

ISGEC HEAVY ENGINEERING LIMITED



Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions (Last amended on February 10, 2025)

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

1. Preamble:

- (a) Isgec Heavy Engineering Limited (“ISGEC” / “Company”) is regulated by several legal frameworks, notably the Companies Act, 2013 (“the Act”) and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”).
- (b) Every listed entity is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions, as per Regulation 23 of the Listing Regulations.
- (c) Accordingly, the Board of Directors (“the Board”) has, based on the recommendation of Audit Committee, approved and adopted the Policy on Related Party Transactions (“the Policy”) to ensure the proper approval and reporting of Related Party Transactions.

2. Definitions:

- (a) **“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.
- (b) **“Ordinary course of business”** means the usual/frequent transactions undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per objects of the Company.

Provided that the above is not an exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

- (c) **“Related Party”** shall have the meaning ascribed to such term under Regulation 2(1) (zb) of the Listing Regulations and under sub-section (76) of Section 2 of the Act.
- (d) **“Relative”** shall have the meaning ascribed to such term under Regulation 2(1) (zd) of the Listing Regulations and under sub-section (77) of Section 2 of the Act.
- (e) **“Related Party Transaction”** shall have the meaning ascribed to such term under Regulation 2(1) (zc) of the Listing Regulations and under Section 188 and any other applicable section of the Act.
- (f) **“Subsidiary”** shall have the meaning ascribed to such term under Regulation 2(1) (zm) of the Listing Regulations and under sub-section (87) of Section 2 of the Act.

3. Interpretation:

- (a) 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 Listing Regulations, as amended from time to time.
- (b) 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.

4. Approval of Related Party Transactions

A. Audit Committee approval

- (a) All Related Party Transactions to be executed by the Company will require prior approval, whether at a meeting or by passing of a resolution by circulation, except:
- i. Transactions covered under Omnibus Approval given by the Audit Committee; or
 - ii. Transactions between the Company and its Wholly Owned Subsidiary.
- (b) All Related Party Transactions, where the Company is not a party, but the Company's Subsidiary is a party, if the value crosses the thresholds as ascribed under the Listing Regulations, will require prior approval, whether passed at a meeting or by passing of a resolution by circulation.

Omnibus Approval:

- (c) The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria/conditions as ascribed under Regulation 23 (3) of the Listing Regulations read with Section 177, 188 & any other applicable provisions of the Act and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.
- (d) Where the need for Related Party Transaction cannot be foreseen and / or the details as ascribed under Regulation 23 (3) of the Listing Regulations are not available, the Audit Committee may grant omnibus approval for such transactions, subject to their value not exceeding Rupees One (01) Crore per transaction.
- (e) Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- (f) The Audit Committee will review, on a quarterly basis, the details of executed Related Party Transactions pursuant to the Omnibus Approval accorded.

B. Board of Directors approval

All Related Party Transactions will require prior approval of the Board of Directors ("the Board"), except;

- (a) Transaction(s) which are in the ordinary course of business;
- (b) Transaction(s) which are at an arm's length basis;
- (c) Material Related Party Transaction(s) or the Related Party Transaction(s), which are subject to the approval of the shareholders of the Company.

C. Shareholders' approval

In addition to approvals of the Audit Committee and / or the Board, as the case may be, all Material Related Party Transactions, as explained in **Table A** below, will need prior approval of the shareholders, except;

- (a) Transactions with wholly owned subsidiaries of the Company, or
- (b) Transaction between two wholly-owned subsidiaries of the Company.

Table A

Sl.No.	Category of Transaction(s) during a financial year	Materiality Criteria
i.	Sale, purchase or supply of any goods or materials;	Amounting to 10% or more of turnover of the Company
ii.	Selling or otherwise disposing of, or buying property of any kind;	Amounting to 10% or more of net worth of the Company
iii.	Leasing of property of any kind;	Amounting to 10% or more of turnover of the Company
iv.	Availing or rendering of any services;	Amounting to 10% or more of turnover of the Company
v.	Such 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 lakh
vi.	Underwriting the subscription of any securities or derivatives thereof, of the Company	Exceeding 1% of net worth of the Company
vii.	Transaction(s) involving payments made to a related party with respect to brand usage or royalty	Exceeding 5% of the annual consolidated turnover of the Company
viii	All transactions (including transactions as specified at serial number i. to vii above) with any related party.	Exceeding Rs.1000 crore or 10% of the annual consolidated turnover of the Company, whichever is lower

5. Ratification of the Related Party Transaction

Where any Related Party Transaction entered without obtaining the approval of the Audit Committee, the same may be ratified within three (03) months from the date of the entering into Related party Transaction or in the immediate next meeting of the Audit Committee, subject to the conditions ascribed under Regulation 23 (2) (f) of the Listing Regulations.

If the Related Party Transaction is not ratified, such transaction will be 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 Company against any loss incurred by it.

6. Approval of Material Modification

Any subsequent Material Modification to the approved Related Party Transaction will also need prior approval of the Audit Committee or the Board or Shareholders, as the case may be.

Material Modification will mean any modification to the existing Related Party Transaction by which such transaction fulfills the criteria laid down in **Table A** above.

7. Voting by Related Parties

All Related Parties shall abstain from discussion and voting on resolution(s), irrespective of whether the Related Party is related to a particular transaction or not, in the Audit Committee meeting, Board meeting, and Shareholders meeting.

8. Limitation and amendment

The Board of Directors can amend this Policy, as and when it deemed fit. In case of any amendment(s), clarification(s), circular(s) etc., issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail, and this Policy shall stand amended / modified accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

9. Review and approval of the Policy

- (a) The Board of the Directors of the Company formulated this Policy on March 28, 2022 and the policy is effective from April 1, 2022, and amended on February 10, 2025.
- (b) This Policy shall be reviewed by the Board of Directors at least once in every three years and as and when required by the Act or in the Listing Regulations.
- (c) This Policy is disclosed on the website of the Company i.e., www.isgec.com.