



## RELATED PARTY TRANSACTION POLICY

### Introduction

In terms of clause 49 of the Listing Agreement, the Board of Directors (the “board”) of Precot Meridian Limited (the “company”), has adopted the following policy and procedures with regard to related party transactions as defined below on 06-Nov-2014. The audit committee will review and may amend this policy from time to time.

This policy is to regulate transactions between the company and its related parties based on the applicable laws and regulations on the Company.

This policy is intended to ensure proper approval and reporting of transactions between the company and its related parties. Such transactions are appropriate only if they are in the best interest of the company and its shareholders. The company is required to disclose each year in the financial statements, transactions between the company and related parties.

### Definitions

“**Board**” means board of directors of the company

“**Committee**” means audit committee of the board as constituted or reconstituted under provisions of Listing Agreement and Companies Act, 2013

“**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes

- i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole- time director;
- ii. Company Secretary; and
- iii. Chief Financial Officer

“**Material Related Party Transaction**” means a transaction with a related party where the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company



**“Policy”** means related party transaction policy

**“Related Party”** means related party as defined under clause 49 of the Listing Agreement

**“Related Party Transaction”** means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged

**“Relative”** means relative as defined under the Companies Act, 2013

### **Policy**

All related party transactions must be reported to the audit committee and referred for approval by the committee in accordance with this policy.

### **Identification of Potential Related Party Transactions**

Each director and key managerial personnel is responsible for providing notice to the committee and board, of any potential related party transaction involving him/ her or his/ her relative, including any additional information about the transaction that the board/ committee may reasonably request. Board/ committee will determine whether the transaction does, in fact, constitute a related party transaction requiring compliance with this policy.

The company prefers to receive such notice of any potential related party transaction well in advance so that the committee /board has adequate time to obtain and review information about the proposed transaction.

### **Prohibitions related to Related Party Transactions**

All related party transactions shall require prior approval of the committee. The board approval shall be obtained, if the transaction is not in the ordinary course of business and/or at arm’s length.

Further, all material related party transactions shall require approval of the board and shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

### **Review and Approval of Related Party Transactions**

Related party transactions will be referred to the committee for review and approval. Any member of the committee who has a potential interest in any related party transaction will



recuse him or herself and abstain from discussion and voting on the approval of the related party transaction.

To review a related party transaction, the committee will be provided with all relevant material information of the related party transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the company and to the related party, and any other relevant matters. In determining whether to approve a related party transaction, the committee will consider the following factors, among others, to the extent relevant to the related party transaction:

- a. Whether the terms of the related party transaction are fair and is on arm's length basis to the company and would apply on the same basis if the transaction did not involve a related party;
- b. 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;
- c. Whether the related party transaction would affect the independence of an independent director;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Whether the company was notified about the related party transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the company; and
- f. Whether the related party transaction would present an improper conflict of interest for any director or key managerial personnel of the company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other related party, the direct or indirect nature of the director's, Key Managerial Personnel's or other related party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the board/committee deems relevant.

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 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.



## **OMNIBUS APPROVAL**

The committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:

- a. The committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.
- c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/ current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.

- d. Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Notwithstanding the foregoing, the following related party transaction shall not require approval of the committee or shareholders:

- i. Any transaction that involves the providing of compensation to a director or key managerial personnel in connection with his or her duties to the company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Any transaction in which the related party's interest arises solely from ownership of securities issued by the company and all holders of such securities receive the same benefits pro rata as the related party.



### **Related Party Transactions 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 prior to its consummation, the matter shall be reviewed by the committee. The committee shall consider all of 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 pertaining to 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 authority to modify or waive any procedural requirements of this policy.

### **Amendment to the Policy**

The board on its own and/or as per the recommendations of the committee can amend this policy, as and when deemed fit.

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