



MSAFE EQUIPMENTS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

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INDEX

S. No.	Particulars	Page No.
1.	Background	3
2.	Objective	3
3.	Definition	3-4
4.	Identification of Related Parties	4-5
5.	Manner of dealing with Related Party Transactions	5-7
6.	Disclosure and reporting of Related Party Transactions	7
7.	Amendment/review of Policy	8
8.	Dissemination of the Policy	8

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

1. BACKGROUND

In terms of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) (*"Listing Regulations"*) every listed entity shall formulate a Policy on materiality of Related Party Transactions and dealing with the related party transactions. So considering the requirements, the Company has enacted a Policy on Materiality of Related Party Transactions and dealing with the Related Party Transactions (*"Policy"*) in line with Listing Regulations and Companies Act, 2013.

2. OBJECTIVE

This Policy is largely framed to deal with various related party transactions which include but are not limited to material Related Party Transactions or Transaction which are not in the ordinary course of business or on an Arm's Length basis.

This policy aims to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interests of the Company and its stakeholders. This policy deals with identification of the Related Parties, materiality threshold for related party transactions and the manner of dealing with the transactions with Related Parties by the Company, keeping in view the provisions of the Act and Listing Regulations.

3. DEFINITIONS

- a) **"Act"** shall mean the Companies Act 2013 and the Rules framed thereunder, as amended from time to time.
- b) **"Arm's Length basis"** means a transaction between two related parties that conducted as if they were unrelated, so that there is no conflict of interest.
- c) **"Board of Directors" or "Board"** means the Board of Directors of the Company, as constituted from time to time, in line with the provisions of the Act and the SEBI Listing Regulations.
- d) **"Company"** means MSAFE EQUIPMENTS LIMITED.
- e) **"SEBI Listing Regulations"** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- f) **"Key Managerial Personnel" or "KMP"** shall have the meaning as defined under Regulation 2(1)(o) of the SEBI Listing Regulations read with Section 2(51) of the Companies Act, 2013, each as amended from time to time and includes any person so authorized and designated by the Board of Directors of the Company as

KMP.

- g) “Material Related Party Transaction”** In accordance with Regulation 23 of the SEBI Listing Regulations, a transaction with a related party shall be considered material, if the transaction(s) to be entered, individually or taken together with previous transactions during a financial year:
- i) if the amount exceeds Rs.1,000 crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower, or such other limit as may be specified in the applicable Regulations as amended from time to time;
 - ii) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 5% of the annual consolidated turnover of the Company as per its last audited financial statements or such other limits as may be specified in the applicable Regulations as amended from time to time;
 - iii) In case of a listed entity which has listed its specified securities on the SME Exchange, 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 Rupees fifty crore or ten per cent. of the annual consolidated turnover of the listed entity as per the last financial statements audited of the listed entity, whichever is lower.
- h) “Material Modification”** mean and include any modification to an existing related party transaction having variance of 20% or more of the existing limit as sanctioned by the Audit Committee/ Board / Shareholders, as the case may be.
- i) “Ordinary course of business”** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary courses of business in accordance with the statutory requirements and other industry practices and guidelines.
- j) ‘Related Party’** will have the same meaning as defined under Section 2(76) of the Act or under the applicable Accounting Standards, or under clause 2(1)(zb) of the SEBI LODR Regulations as may be amended from time to time.
- k) “Relative”** in relation to the related party shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of The Companies (Specification of definition details) Rules, 2014
- l) “Related Party Transaction”** have the meaning as defined under Section 188 of the Act read with Regulation 2(1)(zc) of the SEBI Listing Regulations, as amended.

Any other term not specifically defined hereinabove shall have the same meaning as defined under the Act, SEBI (Listing Obligations and Disclosure Requirement) Regulations, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

4. IDENTIFICATION OF RELATED PARTIES

The Company has devised a proper mechanism for the identification and updating the list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Regulation 2(1)(zb) of the SEBI Listing Regulations.

Each Director and Key Managerial Personal is responsible for providing relevant disclosures to the Board or Audit Committee relating to the concern or interest in any Company/ Companies or Bodies Corporate, Firms or the other Association of individuals which shall include shareholding. Such notice shall be provided to the Company at the time of appointment and also at the time of First Board Meeting every Financial Year and whenever there is any change in the disclosures already made.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Review and approval of Audit Committee:

- a) In terms of Regulation 23 of Listing Regulation, all related party transactions and subsequent material modifications require prior approval of the audit committee of the Company.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

Any member of the Committee who is in any way concerned or interested in any Related Party Transaction shall remain abstain from discussion and voting on any such resolution.

- b) 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 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
- c) Further on regular basis the transactions entered by the Company with the related parties which are in the ordinary course of business and on Arm's Length basis shall be placed before the committee on quarterly basis for its ratification.
- d) The Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary, in case of frequent/ regular/ repetitive transactions which are in the normal/ ordinary course of business of the Company. While granting such approval the Audit Committee shall satisfy itself regarding the need for omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

- Name of the related party
- Nature of the transaction
- Period of the transaction

- Maximum amount of the transactions that can be entered into
- Indicative base price / current contracted price and formula for variation in price, if any
- Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/ amended. Any proposed variations/ amendments to these factors shall require prior approval of the Committee.

Further, where the need of the related party transactions cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the limits as envisaged in the Listing Regulation, from time to time.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

the Committee shall review on a quarterly basis and assess such transactions including the limits to ensure that they are in compliance with this Policy.

e) Prior approval of the Audit Committee shall not be required for:

- Related Party Transactions, where the listed subsidiary is a party, but the Company is not a party, if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- Remuneration and sitting fees paid by Company or its subsidiaries to its directors, key managerial personnels 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 of the Listing Regulations.

Approval by the Board:

The Related Party transactions as specified under Section (1) of the Section 188 of Act, which are not in the ordinary course of business and on an Arm's Length basis, shall require approval of the Board. Further if the Committee is of the view that certain Related Party Transaction(s) should be brought before the Board or if the Board in any case elects to review any such matter or it is specifically provided under any other provision of the Act to be passed by the Board, then the Board shall consider and approve such Related Party Transactions.

Where any Director is interested in any Contract or Arrangement with a related party, such Director shall not be present at the meeting during the discussions on the subject

matter of the resolution relating to such contract or arrangement.

Approval of Shareholders:

a) All Material Related Party Transactions and subsequent material modification shall require approval of the shareholders through an ordinary resolution and the Related Parties shall abstain from voting on such resolution (for the purpose of Listing Regulations).

b) All the related party transaction(s) to be entered into in terms clauses (a) to (e) of subsection 1 of Section 188 the value/ consideration of which is in excess of their respective limits specified under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rule, 2014 other than Transactions specified in the Para (a) above and the transactions which are in ordinary course of business and on Arm's Length basis shall require approval of the shareholders. No member of the Company shall vote on any resolution involving a transaction if such member is a related party.

c) However, the requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable for the following cases:

- i) transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- ii) Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- iii) transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iv) transactions entered into between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

Related Party Transactions not previously approved:

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

If at any instance, the Company becomes aware of a Related Party Transaction that has not been approved or ratified, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification/approval.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances in respect of any such transaction(s) and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee / Board deems appropriate under the circumstances.

6. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

The Company shall make appropriate disclosures/ reporting with respect to related party transactions, as per the applicable provisions of the Act and Listing Regulations.

The Company shall also maintain relevant register(s) for recording particulars of all such transactions, contracts or arrangements with the related parties as per the relevant provisions of the Act.

7. AMENDMENT/REVIEW OF POLICY

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/ or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

In case any provisions of the Policy are contrary to or inconsistent with the provisions of the Companies Act, 2013, rules framed thereunder and Listing Regulations (“Statutory Provisions”), the provisions of Statutory Provisions shall prevail.

The Policy shall be reviewed by the Board of Directors at least once every three years or as and when any changes are to be incorporate in the Policy due to change in the Regulations.

8. DISSEMINATION OF THE POLICY

The policy shall be hosted on the website of the Company i.e. <https://msafegroup.com>
