

Policy on Related Party Transactions

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Policy on Related Party Transactions

A. Objective:

Balaxi Pharmaceuticals Limited (“the Company”) is mainly engaged in International Wholesale Distribution of Pharmaceutical Products. 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 Rules made thereunder (“the Act”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), as amended from time to time.

The Company does not encourage nor does it endorse entering into any transaction with any other person or entity with the intent of benefiting a Related Party, as envisaged under the definition of Related Party Transaction.

In this regard, the Audit Committee of the Company may require the Directors and/or Personnel of the Company /its subsidiaries and/or any other person as it may, at its sole discretion, deem fit or expedient, to provide such confirmation(s) and /or undertaking(s) as the Audit Committee may deem necessary.

The Board of Directors of the Company has adopted this Policy upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold(s) and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of the Act and the Listing Regulations, as amended from time to time.

B. 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) “Audit Committee” or “Committee” means the audit committee constituted by the Board of Directors in accordance with applicable law, including the Listing Regulations and the Act as amended from time to time.
- 3) “Board” means the Board of Directors of Balaxi Pharmaceuticals Limited.
- 4) “Company” means Balaxi Pharmaceuticals Limited.
- 5) “Key Managerial Personnel” means Key Managerial Personnel of the Company (“KMP”) as defined in Section 2(51) of the Act;
- 6) “Listed Subsidiary” means a subsidiary of the Company which is a listed entity under the Listing Regulations and to which Regulations 15(2) and 23 of the Listing Regulations are applicable.

- 7) “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 during a financial year, exceeds rupees one thousand crore or ten percent 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.

- 8) “Material Modification” in relation to the Company means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.
- 9) “Policy” means this Policy, as amended from time to time.
- 10) “Related Party” means a related party as defined under the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.
- 11) “Related Party Transactions” shall mean such transactions as specified under the Act and Regulation 2(1)(zc) of the Listing Regulations including any amendment or modification thereof, as may be applicable.
- 12) “Relative” means a relative as defined under Section 2(77) of the Act and Regulation 2(1)(zd) of the Listing Regulations.
- 13) “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 Act, the Listing Regulations, Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 or any other applicable law or regulation.

C. Materiality Thresholds:

Regulation 23 of the Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In an event, a Related Party Transaction, breaches the materiality threshold, prior approval of the shareholders of the Company will be required through resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to the Related Party Transactions.

None of the related parties of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not (RP’s can cast only negative vote to reject the shareholders resolution on material RPT).

Company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the Listing Regulations:

- 1) Transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.
- 2) 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.

D. Manner of dealing with Related Party Transaction:

- 1) Identification of Related Parties: Company has formulated guidelines for 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 Listing Regulations.
- 2) Identification of Related Party Transactions: The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary.

E. Procedure for Approval of Related Party Transaction:

1) Approval of the Audit Committee:

- All Related Party Transactions and subsequent Modification(s) shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
- Only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.
- A Related Party Transaction to which the 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 during a financial year exceeds ten per cent of the annual standalone turnover of the Company, as per the last audited financial statements of the Company.
- Prior approval of the Audit Committee of the Company shall not be required for the following:

- (i) Related Party Transactions, where the listed subsidiary 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.
 - (ii) Related Party Transactions of unlisted subsidiaries of a listed subsidiary of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
 - (iii) transactions entered into 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.
 - (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.
- However, the Company may obtain omnibus approval from the Audit Committee for all Related Party Transactions subject to compliances with the conditions prescribed in paras (i) to (viii) below:
- (i) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following:
 - (a) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - (b) The maximum value per transaction which can be allowed;
 - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - (d) review, at such intervals as the Audit Committee may deem fit, Related Party Transaction entered into by the Company pursuant to each omnibus approval made;
 - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
 - (ii) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - (a) repetitiveness of the transactions (in past or in future);
 - (b) justification for the need of omnibus approval.
 - (iii) The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the Company.
 - (iv) The omnibus approval shall provide details of (a) the name/s of the related party and its relationship with the Company or its subsidiary, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (b) basis of arriving at the indicative base price / current

contracted price and the formula for variation in the price if any and (c) such other conditions as the Audit Committee may deem fit.

Provided that where the need for Related Party Transactions cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- (v) The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of Related Party Transactions transacted into by the Company pursuant to the omnibus approval given.
- (vi) Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- (vii) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
- (viii) Any other conditions as the Audit Committee may deem fit.

➤ Audit Committee has defined material modifications as follows:

Material Modifications of Related Party Transaction in relation to the Company means and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

2) Approval of the Board of Directors:

The following related party transactions shall be subject to approval of the Board and any director is concerned or interested in any potential Related Party Transaction, such director shall abstain from discussion and voting when such transaction is being considered.

- (i) All transactions with the related parties which are not in the Ordinary Course of Business or not executed at an Arm's Length basis and does not exceed the threshold limits as may be prescribed under the Act and the Rules made thereunder, shall require approval of the Board of Directors by way of a resolution at a meeting of the Board.
- (ii) Transactions which are not approved by the Audit Committee or in the opinion of the Audit Committee need special consideration / determination by the Board, may be recommended to the Board for its approval.
- (iii) Where it is mandatory under any law for Board to approve the Related Party Transactions

3) Approval of the Shareholders of the Company:

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause C of the Policy, 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 at Arm's Length or not in the ordinary course of business; and (b) exceed

the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

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

- (i) Related Party Transactions, where the listed subsidiary 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.
- (ii) Related Party Transactions of unlisted subsidiaries of a listed subsidiary of the Company, where the prior approval of the audit committee of the listed subsidiary is obtained.
- (iii) transactions entered into 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.
- (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.

F. Disclosures:

- 1) The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- 2) The Company shall place all the information as specified by the Securities and Exchange Board of India from time to time for review of the Audit Committee for approval of the RPTs.
- 3) The Company shall provide all the information as specified by the SEBI from time to time in the explanatory statement in the notice being sent to shareholders seeking approval of proposed RPTs.
- 4) The Company shall provide disclosure of the Related Party Transactions in the format as specified by the SEBI from time to time, to the stock exchanges and upload on company's website, every six months.
- 5) The Company shall provide disclosure on 'Loans and advances' in the nature of loans to firms/companies in which directors are interested by name and amount' in the Corporate Governance Report.

G. Amendments:

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy.

The Board may also make any amendments to the Policy from time to time, based on the recommendations of the Audit Committee.

Further, the Board will review this Policy from time to time as prescribed under the Act or Listing Regulations.

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