

**Effective: October 28th, 2014**

**POLICY ON RELATED PARTY TRANSACTIONS**

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**Date:- 28<sup>th</sup> October 2014**

**Approved By:-** Board of Directors in their meeting held on October 28, 2014

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## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. Preamble**

The Companies Act, 2013 envisages radical changes in the area of Corporate Governance. The Security Exchange Board of India (SEBI) has reviewed the provisions of the Listing Agreement and with 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, revised clause 49 of the listing agreement.

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 listing agreement.

### **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 clause 49 of Listing Agreement.

(Including any statutory enactment/amendments thereof) and Companies Act, 2013.

### **3. Scope of Policy**

The Policy shall be applicable to all related party transactions entered into on or after 1st October, 2014. However, in case any conflict arise between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

### **4. Applicability of Policy**

This Policy shall come into force with effect from 1st October, 2014 as adopted by board of directors on the recommendation of Audit Committee.

### **5. Definitions**

5.1 "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.

5.2 "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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5.3 “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 share capital, or of business decisions under an agreement.

5.4 “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 Agreement and as amended time to time.

5.5 “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.

5.6 “Key Managerial Personnel” in relation to the Company means:

- i. The Chief Executive Officer or the Managing Director or the Manager;
- ii. The Company Secretary;
- iii. The Whole-time Director;
- iv. The Chief Financial Officer; and
- v. Such other officer as may be prescribed.

5.7 “Listing Agreement” shall mean the regulations that needs to be complied by the Company as a part of the agreement with the Stock Exchange where the securities of the Company are listed, by whatever name called and as amended time to time.

5.8 “Material transaction” shall have the same meaning as defined under the listing agreement with the stock exchange. As per Clause 49(VII)(C) of the Listing Agreement “a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the consolidated annual turnover of th company as per the last audited financial statements of the company.”

5.9 “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.



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5.10 “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.

5.11 Related Party” under the Act, with reference to the Company, shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and as defined in Clause 49 of Listing Agreement and as amended time to time.

5.12 “Relative” means Relative as defined under Sec 2(77) of Companies Act, 2013 and as amended time to time.

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

### **6. 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 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.

### **7. Review and Approval Process of Related Party Transactions**

#### **7.1 Audit Committee Approval**

Every Related Party Transaction shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by way of circulation. 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 ratified by the Committee at its next scheduled meeting.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall abstain from discussion and voting on the approval of the related party transaction.

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### **7.1.1 Omnibus Approval by Audit Committee** (as provided in Corporate Governance Norms)

The Committee may grant standing pre –approval / omnibus approval In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company. The Committee shall satisfy itself about the need for such omnibus approval and that such approval is in interest of the Company.

Such omnibus approval shall specify:

- Name(s) of related Party;
- Nature, period and maximum amount which in involved in the transaction;
- The indicative base price/ current contracted price and the formula for variation in price, if any; and
- Such other conditions, as the Audit Committee may deem fit.

Further, where the need for Related Party Transaction 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.

Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of omnibus approval given. Such omnibus approvals shall be valid for a period of one year and shall require fresh approval after expiry of one year.

### **7.2 Board Approval**

If the Audit 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 of Board. Directors interested in the transaction should not participate in discussion in respect of such resolutions in which he is interested.



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### **7.3 Shareholders' Approval**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

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 special resolution and the Related Parties shall abstain from voting on such resolution.

### **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 shall be reported to Company Secretary. The Company secretary shall place the transaction 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 Agreement as amended time to time.

The Company shall disclose the policy on dealing with Related Party Transaction on its website and also provide weblink for the same in its Annual Report.

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



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The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013 and do all the other necessary compliances/disclosure as may be required for the time being in force.

### **10. General**

a) Any person, being an employee, manager or director of the Company, who is a Related Party or if the Related Party relationship arises through any person being an employee, manager or director of the Company, shall provide to the Audit Committee complete details of the transaction under review, as requested from time to time.

b) In case of an enquiry of a transaction where a member of the Audit Committee is the concerned Related Party or if the Related Party relationship arises through him then, such member shall not participate in the process of review of such transaction.

### **11. 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.