



PASUPATI ACRYLON LIMITED

POLICY ON RELATED PARTY TRANSACTION

Revision History:

Version No.	Overview of Changes	Date of Approval by Audit Committee	Date of Approval by Board of Directors	Review
Version-1	Original	-	25.05.2015	Not Applicable
Version-1	Original	-	25.05.2019	Reviewed
Version-2	Modification	18.05.2022	18.05.2022	Amended in line with SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021.

Note: The modification in the policy are mentioned in [Italic text].

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1. Preamble

Pursuant to Regulation 23(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any modification(s) / amendment(s) / re-enactment(s) thereof ("**SEBI Listing Regulations**"), a listed company is required to formulate a policy on materiality of related party transactions and on dealing with related party transactions. Further, the requirements for approval of related party transactions are prescribed under Section 177 & 188 the Companies Act, 2013 read with the Rules framed there under and SEBI Listing Regulations, including any statutory modification(s) or re-enactment thereof.

In light of the above, the Company has framed this Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions. This Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee.

2. Purpose

The Policy sets out the manner of dealing with the transactions between the Company and its related parties in compliance with the applicable laws and regulations as may be amended from time to time and fixes the materiality thresholds for related party transactions.

The purpose of this Policy is to outline the procedures for identification, approval, disclosure and reporting of related party transactions with a view to ensure that such transactions are executed in a transparent and fair manner in the best interests of the Company and its shareholders.

3. Definitions

- "**Act**" shall mean the Companies Act, 2013 and the Rules framed thereunder, including any modifications, clarifications, circulars or re-enactment thereof.
- "**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.
- "**Audit Committee or Committee**" means "Audit Committee" constituted by the Board of Directors of the Company under Regulation 18 of SEBI Listing Regulation and Section 177 of the Act as amended from time to time.
- "**Board of Directors**" or "**Board**" means the Board of Directors of the Company, as constituted from time to time.
- "**Company**" means Pasupati Acrylon Limited
- "**Key Managerial Personnel**" means key managerial personnel as defined under Section 2(51) of the Act and Regulation 2(1)(o) of SEBI Listing Regulations.

- **“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 enunciated in the Memorandum and the Articles of Association.
- **“Policy”** means Related Party Transaction Policy of the Company.
- **“Related Party”** means a person or entity:
 - (i) which is a related party as defined under Section 2(76) of the Act and the rules framed thereunder as amended from time to time;
 - (ii) which is a related party under the applicable accounting standards;
 - (iii) which is a related party under Regulation 2(1)(zb) of SEBI Listing Regulations.

¹*[As per Proviso to Regulation 2(1)(zb) of SEBI Listing Regulations, the following shall also be deemed to be a Related Party –*

- (a) any person or entity forming part of promoter or promoter group irrespective of their shareholding;*
 - (b) any person or entity holding equity shares of 20% or more; 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 immediately preceding financial year. (This shareholding threshold is set to be lowered to 10% w.e.f 1st April, 2023)]*
- **“Related Party Transactions (“RPTs)”** means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged, including transactions under Section 177 and Section 188 of the Act and rules thereof, as defined in applicable accounting standards and as defined in Regulation 2(1) (zc) of the SEBI Listing Regulations.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group of transactions in a contract.

- ²*["**Material Modification**" of related party transactions means and include any subsequent change to an existing related party transaction having a variance of 25% (twenty five percent) of the existing limit as sanctioned by the Audit Committee/Board/Shareholders or Rs. 10 Crore, whichever is lower.]*

Words and expressions used but not defined in this Policy shall have the same meanings respectively assigned to them in the (i) The Companies Act, 2013 or the Rules framed thereunder; (ii) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

^{1 & 2} Inserted vide review in meeting dated 18.05.2022

4. Materiality Thresholds

Regulation 23(1) of SEBI Listing Regulations requires the Company to provide materiality threshold limits for related party transactions. The Related Party Transactions which crosses the materiality thresholds as mentioned below shall be entered into by the Company only with prior approval of shareholders of the Company, as per applicable provisions of the Act and SEBI Listing Regulations, as amended from time to time.

Material Related Party Transaction:

- (i) All transactions with a related party shall be considered material if the transaction/transactions to be entered into with a Related Party, individually or taken together with previous transactions during a financial year³ [exceeds Rs 1000 crores or] 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, ⁴[whichever is lower] or such other limit in terms of SEBI Listing Regulations in force from time to time.-
- (ii) Further, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall also be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover as per the last audited financial statements of the Company.

5. Identification of Related Party Transactions

All directors and key managerial personnel are responsible for informing the Company of their interest (including interest of their relatives) in other companies, firms/bodies corporates or association of individuals at the beginning of every financial year and any change in such interest during the year.

In addition, all directors and key managerial personnel are responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving them or their relatives, together with any additional information about the transaction that the Board/Audit Committee may reasonably require.

The Company prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

^{3 & 4} Inserted vide review in meeting dated 18.05.2022

6. Review and Approval of Related Party Transactions

6.1 Audit Committee

- All Related Party Transaction ⁵[*and subsequent Material Modifications thereof*] shall require prior approval of the Audit Committee whether at a meeting or by a resolution by circulation.

⁶[*Only those members of the audit committee, who are independent directors, shall approve related party transactions*].

Based on the terms and conditions of a transaction, and applicable regulatory requirements, the Audit Committee may recommend/refer it to the Board for its approval.

- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to compliance of the conditions contained in the Act and SEBI Listing Regulations, as amended from time to time.
 - (a) Such omnibus approval shall be applicable in respect of transactions which are repetitive in nature.
 - (b) The Committee shall also 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.

However, where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, the Committee may grant omnibus approval upto Rs. One Crore per transaction.
 - (d) The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals 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.
- Any member of the 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.

^{5 & 6} Inserted vide review in meeting dated 18.05.2022

- ⁷*[The Audit Committee shall also review the status of long term (more than one year) or recurring related party transactions on an annual basis.]*
- To review a Related Party Transaction, the Committee shall be provided with the necessary information as prescribed under the Companies Act, 2013 and/or the SEBI Listing Regulations, from time to time, to the extent relevant, with respect to actual or potential Related Party Transactions.

6.2 Approval of the Board of Directors of the Company

- Pursuant to the provisions of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, All Related Party Transactions specified under the said Section and which are not in the ordinary course of business or not at the arm's length price shall be mandatorily placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties require approval of the Board:

- All related party transactions referred / recommended by the Audit Committee to the Board for its approval;
- All related party transactions which require approval of the Board under the Law/Regulations/Policies applicable to the Company;
- Related party transactions which require the approval of the shareholders;
- If the Board in any case decides to review any such matter.

Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

6.3 ⁸[Approval of the Shareholders

- **SEBI Listing Regulations Requirements:** *All material related party transactions and subsequent material modification thereof shall require prior approval of the shareholders, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length.*
- **Companies Act 2013 requirements:** *In addition to the above, all kind of transactions as specified under Section 188 of the Act which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceed the threshold limits laid down in Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for their approval.*

For this purpose, no related party shall vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.]

^{7 & 8} Inserted vide review in meeting dated 18.05.2022

7. Related Party Transactions which do not require approval

Following transactions shall not require separate approval under this Policy:

- Any transaction pertaining to appointment and remuneration of Directors and Key Managerial Personnel that has already been approved by the Nomination and Remuneration Committee of the Company or the Board or the shareholders as the case may be; including the reimbursement of reasonable business and travel expenses incurred by them in connection with his/her duties to the Company.
- Transactions that have been approved by the Board/Shareholders under the specific provisions of the Act, e.g. inter-corporate deposits, borrowings, investments with or in wholly owned subsidiaries or other Related Parties;
- Corporate Actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding viz. payment of dividends, subdivision or consolidation of shares, right issue or bonus issue and buy-back of shares.

8. Related Party Transactions not approved under this Policy

In the event the Company becomes aware of a Related Party Transaction 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(s) and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction(s). The Committee may examine the facts and circumstances of the case and take any such actions it deems appropriate including but not limited to discontinuation or rescission of the transaction.

9. Disclosures

- The Company shall disclose the related party transactions in the Board's report or Financial Statements in accordance with the provisions of the Act and applicable Accounting Standards.
- The Company shall submit disclosures of related party transactions to the stock exchanges within the timelines and in the format as specified by the SEBI from time to time, and publish the same on its website.
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- The Company shall disclose policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

10. Review And Amendment

- The Policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy due to change in applicable law or at least once in every three years and updated accordingly based on the recommendations of the Audit Committee.
- In the event of any conflict between the provisions of this Policy and of the Act or SEBI Listing Regulations or any other statutory enactments, rules, the provisions of such Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Policy.
- Any subsequent amendment/modification in SEBI Listing Regulations, Act or applicable laws related to Related Party Transactions in this regard shall automatically apply to this Policy from the effective date as laid down under such amendments/modifications.
