



## **GODAWARI POWER & ISPAT**

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### **POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTIES TRANSACTIONS**

#### **1. Objective**

This Policy has been formulated pursuant to the provisions of Regulation 23(1) of SEBI (LODR) Regulations 2015 ('Regulations') to determine the material of the related party transactions and to deal with and regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company and also lay down mechanism for identification, approval, review and reporting of such transactions.

#### **2. Definitions:**

##### **a. "Material Related Party Transaction"**

- (i)** means a transaction as defined under section 188(1) of the Companies Act, 2013 ('the Act') with a Related Party where the aggregate value of the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds the limits as prescribed under the said Act or under Rules framed thereunder from time to time.
- (ii)** means a transaction with a related party the value which individually or taken together with previous transactions during a financial year, exceeds 10% (ten percent) of the annual consolidated turnover of the company as per the last audited financial statements of the company; and
- (iii)** where 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 5% (five percent) of the annual consolidated turnover of the company as per the last audited financial statements of the company.

- b. **“Related Party”** for the purpose of Regulation 23 of Listing obligation and Disclosure Requirements, Regulation 2015, means:
- i. A related party as defined under 2(76) of Companies Act, 2013 or under the applicable accounting standards
  - ii. Any person or entity belonging to the promoter or promoter group of GPIL and holding 20% or more of the shareholding of GPIL.
- c. **“Related Party Transaction”** means
- (a) any transaction for transfer of resources, services or obligations between company and a related party, 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;
  - (b) any transaction envisaged under section 188(1) of the Companies Act, 2013.
- d. **“Relative”** means relative as defined under section 2(77) of the Companies Act, 2013.
- e. **“Arms 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 to Related Party Transaction”** means:
- (i) any modification in the value of the transaction plus/minus 10%.
  - (ii) any modification in the price of the transaction plus/minus 5%.”
- (The Audit Committee has defined the above term “Material modification to Related Party Transaction” in its meeting held on 31.01.2022.)
- g. **“Promoter and Promoter Group”** will have the same meaning as defined in 2(1) (oo) and 2(1) (pp) of SEBI (ICDR) Regulations, 2011.

### 3. **Identification of Potential Related Party transactions**

Each Director and Key Managerial Personnel of the Company is responsible for providing notice of disclosure of interest under section 184 of the Companies Act, 2013 along with list of relatives to the Company. The Company shall ensure that no transaction is entered into with any entity/individual disclosed by the Director/ KMP or any other related party without necessary approvals.

#### 4. Procedure to be adopted for Related Party Transactions

##### A. APPROVAL OF AUDIT COMMITTEE:

- (i) All Related Party Transactions and subsequent material modification thereof, shall require prior approval of the Audit Committee and only those members of the audit committee, who are independent directors, shall approve related party transactions;
- (ii) a related party transaction to which the unlisted subsidiary of GPIL is a party but GPIL is not a party, shall require prior approval of the audit committee of GPIL if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% (ten per cent) of the annual consolidated turnover, as per the last audited financial statements of the listed entity; However with effect from April 1, 2023 it will be calculated on annual standalone turnover instead of annual consolidated turnover.
- (iii) The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
  - a. *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.*
  - b. *The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;*
  - c. *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;*
  - d. *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.*

- e. *Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.*
- f. *Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"*

## **B. APPROVAL OF BOARD OF DIRECTORS**

- a) All the Related Party Transactions under section 188 of the Companies Act 2013 shall be approved by the Board of Directors of the Company. However this provision will not apply to the transactions entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis.
- b) All the Material Related Party Transactions covered under Regulation 23 of the Regulations shall be approved by the Board of Directors of the Company.

## **C. APPROVAL OF SHAREHOLDERS**

All the material related party transactions and subsequent material modifications shall be approved by the Shareholders through a special resolution and no related party shall vote to approve the said transaction.

The related parties shall not vote to approve the said transactions irrespective of whether such related party is party to the said transaction or not.

### **5. Factors to be considered while granting approval to Related Party Transactions:**

The Audit Committee/Board shall consider the following factors, among others, to the extent relevant to the Related Party Transactions while granting its approval:

- a) Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b) 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;

- c) Whether the Related Party Transaction would affect the independence of an independent director;
- d) Whether the transaction qualifies to be a transaction in ordinary course of business and at arm's length.
- e) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- f) Whether the Related Party Transaction would present an improper conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the overall financial position of the director or other Related Party, the direct or indirect nature of the director's, 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 Board/Committee deems relevant.

**6. Review & monitoring of Related Party Transactions:**

The Audit Committee may review and monitor a Related Party Transaction taking into account 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. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

**7. Following transactions not to be considered as Related Party Transactions:**

Approval of Audit Committee, Board or Shareholders is not required:

- a. where transactions entered into between the company and its wholly owned subsidiary(s) 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 GPIL, whose accounts are consolidated with GPIL and placed before the shareholders at the general meeting for approval.

**8. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy the matter shall be reviewed by the Audit

Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification by it or recommend the Board for their ratification or seeking approval of Shareholders, 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 as it deems appropriate.

**9. Disclosure of Related Party Transactions:**

The Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year; disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

**10. Circulation of the Policy:**

This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.

**11. Amendments:**

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy and to ensure governance of related party transactions.

This Policy shall be reviewed by the Board at least once in every three years and updated in line with the changes in law applicable in this regard.

**Notes:**

1. The Original Policy on Related Party Transactions was adopted by the Board of Directors in its meeting held on 11.11.2014.
2. The Revised Policy on Related Party Transactions has been adopted by the Board of Directors in its meeting held on 31.01.2022.