

**PITTI ENGINEERING LIMITED**  
[Formerly Pitti Laminations Limited]

**POLICY ON RELATED PARTY TRANSACTIONS**

**1. BACKGROUND**

The Board of Directors (the “Board”) of the Company has adopted the following policy and procedures with regard to Related Party Transactions.

The Audit Committee will review and amend this policy from time to time. This policy is to govern transactions between the Company and its Related Parties based on good governance principles, the laws and regulations that are applicable to the Company.

**2. PURPOSE**

The Company is listed on BSE Ltd and National Stock Exchange of India Ltd. This policy is framed as per requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of related party transactions. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

**3. DEFINITIONS**

“**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**” means Audit Committee constituted by the Board of Directors of Pitti Laminations Limited, from time to time, under Section 177 of the Companies Act, 2013 and the Listing Agreement.

“**Board of Directors**” or “**Board**” means the Board of Directors of Pitti Laminations Limited, as constituted from time to time.

“**Company**” means Pitti Laminations Limited.

“**Key Managerial Personnel**” means the Managing Director, the Company Secretary, the Chief Financial Officer and such other officers/employees of the Company as defined in section 2(51) of the Companies Act, 2013.

“**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 Policy on Related Party Transactions.

**“Related Party”**, means—

(A) With reference to the Company:

- (i) a director or his relative;
- (ii) a key managerial personnel or his relative;
- (iii) a firm, in which a director, manager or his relative is a partner;
- (iv) a private company in which a director or manager is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- (vi) a body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act:  
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- (viii) any company which is—
  - a. a holding, subsidiary or an associate company of such company; or
  - b. a subsidiary of a holding company to which it is also a subsidiary;
- (ix) such other person as may be prescribed;

(B) Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions as defined in the Accounting Standard 18 or such other entity/entities as may defined in the applicable accounting standard from time to time.

**“Relative”**, with reference to any person, means anyone who is related to another, if—

- (a) they are members of a Hindu Undivided Family;
- (b) they are husband and wife; or
- (c) A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-
  - i. Father (includes step-father).
  - ii. Mother (includes step-mother).
  - iii. Son (includes step-son).
  - iv. Son’s wife.
  - v. Daughter.
  - vi. Daughter’s husband.

- vii. Brother (includes step-brother)
- viii. Sister (includes step-sister).

**“Related party transaction”** is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, including:

- 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:

**“Subsidiary”** shall mean a subsidiary as defined under the Companies Act, 2013.

**"Transaction"** with a related party shall be construed to include single transaction or a group of transactions in a contract.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Accounting Standard 18 or any other applicable regulation.

#### **4. 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 parties covered in the definition of related party and relatives to the Company Secretary upon their appointment and on an annual basis. Also, provide declarations if there has been a change in the details from the last declaration made under this policy.

The Chief Financial Officer and the Managing Director are jointly responsible in identifying the potential related party transactions and provide necessary information in advance to the Company Secretary for initiating the process to obtain the necessary approvals of the Audit Committee/Board/Shareholders. Further, the Chief Financial Officer and the Managing Director are responsible for providing additional information about transaction that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

## **5. DEALING WITH RELATED PARTY TRANSACTIONS**

The Board shall fulfill the function of monitoring and managing potential conflicts of interest of management, board members and shareholders, including misuse of corporate assets and abuse in related party transactions.

The Company shall comply with applicable provisions of the Companies Act, 2013, Rules made there under, the Listing Agreement and other applicable law in force from time to time in dealing with the Related Party Transactions.

### **APPROVAL PROCESS**

#### **6.1. 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 prior approval by the Committee.

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

- (i) the name of the related party and nature of relationship;
- (ii) the nature, duration of the contract and particulars of the contract or arrangement;
- (iii) the material terms of the contract or arrangement including the value, if any;
- (iv) any advance paid or received for the contract or arrangement, if any;
- (v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (vi) 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;
- (vii) the persons/authority approving the transaction; and
- (viii) 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 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 did not involve a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/KMP;
- (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) 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 nature 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.

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 Companies Act 2013 and the Rules framed thereunder 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 Committee may ratify the transactions in accordance with this Policy.

#### **Omnibus approval**

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

- (i) The Audit 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.
- (ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

- (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) 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 Rs.1 crore per transaction.
- (v) Audit Committee shall review, atleast on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
- (vi) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

## **6.2. Board**

The consent of the Board of Directors is required by a resolution at a meeting of the Board for entering into any contract or arrangement with a related party with respect to the transactions defined in the related party transaction.

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.

## **6.3. Shareholders**

### **Transactions not in ordinary course of business or not at arm's length**

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

### **Material Related Party Transaction**

All material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions.

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

Notwithstanding the foregoing, but subject to the provisions of the applicable laws from time to time, this policy shall not apply to the following Related Party Transactions and shall not require approval of Audit Committee 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.

## **7. 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 and other applicable law on "Related Party Disclosures" in its Annual Report.

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

## **8. POLICY REVIEW**

The Board of Directors of the Company may, subject to applicable laws, is entitled to amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors in line with the broad intent of the Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

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.

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