Suryachakra Power Corporation Limited
L40103TG1995PLC019554

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

Preamble:

The Board of Directors of the Company (the "Board") recognises the importance of stakeholders' interest and their trust in the Company. To uphold this confidence and ensure transparent mechanism that avoids potential or actual conflict of interest on transactions with related parties, the Board has adopted a policy for determining materiality and dealing with related party transactions (the "Policy").

Purpose:

This Policy is framed keeping in fore the best interests of its stakeholders and the Corporate Governance requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and also the Companies Act, 2013 (the "Act"), as amended from time to time.

The purpose of the Policy is to:

a) Regulate transactions between the Company and / or its subsidiary(ies) *vis-à-vis* their Related Party(ies) with a view to ensure that such transactions are executed on an arm's length basis and in a transparent and fair manner.

b) Seek approval(s) of the Audit Committee / Board / Shareholders, as may be necessary, after providing relevant information to them in the prescribed manner.

c) Outline the procedures for identification, review, disclosure and reporting of such transactions.

Definitions:

1. "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.

2. "Material related party transaction" means a related party transaction exceeding thresholds limits as prescribed under the Listing Regulations.

3. "Related Party" means a party with reference to the Company and its subsidiary as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

4. "Related Party Transaction" means transfer of resources, services or obligations between the Company and / or its subsidiary(ies) 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 and also includes the transactions / contracts / arrangement between the Company and its Related Party(ies) 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.

Words and phrases used in the Policy and not defined hereinabove, shall have the same meaning as defined under the Companies Act, 2013 or rules made thereunder, the Listing Regulations and the relevant Accounting Standards.

Scope:

This Policy is applicable to the Company and its subsidiaries with respect to transactions between party(ies), as enumerated below:

1. The Company and Related Party of the Company or its subsidiary(ies);
2. Subsidiary of the Company and Related Party of the Company or its subsidiary(ies);
3. The Company and any other person, such that the purpose and effect of a transaction is to benefit Related Party of the Company or its subsidiary(ies); and
4. Subsidiary of the Company and any other person, such that the purpose and effect of a transaction is to benefit Related Party of the Company or its subsidiary(ies).

Exceptions

a. Issue of specified securities on a preferential basis, subject to compliance of the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
b. Following corporate actions undertaken by the Company which are uniformly applicable / offered to all Shareholders in proportion to their shareholding:
    i. Payment of dividend;
    ii. Sub-division or consolidation of securities;
    iii. Issuance of securities by way of a rights issue or bonus issue; and
    iv. Buy-back of securities.
c. Retail purchases from the Company or its subsidiary by the directors or the key managerial personnel and relatives of such directors or key managerial personnel, without establishing a business relationship and at the terms which are uniformly applicable / offered to all employees, directors, key managerial personnel and relatives of such directors or key managerial personnel.
d. Remuneration including sitting fees paid by the Company or its subsidiary to its director, key management personnel or senior management, except who is part of Promoter or Promoter Group, provided that the same is not material in terms of the provisions of Regulation 23(1) of the Listing Regulations.

Materiality Thresholds:

A transaction with a Related Party (except those relating to brand usage or royalty) shall be considered material if such transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds threshold as specified in Regulation 23 read with Schedule XII to the Listing Regulations, as detailed overleaf:

Consolidated turnover of listed entity	Threshold
Up to Rs. 20,000 crore	10% of the annual consolidated turnover of the listed company.
More than Rs. 20,000 crore up to Rs. 40,000 crore	Rs. 2,000 crore + 5% of the annual consolidated turnover of the listed entity above Rs. 20,000 crore.
More than Rs. 40,000 crore	Rs. 3,000 crore + 2.5% of the annual consolidated turnover of the listed entity above Rs. 40,000 crore or Rs. 5,000 crore, whichever is lower.

Further, transaction(s) involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if such transaction(s) to be entered into individually or taken together with previous transactions, of similar nature, during a financial year, exceed 5% of the annual consolidated turnover of the Company as per its last audited financial statements.

Material Modification(s):

Any variation in terms of the existing Related Party Transaction that results into the following shall be considered as "Material Modification":

i. revision in terms of pricing or value which has financial impact exceeding 10% of the value of approved related party transaction;
ii. any RPT ceasing to be on arm's length basis; and
iii. such other modification as the Audit Committee of the Company may deem appropriate to be a 'Material Modification' considering other terms and value of the Related Party Transaction.

Manner of dealing with and approval of Related Party Transaction(s):

A. Approval of the Audit Committee

1. All Related Party Transaction(s) and subsequent Material Modification(s) thereto, where the Company or its subsidiary is a party, shall require prior approval of the Audit Committee of the Company.
2. A Related Party Transaction above Rs. 1 crore, to which any 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 exceeds lower of the following:

   - 10% of the annual standalone turnover of the respective subsidiary (for subsidiaries having audited financial statements); or
   - 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary, (for subsidiaries not having audited financial statements for a period of atleast 1 year); or
   - The threshold as specified in Schedule XII to the Listing Regulations.

   Explanation:

   - The turnover, as referred above, shall be computed as per the latest audited financial statements of the Company or its subsidiary, as the case may be.
   - Further, the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.

3. The Audit Committee of the Company shall review the information as prescribed under the Act and the Listing Regulations, for approval of a proposed Related Party Transaction.

<u>Omnibus approval for Related Party Transactions</u>

The Audit Committee of the Company may grant omnibus approval for Related Party Transactions to be entered into by the Company or its subsidiary and such approval shall be applicable in respect of transactions which are repetitive in nature.

1. The Audit Committee shall grant omnibus approval as per following criteria:

   i. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company or its subsidiary.

   ii. The omnibus approval shall provide information mandated under the Listing Regulations or the Act, such as:

      a. the name/s of Related Party, nature of transaction, period of transaction;

      b. maximum amount of transaction that can be entered into;

      c. basis for arriving at the contracted price as per the Company's standard operating procedure;

      d. Any other information relevant or important for the Audit Committee to take decision.

   iii. However, in case of Related Party Transactions, which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval, provided, the value does not exceed Rs. 1 crore per transaction.

2. Audit Committee shall review, at least on a quarterly basis, details of the Related Party Transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approval given.

3. 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. <u>Approval of the Board</u>

1. As per the provisions of Section 188 of the Act, all Related Party Transactions specified under the said Section and which are not in the ordinary course of business or are not at arm's length are required to be placed before the Board, for its approval.

2. All Material Related Party Transactions and Material Modifications thereto, shall require approval of the Board, before the same is / are recommended for approval of the Shareholders of the Company.

C. <u>Approval of the Shareholders of the Company</u>

1. All Material Related Party Transactions and Material Modifications thereto shall require prior approval of the Shareholders through resolution.

2. In addition to the above, pursuant to Section 188 of the Act, the transactions with Related Party(ies) as mentioned in the table overleaf, which are not in the ordinary course of business or are not at arm's length, shall require approval of the Shareholders by way of a resolution.

Sr. no.	Details of transactions to be entered into individually or taken together during a financial year	Minimum threshold requiring Shareholders Approval
1.	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.
2.	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.
3.	Leasing of property of any kind.	Amounting to ten percent or more of the turnover of the Company.
4.	Availing or rendering of any services directly or through appointment of agent.	Amounting to ten percent or more of the turnover of the Company.
5.	Appointment to any office or place of profit in the Company, its subsidiary or associate companies at monthly remuneration.	Remuneration exceeding Rs. 2.50 Lakh per month.
6.	Remuneration for underwriting subscription of any security or derivatives thereof of the Company.	Remuneration exceeding one percent of the net worth.

4. The turnover or net worth shall be on the basis of the Company's audited financial statements for the preceding financial year. Any omnibus approval of Shareholders on Related Party Transactions shall be valid for a period of one year or as specified in Regulation 23 read with Schedule XII to the Listing Regulations.

D. Ratification of Related Party Transactions

The members of the Audit Committee, who are independent directors, may ratify related party transactions within three months from the date of transactions or in its immediate next meeting, whichever is earlier subject to the following conditions:

1. value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rs. 1 crore;
2. the transaction is not material in terms of the provisions of Regulation 23(1) of the Listing Regulations;
3. rationale for inability to seek prior approval for the transaction shall be placed before the Committee at the time of seeking ratification;
4. details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of Regulation 23(9) of the Listing Regulations;
5. any other condition as may be specified by the Committee.

Provided that, failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the 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.

Exceptions:

Approval of the Audit Committee / Board / Shareholders of the Company, as mentioned in (A), (B), (C) and / or (D) above, shall not be required for transactions entered into between:

a. the Company and its wholly owned subsidiary(ies); or
b. two wholly owned subsidiaries of the Company;

where accounts of such wholly owned subsidiary(ies) are consolidated with that of the Company and placed before the Shareholders at the general meeting for approval.

Related Party Transaction(s) not approved under this Policy:

1. Any transaction carried out without appropriate approval of the Audit Committee in accordance with this Policy will be reviewed by it.
2. The Audit Committee shall examine the facts and circumstances pertaining to failure to report and any failure of the systems. The Committee shall take such action as it deems appropriate, including ratification, revision or termination of such Related Party Transaction.
3. The Audit Committee may require further approval of the Board or Shareholders, if necessary.

Amendments:

This Policy shall be reviewed at least once in every three years or upon any changes required in the Policy on account of regulatory amendments. Such changes will be reviewed and recommended by the Audit Committee for approval of the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

Dissemination, disclosures and reporting:

The Policy and every subsequent amendment made thereto shall be promptly available on the website of the Company, www.suryachakra.com and a web-link of the same will be provided in the Annual Report. The Company shall submit to the stock exchanges disclosures of Related Party Transactions in the format as specified by the Securities and Exchange Board of India from time to time.

Appropriate disclosures including maintaining registers as required under the provisions of the Act and the Listing Regulations, will be made in the Board's Report and to the Stock Exchanges.

------------------------ *END OF POLICY* ---------------------