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Policy on Related Party Transactions

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Dated:- May 17, 2022

Approved By: - Board of Directors



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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 Limited 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 April 01, 2022 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.

“**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



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"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;
- 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;
- vi. such other officer as may be prescribed.

"Material transaction" means a transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year:

- i. Exceeds Rs. 1000 Cr. or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower;
- ii. In case of transactions involving payments made to a related party 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.

"Material Modification in Related Party Transactions" in terms of SEBI Listing Regulations means any modification(s) in the price, quantity and overall transaction value having a variance of 10% or more, in the relevant previously approved related party transaction.

"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 & Article of Association and allied activities thereto.

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“**Policy**” shall mean policy on Related Party Transactions adopted by the board of PI Industries Limited 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;
 - a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
 - b) any person or any entity, holding equity shares-
 - of twenty per cent or more; or
 - of ten per cent or more, with effect from April 1, 2023;in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year;

“**Relative**” 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)

“**Related Party Transaction**” as defined under Section 2(76) of Companies Act, 2013 and Regulation 2(1)(zc) of Listing Regulations, 2015, means

- 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 leasing of property of any kind;
- e. availing or rendering of any services;
- f. appointment of any agent for purchase or sale of goods, materials, services or property;
- g. appointment to any office or place of profit in the company, its subsidiary company or associate company;



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- h. underwriting the subscription of any securities or derivatives thereof, of the company:
- i. transaction involving a transfer of resources, services or obligations between:
 - i. the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
 - ii. the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries, with effect from April 1, 2023; regardless of whether a price is charged.

“**Transaction**” shall be construed to include single transaction or a group of transactions in a contract.

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.

The Company will identify the potential transactions with the Related parties.

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 prior approval of Audit Committee:

- i. All Related Party Transactions, except with Wholly-owned Subsidiary, and subsequent material modifications thereto.
- ii. 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 consolidated turnover, as per the last audited financial statements of the Company (w.e.f. April 1, 2023,

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ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary).

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

However, prior approval of Audit Committee shall not be required for the following transactions-

- i. Transactions between the Company and its wholly-owned subsidiary/(ies) (“WOS”) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval.
- ii. Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iii. Related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub - regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.

Information provided to Audit Committee for its review and approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity’s annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary’s annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and

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- tenure;
- iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

2. Transactions requiring approval of Board:

Following transactions shall require a prior approval of the Board:

- i. Related Party Transactions defined u/s 188 of the Companies Act, 2013, which are not in the ordinary course of business or not at arm's length price.
- ii. Transactions which are in ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- iii. Material Related Party Transactions.

However, approval of Board shall not be required for the following transactions-

- i. Transactions between the Company and its wholly-owned subsidiary/(ies) ("WOS") whose accounts are consolidated with the Company and placed before the shareholders at the general meeting of the Company for approval.
- ii. Transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iii. Related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub - regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.



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3. Transactions requiring approval of Shareholders of the Company:

- i. All Material Related Party Transactions and subsequent material modifications shall require prior approval of the Shareholders of the Company by way of a resolution passed at the general meeting of the Company.
- ii. 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 threshold limits prescribed under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules made under the Companies Act, 2013 for this purpose, shall require an approval of the Shareholders by way of a resolution passed at the general meeting of the Company.

Provided that no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.

Further, the information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, 2015, from time to time shall be provided in the Notice to the shareholders for consideration of RPTs.

However, prior approval of shareholders shall not be required for the following transactions-

- i. Related party 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").
- ii. Related party transactions entered into between two wholly - owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iii. Related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub - regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the shareholders of the listed subsidiary shall suffice.

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

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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 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. Exceptions

Following Related Party Transactions shall not require any separate approval under this Policy:

- a. Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b. Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c. Issue of specified securities on preferential basis, subject to compliance of requirements under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- d. Payment of Dividend;
- e. Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;

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.

In connection with any review/ approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.



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9. Disclosure and Reporting Of Related Party Transactions

Related Party Transactions 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 Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website.

Provided further that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results with effect from April 1, 2022.

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

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 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

The Audit Committee of the Company shall review this Policy from time to time, but at least once every three years, and may recommend amendments to the same for approval of the Board.

In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities not being consistent with the provisions laid down in this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions herein and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

11. Communication

This Policy will be communicated to all Directors, KMPs and Members of the Management Committee and other concerned persons of the Company.