



MAITHON POWER LIMITED

Policy on Related Party Transactions

Approved by: Board of Directors

Date: 15th July 2019

For MAITHON POWER LIMITED
P. Shrivastava
Authorised Signatory

MAITHON POWER LIMITED

Policy on Related Party Transactions

1) Scope and purpose of the Policy

1.1 Related Party Transactions ("RPTs") 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 ("the Act") read with the Rules framed there under and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, ("SEBI LODR"), Maithon Power Limited (MPL) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

1.2 Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of related party transactions and dealing with RPTs. The said policy is required to include clear threshold limits approved by the Board.

1.3 In light of the above, MPL 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 of Directors. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board. **In addition to the above, this Policy shall be reviewed by the Board of Directors at least once in three years.**

2) Objective of the Policy

2.1 The objective of this Policy is to set out (a) the materiality thresholds for RPTs and; (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, SEBI LODR and any other statute as may be applicable to the Company.

3) Materiality Thresholds

3.1 **The policy on materiality is as stated in Annexure-1.**

4) Manner of dealing with Related Party Transactions

a) Identification of related parties

MPL shall identify Related Parties as per the definition provided in the applicable laws, including the Act and the SEBI LODR, as amended from time to time.

The Company shall regularly verify and update the Related Party List and review and confirm (at least once a quarter) in accordance with the applicable laws as prevalent.

b) Identification of related party transactions

As a policy, MPL will identify the transactions falling under contracts and arrangements, as per the applicable laws, entered into with related parties for the consent of the Audit Committee, Board of Directors and shareholders, as may be applicable. Currently, MPL has identified the RPTs and subsequently categorized them into broad categories e.g. Contract and arrangement relating to procurement of goods and availment of services, providing of Corporate Guarantees etc.

Any other RPT identified during the periodic review not covered under any specific broad category shall be independently reviewed, approved and included for conformance as a part of Related Party Policy mechanism.

MPL shall report the transactions of aforementioned category entered into with related parties identified as per Clause 4(a) of this Policy, and put the same for necessary approvals required as per the applicable law.

c) Procedure for approval of Related Party transactions

• Approval of the Audit Committee

All Related Party transactions require prior approval of the Audit Committee. However, MPL may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the following:

- The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future);
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed (ii) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%), (iii) transactions which cannot be subject to the omnibus approval by the Audit Committee and (iv) such other conditions as the Audit Committee may deem fit.
Provided that where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction;
- The 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 approvals given;
- Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.

For each category of transaction identified as per the Clause 4(b) of this policy, the Company has framed specific Framework and Guidelines explaining the arm's length criteria to be followed by the Company while entering into transactions falling under contracts and agreements with related parties identified as per Clause 4(a) of this policy. The Company, while entering into RPTs will ensure adherence with the Framework and Guidelines and will maintain necessary documents for the same.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
 - management assessment of pricing terms and business justification for the proposed transaction;

MAITHON POWER LIMITED

- comparative analysis, if any, of other such transaction entered into by the company.

In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

Approval or subsequent modification of a transaction (other than those transactions stipulated under Section 188 of the Act) with the Company's wholly owned subsidiaries, shall not require approval of the Audit Committee.

- Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether a Related Party Transaction is in the Ordinary Course of Business and/ or at Arms' Length.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- Transactions meeting the materiality thresholds laid down Clause 3 of the Policy, which are intended to be placed before the shareholders for approval.

Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution related to such contract or arrangement.

- Approval of the Shareholders of the Company

All the transactions with related parties meeting the materiality thresholds, as laid down in Annexure-1, are placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval. For this purpose, no related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not.

The requirement for seeking Shareholders approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary (ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Further, the Companies (Amendment) Act, 2015 and Regulation 23(5)(b) of the SEBI LODR provide that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company. Hence, no approval shall be sought from the shareholders for such Related Party Transactions.

MAITHON POWER LIMITED**5. Ordinary course of Business**

The Framework and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

6. Disclosure and Reporting

6.1 Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting

6.2 Board's Report shall contain details of RPTs as required under applicable law.

6.3 This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

7. Related Party Transactions not approved under this Policy

7.1 In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, 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, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

7.2 Further, in case any transaction (not being a specified transaction between the Company and its wholly owned subsidiary) involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, 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 concerned shall indemnify the Company against any loss incurred by it.

7.3 In any case, where the Audit Committee determines not to ratify a RPT that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

7.4 Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a 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.

7.5 Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

7.6 Any Director or any other employee of the Company, who has entered into or authorised the contract or arrangement in violation of the provisions, shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ₹ 25,000/- but which may extend to ₹ 5 lakh, or with both. Further, nothing precludes the Board / Company from taking any other legal action against the concerned Director / employee, as available under any other law for the time being in force.

Policy on materiality of Related Party Transactions

1. Objective

1.1 Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, requires a company to *inter alia* formulate a policy on materiality of related party transactions (including clear threshold limits duly approved by the Board of Directors).

2. Materiality limits

2.1 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 ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company, or such other threshold as may be prescribed under the Explanation from time to time.

2.2 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, or such other threshold as may be prescribed under the Explanation from time to time.

3. Applicability

3.1 All material related party transactions shall require 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.