

PRATIBHA SYNTEX LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

1. OBJECTIVE:

The Board of Directors of **Pratibha Syntex Limited** (the “Company”), has adopted this **“POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS”** (“Policy”) to ensure compliance of the applicable provisions of the Companies Act, 2013 & Rules made thereunder (“the Act”) and Indian Accounting Standard (IND AS) 24, as amended or re-enacted from time to time and which relate to the identification of the Related Parties and governance & approval of the Related Party Transactions, wherever required.

2. DEFINITIONS:

“**Act**” means the Companies Act, 2013, read with rules framed thereunder, as amended from time to time.

“**Arm’s Length Transactions**” shall mean transaction between the Company and the related party(ies) that is conducted as if they were unrelated, so that there is no conflict of interest, and such a price charged for the transaction to a related party(ies) that has in no case been influenced by such relationship or are done at an open market price.

“**Audit Committee or Committee**” means Audit Committee of the Board of Directors of the Company constituted under the provisions of the Act, and other applicable laws as amended from time to time.

“**Board**” means the Board of Directors of the Company.

“**Material Related Party Transaction**” shall mean any transaction to be entered into with a Related Party, individually or taken together with previous transactions during a financial year, which exceeds the threshold as provided under the Act and the Companies (Meetings of Board and its Powers) Rules, 2014.

“**Policy**” means Policy on Related Party Transactions.

“**Related Party**” is a person or an entity that is:

- (i) a related party under Section 2(76) of the Companies Act, 2013;
- (ii) a related party under the applicable Indian Accounting Standards / Accounting Standards;

“**Related Party Transaction**” means a transaction between the Company and a related party which is of the nature specified in sub-clause (a) to (g) of Section 188(1) of the Companies Act, 2013, as follows:

- (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 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; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company;

For the above, a Related Party Transaction shall include a single transaction or a group of transactions in a contract with a Related Party.

“Relative” means relative as defined under Section 2(77) of the Companies Act, 2013, and rules prescribed thereunder.

3. IDENTIFICATION AND REVIEW OF POTENTIAL RELATED PARTY TRANSACTIONS:

- (a) Each Director, Key Managerial Personnel and Senior Management Personnel as defined in the Human Resource Nomination and Remuneration Policy of the Company is responsible for providing the notice to the Audit Committee / Board of potential related party transaction whenever wishes to enter into a related party transactions with the Company involving either him/her or his/her relative, along with all relevant details and documents. The Company Secretary and Chief Financial Officer are authorized to determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.
- (b) Notice of any related party transactions, referred above shall be given well in advance to the Audit Committee/Board so that they would have adequate time to review the proposed transaction, additional information or documents about the proposed related party transactions, if necessary, which is required to be placed before the Audit Committee to enable it to approve the said transactions.

The Company shall place before the Audit Committee and the Shareholders, the minimum prescribed information for consideration and approval of Related Party Transactions in accordance with the Company's Policy on Related Party Transactions.

4. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS:

All related party transactions and subsequent material modifications to the transactions shall require prior approval of the Audit Committee.

All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through Special Resolution, wherein no Related Party shall vote to approve such resolutions, whether the entity is a related party to the particular transaction or not:

Related Party Transactions will be referred to the prior scheduled meeting of the Audit Committee / Board Meeting for review and approval.

While assessing a proposal put up before the Audit Committee for approval, the Committee shall review the necessary documents and seek the necessary information from the management to determine if the transaction is in the ordinary course of business and at arm's length or not.

In determining whether to approve a Related Party Transaction(s), the following factors, inter alia, shall be considered:

- a) The name of the Related Party and nature of the relationship;
- b) the nature, duration of the contract, and particulars of the contract or arrangement;
- c) the material terms of the contract or arrangement, including the value, if any;
- d) any advance paid or received for the contract or arrangement, if any;
- e) the manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- f) whether all factors relevant to the contract have been considered, if not, the details of factors not considered, with the rationale for not considering those factors; and
- g) any other information relevant or important for the Board to decide on the proposed transaction.

All **Material** Related Party Transaction/s and subsequent material modifications shall be approved by the shareholders of the Company. The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:

- a) name of the related party;
- b) name of the director or key managerial personnel who is related, if any;
- c) nature of the relationship;
- d) nature, material terms, monetary value, and particulars of the contract or arrangement;
- e) any other information relevant or important for the members to take a decision on the proposed resolution.

5. OMNIBUS APPROVAL FOR RELATED PARTY TRANSACTIONS ON AN ANNUAL BASIS:

All related party transactions shall require approval of the Audit Committee, and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiary, subject to the following conditions, namely:

- 1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval, which shall include the following, namely:
 - a) maximum value of the transactions, ***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 least every quarter, related party transactions entered into by the Company or its subsidiary, pursuant to each of the omnibus approvals made.
 - e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall consider the repetitiveness of the transactions (in the past or in the future) and justification for the need for omnibus approval, while specifying the criteria for making omnibus approval.
3. The omnibus approval shall contain or indicate the following:
- a) name of the related parties;
 - b) nature and duration of the transaction;
 - c) maximum amount of transactions that can be entered into;
 - d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
 - e) any other information relevant or important for the Audit Committee to decide on the proposed transaction:
- Provided that where the need for a related party transaction cannot be foreseen and the aforesaid details are not available, the audit committee may make omnibus approval for such transactions, subject to their value not exceeding rupees one crore per transaction.
4. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
5. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
6. The audit committee shall review, at least every quarter, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

6. RATIFICATION OF RELATED PARTY TRANSACTIONS:

The Audit Committee, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed Rupees One Crore;
- (ii) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee, and if the transaction is with a related party to any Director, or is authorised by any other Director, the Director(s) concerned shall indemnify the Company against any loss incurred by the Company.

7. DISCLOSURE:

1. The Company shall maintain a register pursuant to Section 189 of the Act and enter therein the particulars of all the Related Party Transactions with a Related Party.
2. Disclosures as appropriate concerning the Related Party Transactions and/or Material Related Party Transactions shall be made in the Board Report of the Company, including its Financial Statements, and also to such other authority as may be prescribed from time to time.

8. RELATED PARTY TRANSACTIONS REQUIRED TO BE APPROVED, BUT NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy before its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall evaluate all options available to the Company, including ratification, revision, or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances about the failure of reporting such Related Party Transaction to the Committee under this Policy and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions, including, but not limited to, immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has the authority to modify or waive any procedural requirements of this Policy.

9. AMENDMENT:

1. This Policy shall be reviewed by the Board of Directors from time to time, as and when necessary, and updated accordingly.
2. Dealing with Related Party Transactions shall be in accordance with the Companies Act, 2013, and the applicable Rules thereunder, applicable Indian Accounting Standards, and other applicable provisions for the time being in force.
3. In the event of any conflict between the provisions of this Policy and the Act or any other statutory enactments, rules, the provisions of such Act or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Act, and/or applicable laws in this regard shall, mutatis mutandis, apply to /prevail upon this Policy.