



RELATED PARTY TRANSACTION POLICY

Introduction

In terms of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations), the Board of Directors (the “Board”) of Precot Limited (the “company”), has adopted the following policy and procedures with regard to related party transactions.

This policy is to regulate transactions between the company and its related parties within the framework of the provisions of the Companies Act, 2013, Accounting Standard AS-18 and the SEBI (Listing obligations and disclosure requirements) Regulation, 2015 as amended and time being in force.

This policy is intended to ensure proper approval, disclosure 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 stakeholders.

The company is required to disclose each year in the financial statements, transactions between the company and related parties. Further, Company is also required to disclose related party transactions on a consolidated basis and submit the same to stock exchanges in the specified format and also publish the same on its website.

Objective of the Policy

The Board of Directors of the Company (“the Board”), on the recommendation of the Audit Committee, has adopted this Policy and associated procedures for regulating related party transactions, in line with the requirements of the Companies Act, 2013 (“the Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and applicable Accounting Standards.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and its related parties. This Policy Specifically deals with the review and approval mechanism of material related party transactions keeping in mind the potential or actual conflicts of interest that may arise because of such transaction.



Definitions

“Audit Committee or Committee” means a Committee of the Board of Directors of the Company constituted in terms of the Listing Regulations and the Act;

“Arm’s Length Transaction” Arm’s Length Transaction means a transaction between two related parties that is conducted as if they were unrelated.

“Board” means the Board of Directors of the Company;

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

“related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

Provided that:

- (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:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;

in the listed entity 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 shall be deemed to be a related party.

“related party transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;
regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:



Provided that the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. subdivision or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- (c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board: Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognized stock exchanges.

“Material Related Party Transaction” means a transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower. However a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% {five} percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

“Key Managerial Personnel”, in relation to a 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;
- (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; and
- (vi) such other officer as may be prescribed;



Words and expression used in this policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

1. Policy

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

2. Identification of Related party Transactions

All Directors and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year, immediately on occurrence. Further, Directors and KMPs should disclose to the Board whether they, directly, indirectly, or on behalf of third parties, have material interest in any transaction or matter directly affecting the Company.

3. Review and Approval of Related Party Transactions

Unless otherwise stated in this Policy, all Related Party Transactions, other than transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval and 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, shall require prior approval of the Audit Committee of the Company.

For the aforesaid purpose, all Related Party Transactions must be reported to the Company Secretary who shall place the same before the Audit Committee in accordance with this Policy.

The Audit Committee may grant omnibus approval to Related Party Transactions that are:

- a. related party transactions which are repetitive in nature; and
- b. entered in the ordinary course of business and on arm's length basis. Such omnibus approval may be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:



- (a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- (b) The requisite information is presented to the Audit Committee's satisfaction to confirm that the transaction is entered in the ordinary course of business and on arm's length basis;
- (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, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (d) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of the financial year. The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval granted by the Audit Committee earlier.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse himself or herself and abstain from discussion or voting on the approval or ratification of such related party transaction.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval. Any member of the Board who has a potential interest in such Related Party Transaction will recuse himself or herself and abstain from discussion or voting on the approval of such Related Party Transaction.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, 2015.

All entities falling under the definition of related parties shall not vote to approve the said resolution being placed before the shareholders, irrespective of whether the entity is a party to the transaction or not.



4. Related Party Transactions that shall not require Approval

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. Transaction 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. Payment of Dividend;
- d. 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;
- e. Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

5. Threshold Limits to constitute material related party transactions

S.No	Transaction Category	Thresholds
1	Sale, purchase or supply of any goods or materials	Exceeding 10% of the turnover of the company
2	Selling or otherwise disposing of or buying, property of any kind	Exceeding 10% of the net worth of the company
3	Leasing of property of any kind	Exceeding 10% of the turnover of the company
4	Availing or rendering of any services directly or through appointment of agents	Exceeding 10% of the turnover of the company
5	and Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration	Exceeding INR 2.5 lakhs
6	Remuneration for underwriting the subscription of any securities or derivatives thereof of the company	Exceeding 1% of the net worth
7	Payment made with respect to brand usage or royalty	Exceeding 5% of the annual consolidated turnover of the Company

**Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.*



6. Limitations

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 basis. Further, all material related party transactions shall require approval of the Board and Shareholders through Resolution and the related parties shall abstain from voting on such resolutions.

7. Disclosure(s) and Amendments to the Policy

Details of all Material Related Party Transactions shall be disclosed to the Stock Exchanges on a Half yearly basis. The Company shall disclose this Policy on its website and provide the web link in the Annual Report. In addition to the disclosures required under the Accounting Standards, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company as part of the Board's Report.

This policy shall be reviewed by the Audit Committee and the Board of Directors once in three years. However, the policy can also be reviewed and/ or necessary changes may be brought up before the aforesaid period in the policy. In case of any changes are required due to legislative or regulatory requirements or for any other reason as may be felt appropriate by the Board. Any changes or modification on the policy would be approved by the Board of Directors.
