All material related party transactions and subsequent material modifications as defined by the audit committee under sub-regulation (2) of Regulation 23 shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided further that the requirements specified under this sub-regulation shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved;

The above provisions specified (A) & (B) shall not be applicable in the following cases:

- a. transactions entered into 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 entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the company and placed before the shareholders at the general meeting for

approval.

(B) Board of Directors

As per Section 188 of the Companies Act, 2013 read with rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014:

The Company will not enter into any contact or arrangement with a related party with respect to the transactions as defined in Clause IV (B) of this Policy without the consent of the Board of Directors given by way of resolution at a meeting of the Board of Directors.

(C) Shareholders

For the purpose of First Proviso to sub-section (1) of Section 188 of Companies Act, 2013, except with the prior approval of the Company by a resolution, a Company shall not enter into 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 section 188(1) with criteria, as mentioned below -

- (i) 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, as mentioned in clause (a) and clause (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 agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
- (iii) leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
- (iv) availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188;

Explanation.- It is hereby clarified that the limits specified in sub-clause (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) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.

(c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one per cent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:

The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of the Audited Financial Statement of the preceding financial year.

Explanation:

(a) the expression “office or place of profit” means any office or place:

- (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
- (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

Explanation: The expression “arm’s length transaction” means a transaction between two related parties that is conducted as if they are unrelated so that there is no conflict of interest.

In terms of proviso 4 to section 188(1), nothing contained in section 188(1), shall apply to any transactions entered into by the Company in its ordinary course of business other than the transactions which are not on an arm’s length basis.

In terms of proviso 5 of Section 188(1), the requirement of passing the resolution under first proviso shall not be applicable for the transactions entered into between a holding Company and its wholly owned subsidiary whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.

(D) Ratification of Contracts by Board/Shareholders:

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) of section 188 and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

VII. Specific Provisions of Regulation

Regulation 23 (5):

The provisions of sub-regulations (2), (3) and (4) of Regulation 23 shall not be applicable if:

- (i) the transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval;
- (ii) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Regulation 23 (6):

The provisions of this regulation shall be applicable to all prospective transactions.

Regulation 23 (9)

The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

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 regulation 23.

VII. DISCLOSURE

The Company shall disclose this policy on its website and a web link thereto shall be provided in the Annual Report. Disclosures regarding related party transactions will be made in accordance with the Applicable Law.

VIII. LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

***Policy has been reviewed and approved at the Board Meeting held on 20th May, 2025**
