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**CIN: L29253TG1983PLC004141**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **A. BACKGROUND**

The Board of Directors (the "Board") of the Company, after considering the recommendation of the Audit Committee, has adopted this policy and associated procedures with regard to Related Party Transactions in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended.

This Policy has been approved by the Board of Directors at their meeting held on February 7, 2019. Effective from April 1, 2019 this policy supersedes the earlier policy of the Company on Related Party Transaction.

### **B. PURPOSE**

The Company is listed on BSE Ltd and National Stock Exchange of India Ltd. This policy is framed as per requirement of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended and is intended to ensure proper approval and reporting of Related Party Transactions.

### **C. DEFINITIONS**

1. **"Act"** shall mean Companies Act, 2013 and includes any amendments thereof.
2. **"Listing Regulations"** shall mean SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015 and includes any amendments thereof.

All Capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

## **D. IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

Every Director and Key Managerial Personnel shall, as may be applicable to them, provide a declaration containing the necessary details of Related Party to the Company Secretary of the Company, upon their appointment and on an annual basis thereafter. Also, they should provide declarations if there is any change in the details from the last declaration made under this policy.

The President Corporate Resources & CFO and the Vice-Chairman & Managing Director are jointly responsible in identifying the potential Related Party Transactions and providing necessary information in advance to the Company Secretary for initiating the process of obtaining the necessary approvals of the Audit Committee/Board/Shareholders. Further, the President Corporate Resources & CFO and the Vice-Chairman & Managing Director are responsible for providing additional information about transactions that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

## **E. APPROVAL PROCESS**

### **1. Audit Committee**

All Related Party Transactions shall require prior approval of the Audit Committee. Accordingly, all proposed Related Party Transactions must be reported to the Audit Committee for its prior approval.

The Managing Director/Whole-time Director of the Company shall provide to the Audit Committee 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 Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) the name of the related party;
- (ii) the name of the Director or Key Managerial Personnel who is related, if any;
- (iii) nature of relationship;
- (iv) the nature, duration of the contract and particulars of the contract or arrangement;
- (v) the material terms of the contract or arrangement including the value, if any;
- (vi) any advance paid or received for the contract or arrangement, if any;

- (vii) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (viii) 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;
- (ix) the persons/authority approving the transaction; and
- (x) any other information relevant or important for the Committee to take a decision on the proposed transaction.

In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction had not involved a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/Key Managerial Personnel;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv)
- (v) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect interest of the Directors, 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.

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board of Directors or Shareholders as the case may be.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Act and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Subject to the provisions of applicable laws from time to time, in exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Audit Committee may ratify/revise/terminate the transactions in accordance with this Policy.

## 2. **Omnibus approval**

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

- (i) Repetitive in nature; and /or
- (ii) Entered in the ordinary course of business and are at arm's length

Such omnibus approval will be granted to the transaction which, in addition to meeting the above criteria, also satisfy the following conditions:

- (i) The transaction in question is necessary to be executed in the interest of the company;
- (ii) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at arm's length and in the ordinary course of business;
- (iii) 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;
- (iv) Maximum value of each Related Party Transaction shall be subject to the Materiality Threshold as mentioned in Paragraph F hereunder.
- (v) 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 ₹ 1 crore per transaction.

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 approval given.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

3. **Board**

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.

Where any Director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

4. **Shareholders**

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 ordinary resolution and no member of the company shall vote on such resolution, if such member is a related party.

If a Related Party Transaction is (i) a material transaction as per the Listing Regulation or (ii) not in the ordinary course of business or not at arm's length and exceeds the thresholds prescribed under the Act, it shall require shareholders' approval as specified therein and any member of the Company who is a Related Party shall abide by the voting restriction as specified in the Act or the Listing Regulations.

**F. MATERIAL RELATED PARTY TRANSACTION**

All Material Related Party Transactions shall require approval of the shareholders and any member of the Company who is a Related Party shall abide by the voting restriction as specified in the Act or the Listing Regulations.

Materiality Threshold: A transaction with a related party shall be considered material if the transaction(s) 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.

Notwithstanding the above, 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 two percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

## **G. EXEMPTION FROM APPLICABILITY OF THE POLICY**

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time and the prescribed threshold limits, this policy shall not apply to the following Related Party Transactions and shall not require approval of Audit Committee / Board or Shareholders:

- (i) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- (ii) 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.
- (iii) 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.
- (iv) Any other transaction that are explicitly covered under specific provisions of law.

## **H. DISCLOSURE**

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

The company will make disclosures in compliance with the Accounting Standard, the Act, Listing Regulations and other applicable law on "Related Party Disclosures" in its Annual Report.

The policy shall be disclosed on the company's website ([www.pitti.in](http://www.pitti.in)) and a web link thereto shall be provided in the Annual Report of the Company.

## **I. POLICY REVIEW AND AMENDMENT**

The Audit Committee shall review and may amend this policy from time to time subject to the approval of the Board of Directors.

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Act and Listing Regulation on the subject as may be issued by relevant statutory authorities, from time to time. 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 provision hereunder and this policy shall stand amended accordingly.

In the event of any conflict between the provisions of this policy and of the applicable law dealing with the related party transactions, such applicable law in force from time to time shall prevail over this policy.

The policy shall be reviewed by the board of directors at least once every three years and updated accordingly.

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