

**POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY
TRANSACTIONS**

TITLE:

This Policy shall be called 'Policy on materiality of and dealing with Related Party Transactions'.

OBJECTIVE:

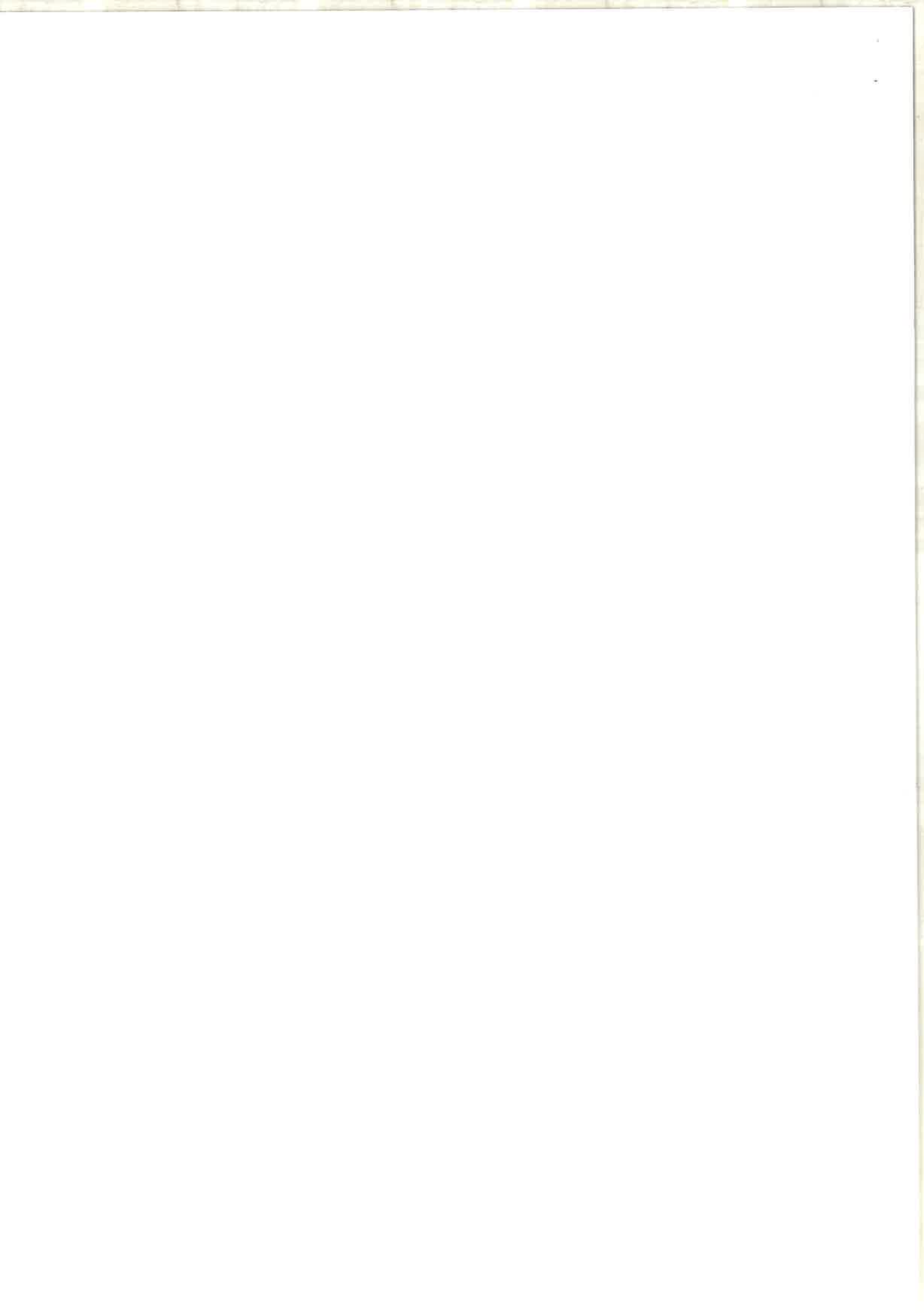
Mahindra EPC Irrigation Limited (hereinafter referred to as "the Company") is mainly engaged in Micro-Irrigation such as Drip and Sprinklers, Pumps, Pipes, Landscape irrigation, Greenhouse/Polyhouse & agronomy services. As a part of the business activity, the Company deals with entities which are related parties. The Company recognizes that Related Party Transactions (as defined below) may have potential or actual conflicts of interest and may raise questions whether such transactions are consistent with the Company's and its shareholders' best interests and in compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (hereinafter referred to as "SEBI Listing Regulations") amended from time to time.

The Board of Directors (the "Board") of the Company has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions ("Policy") in compliance with the requirements of Section 188 of the Companies Act, 2013 and SEBI Listing Regulations.

DEFINITIONS:

"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.





"Audit Committee" or "Committee" means the audit committee constituted by the Board of Directors of the Company in accordance with applicable law, including the SEBI Listing Regulations and the Companies Act, 2013.

"Board" means the Board of Directors of Mahindra EPC Irrigation Limited.

"Company" means Mahindra EPC Irrigation Limited.

"Material Modification" means any modification with respect to the following:

- any change in the approved terms which has a financial implication of 25% or more of the contract or Rs 2 crores, whichever is lower.
- Any other modification which as per the directions of the Audit Committee may be determined as material on case to case basis.

"Material Related Party Transaction" means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party 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 Company as per the last audited financial statements of the Company or thresholds as may be prescribed in the Listing Regulations from time to time.

Provided that a related party transaction to which the subsidiary of a 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;

"Policy" means this Policy, as amended from time to time.



"Related Party" means a related party as defined under the Companies Act, 2013 or rules made thereunder and SEBI Listing Regulations as amended from time to time.

"Related Party Transactions" shall mean such transactions as specified under Section 188 of the Act or rules made thereunder and SEBI Listing Regulations including any amendment or modification thereof, as may be applicable.

"Relative" means a relative as defined under the Companies Act, 2013 and SEBI Listing Regulations.

"SEBI Listing Regulations" means SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015

"Transaction" with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contracts (Regulation) Act, 1956, SEBI Listing Regulations or any other applicable law or regulation.

IDENTIFICATION OF RELATED PARTIES & TRANSACTIONS:

Every Director will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she or his / her Relative is a member or a Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and



6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Key Managerial Personnel of the Company will be responsible for providing a declaration containing the following information to the Company Secretary on an annual basis and whenever there is a change in the information provided:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;

Every Director, Key Managerial Personnel, officers authorized to enter into contracts/ arrangements will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction and any subsequent material modifications as defined by Audit Committee. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

Provided that any person or entity belonging to the promoter or promoter group of the Company and holding equity shares of the Company of ten per cent or more, 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.

Besides the above, the Company will also identify other Related Parties as required under the Companies Act, 2013 and SEBI Listing Regulations.

Any transaction by the company with a Related Party will be regulated as per this Policy.

APPROVAL OF RELATED PARTY TRANSACTIONS:

Audit Committee:

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder. Provided that only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.



Further:

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

Where the Company enters into a contract / transactions with a related party, which stipulates details of every transaction like nature of the transaction, period of transaction, contract price or methodology of price determination, maximum amount of transaction, credit terms etc., prior approval once given by the Audit Committee would suffice and Audit Committee would only note the transactions that are entered into pursuant to such master agreement and will not require any additional approval of the Audit Committee.

Audit Committee shall ensure that minimum information as is required by the Policy and SEBI Circular dated November 22, 2021 is placed before the audit committee.

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

- a. The Audit Committee shall lay down the criteria for granting 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 the following:

- Name(s) of the Related Party;
- Nature of the transaction;
- Period of transaction;
- Maximum amount of transaction that can be entered into;
- The indicative base price / current contracted price and the formula for variation in the price, if any, and;
- Such other conditions as the Audit Committee may deem fit.

In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. One Crore per transaction.

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

These provisions 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 and 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.

Provided further that 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 the listing regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.



Board:

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction.

On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

Any member of the Board who has any interest in any related party transaction will rescue himself and abstain from discussion and voting on the approval of the related party transaction.

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

- i. 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;
- ii. 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;

At the time of determining the arms' length nature of price charged for the Related Party Transaction, permissible method of arms' length pricing as per applicable law would be considered.

In case the Company is not doing similar transactions with any other non-related party, terms for similar transactions between other non-related parties of similar standing can be considered to establish 'arm's length basis'.

- iii. 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.



- iv. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

Shareholders:

If a related party transaction is

(i) a material transaction or any material modification to the transaction, as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or

(ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution and all the Related Parties shall abstain from voting on such resolution(s).

Shareholders shall ensure that minimum information as is required by the Policy and SEBI Circular dated November 22, 2021 is placed before the Shareholders.

All the related parties shall not vote to approve the relevant transactions irrespective of whether such related party is a party to the particular transaction or not.

To review a Related Party Transaction, the Board/ Audit Committee/Shareholders will be provided with all the relevant information pertaining to the Related Party Transaction, including but not limited to:

1. Information to be reviewed by the Audit Committee for approval of Related party Transactions:

- A. Type, material terms and particulars of the proposed transaction;
- B. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- C. Tenure of the proposed transaction(particular tenure shall be specified);
- D. Value of the proposed transaction;
- E. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction(and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);



- F. if the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
- i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- G. Justification as to why the RPT is in the interest of the Company;
- H. A copy of the valuation or other external party report, if any such report has been relied upon;
- I. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- J. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

2. Information to be provided to shareholders for consideration of Related Party Transactions:

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- A. A summary of the information provided by the management of the Company to the audit committee as specified in point 1 above;
- B. Justification for why the proposed transaction is in the interest of the Company;
- C. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under point 1(F) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.);



- D. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- E. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- F. Any other information that may be relevant.

In determining whether approval needs to be accorded to a Related Party Transaction, the Board/ Audit Committee/Shareholders will consider the following factors:

- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis as if the transaction did not involve a Related Party;
- 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;
- Whether the Related Party Transaction would impair the independence of an otherwise Independent Director;
- Whether the Related Party Transaction would present a conflict of interest for any Director, or KMP of the Company, taking into account the size of the transaction, the overall interest of the Director, KMP or other Related Party, the direct or indirect nature of the Director's, KMP's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/ Audit Committee deem fit to consider.

Further, all Material Related Party Transactions and subsequent material modifications as defined by audit committee shall require prior approval of shareholders of the Company through resolution (unless it is exempted pursuant to the provisions of Listing Agreement) and the Related Parties shall abstain from voting on such resolution(s).



All Related Party Transactions pursuant to section 188 of the Companies Act, 2013 which are not in the ordinary course of business and / or not an Arms' length basis and which crosses the threshold limits prescribed under Companies Act, 2013, shall also require the approval of shareholders of the Company through resolution and all the Related Parties of the Company shall abstain from voting on such resolution(s).

All the related parties shall not vote to approve the relevant transactions irrespective of whether such related party is a party to the particular transaction or not and the same shall be governed by the applicable provisions of the Act, Listing Regulations and any other applicable provisions of law, from time to time.

"Ordinary course of business" would include usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and all such activities which the Company can undertake as per Memorandum & Articles of Association.

In case the shareholders decide not to approve a Related Party Transaction, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable to shareholders for approval.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Every Related Party Transaction / contracts or arrangements that are:-

i. material or ii. not at arm's length basis and/ or ordinary course of business, shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirement of the Companies Act, 2013.

The various business heads, sourcing department, department heads or any person authorized to enter into any transaction on behalf of the Company shall not undertake any transaction with related party unless they confirm that the transaction has prior approval of the Audit Committee and that the transaction is both in the ordinary course of business and at Arm's length basis. Any transaction not meeting the required criteria mentioned above should be brought to the notice of the CFO or Company Secretary and Accounts Department for seeking the requisite approvals.



The Company is required to disclose RPTs in the Company's Board's Report to shareholders of the Company at the Annual General Meeting in accordance with the Act and Rules made thereunder.

Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance, as required under the Regulations and the same shall be placed/taken note of before the meeting of the Board of Directors.

The Company shall submit on the date of publication of its standalone and consolidated financial results for the half year or within such time as may be prescribed in the SEBI Listing Regulations, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

AMENDMENTS

This Policy including materiality threshold limits shall be reviewed once in three years by the Board and updated accordingly , subject to applicable laws, amend any provision(s) or substitute any of provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendation(s) of Audit Committee.

The Board may also establish further rules and procedures, from time to time, to give effect to this Policy.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of SEBI Listing Regulations / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

DISSEMINATION OF POLICY

This Policy shall be disseminated to all functional and operational heads and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.



EFFECTIVE DATE

This policy was first approved by the Board of Directors on October 28, 2014 and was amended by the Board of Directors on October 23, 2020, further amended on January 24, 2022 and again amended on January 31, 2023 which is effective from January 31, 2023.

