



ANDHRA PAPER LIMITED

POLICY ON DEALING WITH AND MATERIALITY OF RELATED PARTY TRANSACTIONS

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1. INTRODUCTION

- 1.1 The Board of Directors (the “Board”) of Andhra Paper Limited (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 (“The Act”) and Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The LODR Regulations) (including any statutory modification(s) or re-enactment thereof for the time being in force). Amendments, from time to time, to the Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee.
- 1.2 This Policy applies to transactions between the Company or its subsidiaries and one or more of its Related Parties or any other person or entity, the purpose and effect of which is to benefit a related parties. It provides a framework for governance and reporting of Related Party Transactions, material related party transactions and their subsequent material modifications.

2. OBJECTIVE

- 2.1 This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company or its subsidiaries and any of thier Related Parties or any other person or entity, the purpose and effect of which is to benefit their related parties, in compliance with the applicable laws and regulations as may be amended from time to time.
- 2.2 The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“Act” means the Companies Act, 2013, including the Rules, Regulations, schedules, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs, from time to time.

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the LODR Regulations and Section 177 of the Companies Act, 2013.



“Arm’s length basis” means transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest. The process for entering into related party transactions described in Clause No.6 shall be followed. If necessary, guidance may be taken from transfer pricing provisions under Income Tax, 1961.

“Board” means the Board of Directors as defined under the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transaction” (MRPT) means a Related Party Transaction which individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore (Rs. 1000 Cr) or ten percent (10%) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such threshold as may be prescribed either in the Companies Act, 2013 or the LODR Regulations, whichever is lower, from time to time.

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(5%) of the annual consolidated turnover of the Company as per the last audited financial statements.

"Material modifications means any modification in the original contract or arrangement with a Related Party that would result in change of twenty five percent or more (25%) on the originally approved transaction value or any modification of other material terms including non-financial terms like credit period, scope of contract etc. which were determined during approval of the contract or arrangement, specifically defined as such by the Audit Committee.

In case a modification is required pursuant to amendment to the applicable laws, it shall not be regarded as a material modification.

“Related Party” means a related party as defined under the Companies Act, 2013 read with LODR Regulations as may be amended from time to time.

“Related Party Transaction” means any transaction between:

the Company or any of its subsidiaries “and” any Related Party to the company or its subsidiaries, or

the Company or any of its subsidiaries “and” any other person or entity the purpose and effect of which is to benefit a related party of the company or any of its subsidiaries;



for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- 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 the 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;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related to another in any of the following manner –

- a. Members of Hindu Undivided Family;
- b. Spouse;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son's wife;
- g. Daughter;
- h. Daughter's husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

“SEBI LODR” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any amendment thereto and/or modification thereof from time to time, and includes any circulars, guidelines, directions and industry standards issued thereunder or in relation thereto.

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

“Transactions in the Ordinary course of business” cover the usual transactions, customs and practices of the Company. However, the following transactions are considered outside the Company's ordinary course of business:

- a) Complex equity transactions, such as corporate restructurings or acquisitions;
- b) The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged;
- c) Sales transactions with unusually large discounts or returns;



- d) Transactions with circular arrangements, for example, sales with a commitment to repurchase; and
- e) Transactions under contracts whose terms are changed before expiry

4. POLICY

- 4.1 The Audit Committee shall review and approve all Related Party Transactions based on this Policy.
- 4.2 All proposed Related Party Transactions and subsequent material modifications shall be placed before the Audit Committee for prior approval in accordance with this Policy. In the case of frequent/regular/ repetitive transactions which are in the ordinary course of business of the Company, the Committee may grant standing pre –approval/omnibus approval.
- 4.3 In exceptional cases, where prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances for Related Party Transactions not exceeding Rs.100 lakhs each, the Committee may ratify the transactions in accordance with this Policy.

5. IDENTIFICATION OF RELATED PARTY(IES) “AND” TRANSACTIONS

- 5.1. A person or his /her relative as defined under clause 3, is related to the Company if that person:
 - a. is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. has control or joint control or significant influence over the Company or its subsidiaries; or
 - c. is a key managerial personnel of the Company or of the Holding Company or its subsidiaries; or
- 5.2. An entity is related to the Company if any of the following conditions apply:
 - a. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
 - b. The entity is an associate or joint venture of the Company; or
 - c. The entity is controlled or jointly controlled by a person identified in 5.1; or
 - d. A person identified in 5.1.b has significant influence over the entity (or of the Holding Company or subsidiary of that entity);
- 5.3. Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:
 - a. Names of his/her Relatives;
 - b. Partnership firms in which he/she or his/her Relative is a partner;
 - c. Private Companies in which he/she is a member or Director;



- d. Public Companies in which he/she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
 - e. 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
 - f. 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).
- 5.4. Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.
- 5.5. The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties.
- 5.6. The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional/business heads/Chief Financial Officer /Company Secretary/ shall have access to the updated database.
- 5.7. Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction which may be required , for being placed before the Committee, Board and shareholders as required.
- 5.8. The suggested details and list of records and supporting documents which are required to be provided along with the Notice of the proposed transaction are provided in Annexure 2 to this Policy.
- 5.9. The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

6. PROCESS FOR ENTERING INTO RELATED PARTY TRANSACTIONS

The following process shall be followed for related party transactions along with necessary approval as and when required under Companies Act, 2013 and the LODR Regulations:



A) Purchase of products and services from the related parties (other than subsidiaries/Joint Ventures)

In the case of transactions which are undertaken on the basis of contractual arrangements or are urgently required for purposes of the operations, the Audit Committee will accord approval to enter into such transactions on the basis stated below:

1. The Company will take multiple quotes from the vendors including the related parties.
2. In the usual course, the transaction may be entered into with the related parties if the quote of the related party is the least and all other terms and conditions for obtaining the goods or the service are at least as favorable as those offered by any other prospective supplier.
3. If the quality or delivery schedule or any other terms that is a pre-requisite for the Company and only the related party is able to offer these, the contract may be awarded to the related party even though the price quoted may not be the lowest.
4. In case there is no quote received other than that of the related parties, the management will indicate this to the Audit Committee and will seek approval on this basis.

The Company will provide a periodic update to the Audit Committee for all such transactions.

B) Sale of products and services (other than subsidiaries/Joint Ventures)

Audit committee may give omnibus approval subject to such conditions as mentioned under the prevailing laws and the same will be valid for one year and shall require fresh approval from Audit Committee after the expiry of one year.

C) Taking facilities on lease and/or renting out facilities on lease and taking / lending administrative support services for these facilities

Specific approval of the Audit Committee shall be taken for entering into leasing transactions with related parties.

D) Transactions with subsidiaries/Joint Ventures

The Company will provide the basis for entering into transaction with the subsidiaries/ Joint Ventures on arm's length basis. The Audit Committee will consider the principle/ basis for the arm's length price and will provide its approval for entering into the transactions with the subsidiaries/JVs on that principle for all the transactions in the ordinary course of business.



7. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

- 7.1 All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee by only those members of the Audit Committee, who are independent directors, whether at a meeting or resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

All Related Party Transactions and their material modifications with the unlisted subsidiary by a related party (Company is not a party to the transaction) shall require prior approval of the audit committee of the Holding Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent (10%) of the annual Standalone turnover, as per the last audited financial statements of the subsidiary

All material Related Party Transactions and their material modifications with the unlisted subsidiary by a related party s(Company is not a party to the transaction) shall require prior approval of the shareholders of the Holding Company

8. GUIDING PRINCIPLES FOR APPROVAL OF A RELATED PARTY TRANSACTION BY THE BOARD/ AUDIT COMMITTEE THEREOF

- 8.1 To review a Related Party Transaction, the Board/ Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required.
- 8.2 The Committee may grant omnibus approval for related party transactions which are frequent/regular/repetitive in nature and are in the ordinary course of business and satisfy the arm's length basis while considering the following factors:
- Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis 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 an improper 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, KMP 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.



- 8.3 The committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- 8.4 Such transactions once approved will be deemed to be pre-approved and subsequent material modifications shall require prior approval of the Audit Committee by only the members of Independent Directors for each specific transaction.
- 8.5 Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- 8.6 While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies/short term commercial decisions to improve/sustain market share, changing market dynamics, local competitive scenario, economic/regulatory conditions affecting the global/domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction
- 8.7 In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, 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 for ratification. In connection with any review of a Related Party Transaction, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy.
- 8.8 The Audit Committee will have the discretion to recommend/refer any matter relating to the Related Party Transaction to the Board for the approval.
- 8.9 In the case of Material Related Party Transaction and subsequent material modifications, the prior approval of the shareholders by way of resolution is also required irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm length or both and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- 8.10 In the event transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.



9. APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE

- 9.1 In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be confirmed by the Committee at its next scheduled meeting.

10. APPROVAL BY THE BOARD

- 10.1 If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

11. APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS

- 11.1 All Material Related Party Transactions and subsequent material modifications shall require prior approval of the shareholders through a resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

12. TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

- 12.1 All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through a resolution and the Related Parties shall abstain from voting on such resolution.

13. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

- 13.1 In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, 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.
- 13.2 The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction 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 deems appropriate under the circumstances.



14. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- 14.1 Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

15. SCOPE LIMITATION

- 15.1 In the event of any conflict between the provisions of this Policy and of LODR Regulations / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such LODR Regulations / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

16. DISSEMINATION OF POLICY

- 16.1 Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees 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.

**ANNEXURE 1****NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL**

The Company Secretary / Compliance Officer
Andhra Paper Limited
Rajahmundry-533 105
East Godavari District
Andhra Pradesh, India

Dear Sir,

A. I,, son/daughter/spouse of, resident of, holding Shares (equity or preference) of Rs. 2/- each (..... percent of the paid-up Capital) in the Company in my name, being a in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

LIST OF PUBLIC COMPANIES IN WHICH I AM A DIRECTOR AND I HOLD 2% OF PAID-UP SHARE CAPITAL ALONG WITH MY RELATIVE(S):

Sl. No.	Name of Companies	Nature of Interest or concern/ change in interest or concern	No. of Shares	% to paid up capital	Date on which interest or concern arose / changed

LIST OF PRIVATE LIMITED COMPANIES IN WHICH I AM A MEMBER OR DIRECTOR

Sl. No.	Name of Companies	Nature of Interest or concern / change in interest or concern	No. of Shares	% to paid up capital	Date on which interest or concern arose / changed



LIST OF PRIVATE LIMITED COMPANIES IN WHICH MY RELATIVE IS A MEMBER OR DIRECTOR

Sl. No.	Name of Companies	Nature of Interest or concern/change in interest or concern	No. of Shares	% to paid up capital	Date on which interest or concern arose / changed

LIST OF PARTNERSHIP FIRMS IN WHICH I AM A PARTNER:

Sl. No.	Name of the Firm	Nature of Interest or concern / change in interest or concern	Date on which interest or concern arose / changed

LIST OF PARTNERSHIP FIRMS IN WHICH MY RELATIVES ARE PARTNERS:

Sl. No.	Name of the Firm	Name of the Partner	Relationship

B.The following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with my advice, directions or instructions;

Sr.No	Name of the Body Corporate



C.I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).

Sr. No.	Name of the person	Relation

Place:

Date:

Signature:

Name:

Designation:



SCHEDULE

LIST OF RELATIVES

S.No	Relation	Name
1	Members of Hindu Undivided Family	
2	Spouse	
3	Father (including step-father)	
4	Mother (including step-mother)	
5	Son (including step-son)	
6	Son's wife	
7	Daughter	
8	Daughter's Husband	
9	Brother (including step-brother)	
10	Sister (including step-sister)	

Place:

Date:

Signature:

Name:

Designation:



ANNEXURE 2

INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE / BOARD/SHAREHOLDERS IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):

The Audit Committee / Board/ Shareholders, as the case may be, shall be provided with the information as specified in the Act, SEBI LODR, Industry Standards on “Minimum information to be provided for review of the Board/Audit committee and Shareholders for approval of a related party transaction” and Framework on Related Party Transactions, while placing any proposal for review and approval for entering into Transactions with Related Party(s).

Further, the Audit Committee and/or Board may call for such additional information as may deemed to be fit for granting approval to such transactions.

Suggested Details:

1. Name of the Related Party and nature of relationship;
2. Nature and duration of the contract/transaction and particulars thereof;
3. Material terms of the contract or arrangement or transaction including the value, if any;
4. 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;
5. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given -
 - a) details of the source of funds in connection with the proposed transaction;
 - b) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - i. nature of indebtedness;
 - ii. cost of funds; and
 - iii. tenure;
 - c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - e) Justification as to why the RPT is in the interest of the listed entity;



6. In case of existing or approved contracts, transactions, details of proposed material modifications, variations to the duration and/or material terms of the contract or arrangement including a justification to the proposed variations;
7. Any advance paid/received or to be paid/received for the contract or arrangement, if any;
8. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
9. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
10. Applicable statutory provisions, if any;
11. Valuation reports in case of sale or purchase or leasing / renting of capital assets or securities;
12. Justification as to the arm's length nature of the proposed transaction;
13. Declaration whether the transaction is in the ordinary course of business;
14. Persons/authority approving the transaction; and
15. Any other information relevant or important for the Committee/ Board/Shareholders to take a decision on the proposed transaction