



Effective: April 01, 2019
Supersedes: May 21, 2014

Policy on Related Party Transactions

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Dated:- February 11,2019.

Approved By: - Board of Directors

Name: -
Signature

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1. Preamble

The Policy has been framed to comply with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) The Policy is intended to ensure the objectives to align with the provisions of the Companies Act, 2013, to adopt best practices on corporate governance and to make the corporate governance framework more effective.

The Board of directors of the PI Industries on the recommendation of its Audit Committee have decided to adopt this policy for Related Party transactions to ensure that all the transactions entered into by the Company or will be entered into by the Company in the best interest of stakeholders and are in Compliance with Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

2. Objective

The objective of the policy is to ensure proper approval and reporting of Related Party Transactions and to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Including any statutory enactment/amendments thereof) and Companies Act, 2013.

3. Applicability of Policy

This Policy shall come into force with effect from 31st March 2019 as adopted by board of directors on the recommendation of Audit Committee.

4. Definitions

- ❖ **“Act”** unless otherwise mentioned in the Policy, means the Companies Act, 2013 and Rules thereto as amended from time to time by the Ministry of Corporate Affairs through circulars, notifications by whatever name called.
- ❖ **“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.

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- ❖ **“Associate Company”**, in relation to another company, means a company in which that other company has a significant influence, but which is not a Subsidiary company of the Company having such influence and includes a joint venture company.

Explanation- For the purposes of this clause,

“Significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement

“joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

- ❖ **Audit Committee** shall mean the Audit Committee constituted by the Board of the Company from time to time, in line with the provisions of the Companies Act, 2013 and Listing Regulation and as amended time to time.
- ❖ **“Board of Directors”** or **“Board”** shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Companies Act, 2013 and as amended time to time.
- ❖ **“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013;
 - (i) The Chief Executive Officer (CEO) or the Managing Director or the Manager as defined under the Act;
 - (ii) The Company Secretary;
 - (iii) The Whole- time director; and
 - (iv) The Chief Financial Officer (CFO) and
 - (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board;
- ❖ **“Material transaction”** means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, exceeding the following thresholds:

(i) In case of transactions involving payments made with respect to brand usage or royalty, if it exceeds 2% of the annual consolidated turnover of the Company as per its last audited financial statements;



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(ii) In case of any other transaction(s), if the amount exceeds 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements;

(iii) in case of payment(s) made to the related party(ies) with respect to brand use or royalty amounting to more than 2% of consolidated turnover of the company.

- ❖ **“Ordinary Course of Business”** shall include but not limited to the activities mentioned under Main Objects Clause of the Memorandum of Association of the Company and shall include providing of guarantees or collaterals , transfer, leasing, sale, purchase of goods, services and assets of the company for purpose of doing the business or facilitating the business of the Company.
- ❖ **“Policy”** shall mean policy on Related Party Transactions adopted by the board of PI Industries and amended time to time for compliance of relevant laws and statute for the time being in force.
- ❖ **“ Related Party”** is a person or an entity which is:
 - (i) a related party under Section 2(76) of the Act;
 - (ii) a related party under the applicable Accounting Standards;
 - (iii) any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company
- ❖ **“Relative”** means with reference to any person, means one who is related to another in any of the following manner —
 - (i) if they are members of a Hindu Undivided Family
 - (ii) if they are husband and wife
 - (iii) Father (including step-father)
 - (iv) Mother (including step-mother)
 - (v) Son (including step-son)
 - (vi) Son’s wife
 - (vii) Daughter
 - (viii) Daughter’s husband
 - (ix) Brother (including step-brother)
 - (x) Sister (including step-sister)
- ❖ **“Transaction”** shall be construed to include single transaction or a group of transactions in a contract.

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- ❖ “**Related Party Transaction**” means a related party transaction as defined under Regulation 2(1)(zc) of the Listing Regulations read with amendments issued from time to time.

5. Procedure to Identify Related Party Transactions

Each director and KMP shall give notice to the Company Secretary about his interest in various parties and transactions in the beginning of financial year and changes, if any during the financial year in the specified format. On the basis of such disclosures the Company Secretary shall identify the proposed related party transactions.

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the relationships, directorships, holdings, interests and/or controls immediately on him / her becoming aware of such changes.

6. Review and Approval Process of Related Party Transactions

Approval for Related Party Transactions: The Company shall not enter into any Related Party Transaction except as stated hereinafter.

1. Transactions requiring approval of Audit Committee:

- All Related Party Transactions shall require approval of the Audit Committee.
- Except for transactions 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 of the Company for approval (“WOS”), all Related Party Transactions shall require a prior approval of the Audit Committee.

Provided that any Related Party Transaction which is not in the ordinary course of business or not at arm’s length shall require a prior approval of the Audit Committee.



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2. *Transactions requiring approval of Board:*

Following transactions shall require a prior approval of the Board:

- i) Related Party Transactions which are not in the ordinary course of business or not at arm's length price.
- ii) Material Related Party Transactions.

3. *Transactions requiring approval of Shareholders of the Company:*

- All Material Related Party Transactions shall require approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company; and no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.
- All Related Party Transactions which are not in the ordinary course of business or not at arm's length and which are in excess of the limits prescribed under the Act requiring the approval of shareholders, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company; and in such cases, no related party shall vote to approve such resolutions whether the entity is a party to the particular transaction or not.

4. **Approval & Review Mechanism:**

- While seeking the approval of the Audit Committee, Board or the Shareholders, all information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws or by the Audit Committee or the Board, shall be duly provided to the Audit Committee, Board or Shareholders, as the case may be.
- The Audit Committee may grant omnibus approval for Related Party Transactions considering the repetitive nature of the transactions.
- The Audit Committee, shall, after being authorized by the Board of Directors, specify the criteria for granting omnibus approvals to the Related Party

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Transactions proposed to be entered into by the Company in the manner and to the extent prescribed under the Laws. Such omnibus approvals shall be valid for one year. The Audit Committee shall, while granting such omnibus approvals, satisfy itself about the adherence to the criteria so specified by it.

- The Audit Committee shall satisfy itself about the need for such omnibus approval and that such approval is in the interest of the Company.
- The omnibus approval granted by the Audit Committee shall include the following particulars:
 - i. Name of the related parties;
 - ii. Nature and duration of the transaction;
 - iii. Maximum amount of transaction that can be entered into;
 - iv. The indicative base price or current contracted price and the formula for variation in the price, if any; and
 - v. Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- In case of any Related Party Transactions that cannot be foreseen or transactions in respect of which complete details are not available, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rs.1 crore per transaction in a financial year.
- The Audit Committee shall not grant omnibus approval for transactions in respect of selling or disposing of the undertaking of the Company
- Any Director or Key Managerial Personnel who is interested in any Related Party Transaction shall not be present at the meeting of the Board or Audit Committee during discussions on the subject matter of the resolution relating to such transaction.
- The Audit Committee shall review, on a quarterly basis, the details of all Related Party Transactions entered into by the Company.

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- On a quarterly basis, the management shall submit a report to the Audit Committee providing a comparison between the approvals granted and the actual transactions.

7. Related Party Transactions

Nature of Transactions	Materiality as per Companies Act, 2013 (A)	Materiality as per SEBI LODR (B)
Sale, purchase or supply of any goods or materials directly or through appointment of agents	Exceeding 10% of Turnover or Rs.100 Crores, whichever is lower	All transactions with one party exceeding 10% of the annual consolidated turnover
Buying, selling or disposing of property of any kind directly or through appointment of agents	Exceeding 10% of Networth or Rs.100 Crores, whichever is lower	
Leasing of any kind of property	Exceeding 10% of Networth or 10% of Turnover or Rs.100 Crores, whichever is lower	
Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of Turnover or Rs.50 Crores, whichever is lower	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs.250,000	
Remuneration for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net worth	
Payment towards royalty/brand usage	-	

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8. Related Party Transactions not previously approved

In the event the Company or any of its directors/ officers/ employees becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction(s) shall be reported to the Company Secretary. The Company secretary shall place the aforesaid transaction(s) for approval of competent authority as promptly as practicable to the Audit Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances of 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.

9. Disclosure and Reporting Of Related Party Transactions

Related Party Transaction entered into by the Company which are not in ordinary course of business or on arm's length price shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction as per the requirements of Companies Act, 2013, Listing Regulation as amended time to time.

The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website. This amendment need to comply from the half-year ending 31 March 2019.

Further ,as a part of the "Related Party Disclosure" in the annual Report ,disclosures of transactions of the listed entity with any person or entity belonging to the promoter/promoter



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group which hold(s) 10% or more shareholding in the listed entity, should also be in the format prescribed in the relevant accounting standards for annual results.”

Details of all material transactions with the related party shall be disclosed quarterly along with the Compliance report on corporate governance.

10. Amendment to the Policy

This policy is duly approved by board of Directors of PI Industries and they reserve the right to alter/ modify or change the policy to give effect to the changes brought in by the law or for any other reason to protect the interest of the Company and Stakeholders in consultation with Audit Committee.