



MANGAL ELECTRICAL INDUSTRIES LIMITED

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

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1. Preamble

This Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions (“Policy”) is framed pursuant to:

- Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations” / “LODR”), as amended from time to time, including the latest amendments relating to **materiality thresholds, turnover-linked criteria and disclosure/approval norms for Related Party Transactions (“RPTs”)**;

Mangal Electrical Industries Limited (“Company” / “MEIL”) has adopted this Policy to ensure **transparency, proper approval mechanism and reporting** of Related Party Transactions in the interests of the Company and its shareholders.

2. Objective

The objectives of this Policy are to:

- a) Define a clear **framework for identification, review, approval and disclosure** of Related Party Transactions;
 - b) Specify the **materiality thresholds** for RPTs, in line with Regulation 23 of the Listing Regulations, including any **turnover-linked thresholds** as may be prescribed by SEBI from time to time;
 - c) Ensure that RPTs are **at arm’s length and in the ordinary course of business**, or are otherwise approved in accordance with applicable law; and
 - d) Ensure compliance with applicable provisions of the Act, Listing Regulations, circulars, and any amendments thereto.
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3. Scope

This Policy applies to:

- The Company and its subsidiaries (to the extent required under applicable law / LODR);
 - All transactions with Related Parties, whether entered directly by the Company or **indirectly through its subsidiaries**, where such transactions fall within the scope of Regulation 23 of LODR and Section 188 of the Act.
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4. Definitions

Unless repugnant to the context, words and expressions used in this Policy shall have the meanings assigned to them under the Act, the Listing Regulations, applicable accounting standards and this Policy.

- a) **“Act”** means the Companies Act, 2013 and rules framed thereunder, including any statutory modifications or re-enactment thereof.
- b) **“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.
- c) **“Audit Committee” / “Committee”** means the Audit Committee of the Board of Directors of the Company constituted under Section 177 of the Act and Regulation 18 of the Listing Regulations.
- d) **“Board”** means the Board of Directors of the Company.
- e) **“Key Managerial Personnel” or “KMP”** shall have the meaning assigned under Section 2(51) of the Act.
- f) **“Related Party”** means a related party as defined under:
- Section 2(76) of the Act and rules made thereunder; and
 - Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time, which currently includes, inter alia, promoter(s), promoter group entities, and persons or entities forming part of such group, in specified circumstances.
- g) **“Related Party Transaction” or “RPT”** means a transaction involving a transfer of resources, services or obligations between the Company (and/or its subsidiaries, wherever applicable) and a Related Party, regardless of whether a price is charged, as defined under the Act, Listing Regulations and applicable accounting standards.
- h) **“Material Related Party Transaction” / “Material RPT”**

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 the following:

| Consolidated Turnover of Listed Entity | Threshold |
|--|---|
| (I) Up to ₹20,000 Crore | 10% of the annual consolidated turnover of the listed entity |
| (II) More than ₹20,000 Crore to upto ₹40,000 Crore | ₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore |
| (III) More than ₹40,000 Crore | ₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower. |

- i) **“Material Modification” of an RPT**

For the purpose of this Policy and in line with Regulation 23(1), “Material Modification” shall mean:

- Any change in the **originally approved value** of a Related Party Transaction, individually or cumulatively during the tenure of the contract, by **20% (twenty percent) or more; or**

- Any change in:
 - the **counter-party** (change in Related Party or entering into novation/assignment to another Related Party);
 - the **nature or scope** of the transaction (e.g., shifting from purchase of goods to provision of services, exclusive arrangements, etc.);
 - the **pricing / compensation structure or formula** that may impact the economics of the transaction materially;
 - the **tenure** of the transaction by more than one year in long-term arrangements.
 - The Audit Committee may, from time to time, **review and revise** the above criteria, subject to disclosure in this Policy and compliance with applicable law.
- j) **“Ordinary Course of Business”** Transactions are considered to be in the ordinary course of business if they are:
- Consistent with the objects of the Company as stated in its Memorandum of Association;
 - normal or incidental to the business activities of the Company; and
 - carried out with a frequency and on terms that are customary for such business.
- k) **“Arm’s Length Basis”**
- A transaction is at arm’s length if it is conducted **on terms similar to those prevailing in the market** for comparable transactions with unrelated parties, taking into account relevant facts and circumstances.

5. Identification of Related Parties and RPTs

Each Director of the Company and the Key Managerial Personnel is responsible for disclosing (and periodically updating) particulars of his/her interest (including interest of their Relatives) in other Companies, firms or concerns at the time of their appointment, at the beginning of every financial year and any change in such interest during the year. In addition, all the Directors and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request.

5.1. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

5.2. Notice of any potential Related Party Transaction shall be provided well in advance to the Audit Committee so that it has adequate time to review the proposed Transaction.

6. Approval Framework

6.1 Audit Committee approval

- a) **Prior approval of the Audit Committee** is required for:
- All Related Party Transactions of the Company; and
 - All subsequent **Material Modifications** of such RPTs.
- b) Only those members of the Audit Committee who are **Independent Directors** shall approve RPTs, in line with the Listing Regulations.
- c) For each RPT, the Audit Committee shall be provided with adequate information, including:
- name(s) of the Related Party and nature of relationship;
 - nature, duration and particulars of the transaction;
 - material terms and conditions, including pricing and commercial rationale;
 - indicative value or value range of the transaction;
 - whether the transaction is in the ordinary course of business and at arm's length;
 - any other information required by the Committee.
- d) The Audit Committee may seek a certificate from the **CEO/Whole-time Director and CFO** that the terms of the proposed RPT are in the **best interest of the Company**, in line with recent amendments to RPT rules under LODR.
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6.2 Omnibus approval by Audit Committee

The Audit Committee may grant **omnibus approval** for RPTs that are repetitive/continuous in nature, subject to the Listing Regulations and the following conditions:

- a) The omnibus approval shall specify:
- name(s) of the Related Party;
 - nature of the transaction;
 - period of the transaction;
 - maximum amount of transaction(s) that can be entered into;
 - indicative base/price formula, if any; and
 - such other conditions as the Audit Committee may deem fit.
- b) The need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transaction(s) subject to their value not exceeding Rs.1 crore per transaction.
- c) a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of a MEIL is a party but MEIL is not a party, shall require prior approval of the audit committee of MEIL if the value of such transaction, exceeds the lower of the following:
- (i) ten percent of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or

(ii) the threshold for material related party transactions of MEIL as specified in 4 (h) of this policy;

d) In the event of a related party transaction above rupees one crore, whether entered into individually or taken together with previous transactions during a financial year, to which the subsidiary of MEIL is a party but MEIL is not a party and such subsidiary does not have audited financial statements for a period of at least one year, prior approval of the audit committee of MEIL shall be obtained if the value of such transaction exceeds the lower of the following:

(i) ten percent of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or

(ii) the threshold for material related party transactions of MEIL as specified in in 4 (g) of this policy:

Provided that 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.

e) Omnibus approval shall ordinarily be valid for a period of **one financial year** and shall require **fresh approval** thereafter.

f) The details of RPTs entered into pursuant to omnibus approval shall be placed before the Audit Committee on a **quarterly basis** or such lesser period as the Committee may decide.

6.3 Board approval

a) In addition to Audit Committee approval, the following RPTs shall also require **prior approval of the Board**:

- RPTs which require Board approval under Section 188 of the Act and Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014;
- Any other RPT which, in the opinion of the Audit Committee / Board, is **significant or sensitive** and should be placed before the Board.

b) Interested directors shall **not participate in the discussion or vote** on such RPTs, in accordance with the Act and Listing Regulations.

6.4 Shareholders' approval

a) All **Material RPTs** and all **Material Modifications** of such RPTs shall require

prior shareholders' approval by resolution, in accordance with Regulation 23(4) of the Listing

Regulations and applicable circulars.

- Provided further that the omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Companies Act, 2013 rules, notifications, or circulars issued thereunder from time to time:

Provided further that in case of omnibus approvals for material related party transactions, granted by shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from the date of such approval.

- b) All Related Parties, irrespective of being a party to the particular transaction or not, shall **abstain from voting** on such resolutions, whether the entity is a related party to the particular transaction or not, to ensure approval by non-related shareholders.
- c) The Company shall, for this purpose, apply the **materiality thresholds / turnover-linked limits** as may be notified under Regulation 23 and related SEBI circulars, including any future amendments that raise or relax thresholds or disclosure requirements for low-value transactions.

6.5 Exemptions

Subject to law as may be amended from time to time, the following RPTs may be exempt from the above approval requirements to the extent permitted by the Act and Listing Regulations:

- Transactions entered into between the Company and its **wholly-owned subsidiary(ies) if any**, whose accounts are consolidated with the Company and placed before the shareholders, to the extent exempted under Regulation 23(5);
- Any other transactions or categories as may be exempted by the MCA/SEBI from time to time.

However, even where exempt under law, such transactions may still be **reviewed by the Audit Committee** as a part of good governance, if considered appropriate.

7. Criteria for Arm's Length and Ordinary Course

While considering any RPT, the Audit Committee and Board shall, inter alia, evaluate:

- Business rationale and **commercial justification**;
- Whether comparable transactions with unrelated parties exist for similar goods/services and on what terms;
- Whether the pricing is based on **accepted methods** (e.g., cost-plus margin, market price, third-party quotations, transfer pricing reports, external valuation, etc.);
- Whether the terms are **fair and reasonable** and in the interests of the Company and minority shareholders;
- Risks associated with the transaction, including potential conflict of interest.

The Committee/Board may, at its discretion, **seek independent external opinion/valuation** to determine arm's-length nature and fairness of terms.

8. Disclosures

The Company shall make disclosures regarding Related Party Transactions in the following manner, in accordance with applicable law:

a) Stock Exchange disclosures

- Disclosure of RPTs to stock exchanges in the **format and within the timelines** prescribed by SEBI (presently half-yearly disclosures under Regulation 23 read with SEBI circular(s) on RPT disclosure obligations).

b) Website disclosure

- This Policy, along with such other information on RPTs as may be prescribed, shall be hosted on the Company's website **i.e** <http://www.mangals.com/>. A web-link to this Policy shall be provided in the **Annual Report**.

c) Financial statements

- Disclosures on Related Parties and RPTs shall be made in the financial statements in accordance with applicable accounting standards.

d) Board's Report

- Particulars of contracts/arrangements with Related Parties shall be included in the Board's Report to the extent and in the form prescribed under the Act and rules made thereunder.
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9. Deviations and Non-compliances

Any RPT entered into **without prior approval**, due to oversight or otherwise, shall be:

- Reported to the Audit Committee and Board;
- Reviewed for ratification, revision or cancellation, consistent with the Act and Listing Regulations;
- Disclosed appropriately, if required.

Where an RPT is **not ratified**, the Company may take appropriate steps, including seeking indemnity or recovery of losses, as may be permitted under law.

10. Review and Amendment of the Policy

a) The Audit Committee shall **review this Policy at least once in three years** or earlier, in case of:

- significant changes in law (including SEBI's changes to materiality thresholds, approval norms or disclosure requirements); or
- any gaps observed in implementation.

b) Any amendment to this Policy shall be recommended by the Audit Committee and approved by the Board of Directors.

c) In case of any inconsistency between this Policy and applicable law, the **provisions of law shall prevail**, and this Policy shall be deemed to be amended to that extent.

Version History

| Version | Date of approval of the Board of Directors | Effective Date October |
|---------|--|------------------------|
| 1.0 | December 11, 2024 | December 11, 2024 |
| 2.0 | January 28, 2026 | January 28, 2026 |