

RELATED PARTY TRANSACTION POLICY

*(Pursuant to Companies Act, 2013 & SEBI (Listing Obligation and Disclosure Requirements)
Regulation, 2015}*

PAVNA INDUSTRIES LIMITED

Regd. Office: - Vimlanchal, Hari Nagar, Aligarh-202001, UP

Related Party Transaction Policy

1. Introduction

The Board of Directors (the “Board”) of PAVNA INDUSTRIES LIMITED (the “Company”), has adopted this Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, pursuant to the provisions of Regulation 23 and other applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) and in terms of Section 188 and other applicable provisions of the Companies Act, 2013 and the Rules framed thereunder (“the Companies Act”) including any modification(s) / amendment(s) / re-enactment(s) thereof.

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee/Board will give suitable directions / guidelines to implement the same.

This Policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

2. Purpose:

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 and its Subsidiary Companies and their Related Parties, wherever applicable. 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 transactions.

3. Definitions: -

In this Policy, unless the context otherwise requires, -

- a. “**Act**” means the Companies Act 2013 and Rules thereunder as amended or modified from time to time.
- b. “**Arms’ 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.

- c. **“Audit Committee or Committee”** means Committee of Board of Directors of PIL constituted under provisions of the SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 and the Companies Act, 2013.
- d. **“PIL”** refers to the Company- Pavna Industries Limited.
- e. **“Associate Company”**, means a company in which PIL has a significant influence, but which is not a subsidiary company of PIL having such influence and includes a joint venture company.

Explanation. —For the purposes of this clause, —

- the expression “significant influence” means control of at least twenty per cent of total voting power, or control of or participation in business decisions under an agreement;
- the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;]

- f. **“Board”** means Board of Directors of PIL.
- g. **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013:
 - (i) Chief Executive Officer or the managing director or the manager;
 - (ii) Company Secretary;
 - (iii) Whole-time director;
 - (iv) 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 by the provisions of Companies Act, 2013 from time to time.
- h. **Ordinary Course of Business:** A transaction could be considered in “ordinary course of business” if carried out:
 - in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to

time;

or

- in connection with the normal business carried out by the Company; or
- as historical practice with a pattern of frequency; or
- as common commercial practice; or
- meeting any other parameters / criteria as decided by the Board from time to time.

- i. **“Material Related Party Transaction”** means a transaction(s) with a Related Party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed the threshold specified in the Section 5 of this Policy, dealing with Determination of Materiality of Related Party Transaction.

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, exceeds five percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

- j. **“Material Modification”** means a modification in value of any Related Party Transaction, which individually or taken together with previous transactions with the said related party during a financial year, results in change exceeding ten per cent of the value of the original transaction and/or any such modification, which in the opinion of the Audit Committee, is considered as Material Modification.
- k. **“Policy”** means Related Party Transaction Policy as originally framed or as altered from time to time.
- l. **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Act or under the applicable accounting standards.

Related Party includes:

- (i) a director or his/her relative; or
- (ii) a key managerial personnel or his/her relative; or
- (iii) a firm, in which a director, manager or his/her relative is a partner; or
- (iv) a private company in which a director or manager or his relative is a member or director; or
- (v) a public company in which a director and manager is a director and holds

along with his relatives, more than 2% (two per cent) of its paid-up share capital; or

- (vi) any 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; or
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act; or

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any body corporate which is—
 - a) a holding, subsidiary or an associate company of PIL; or
 - b) a subsidiary of a holding company to which it is also a subsidiary; or
 - c) an investing company or the venturer of PIL;

Explanation. —For the purpose of this clause, “the investing company or the venturer of PIL means a body corporate whose investment in the PIL would result in PIL becoming an associate company of the body corporate.

- (ix) a director other than independent director or key managerial personnel of PIL or his relative with reference to a company, shall be deemed to be a related party; or
- (x) Any person or entity belonging to the promoter or promoter group of the Company; or
- (xi) Any person or entity holding 20% or more of shareholding in the Company with effect from April 1, 2022 or 10% or more with effect from April 1, 2023, either directly or on a beneficial interest basis as provided under Section 89 of the Act, at any time during the immediate preceding financial year.

m. **“Relative”** means relative as defined under the Section 2(77) of Companies Act, 2013 and with reference to anyone who is related to another, if –

- Members of a Hindu undivided family
- Spouse
- Father (including step-father)

- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter
- Daughter's husband
- Brother (including step-brother)
- Sister (including step-sister)

Provided this definition shall not be applicable for the units issued by mutual fund which are listed on a recognised stock exchange(s)

n. **“Related Party Transaction”** means a transaction as defined under Section 188 of the Act and Regulation 2 (zc) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 which involves a transfer of resources, services or obligations between:

- (i) PIL or any of its subsidiaries on one hand and a related party of the PIL or any of its subsidiaries on the other hand; or
- (ii) PIL 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 PIL 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:

- (i) 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;
- (ii) the following corporate actions by PIL which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - payment of dividend;
 - subdivision or consolidation of securities;
 - issuance of securities by way of a rights issue or a bonus issue; and
 - buy-back of securities.

- (iii) 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 recognised stock exchange(s);

Any other term not defined herein shall have the same meaning as defined in the Act, the Securities and Exchange Board of India Act, 1992, as amended, or Rules and Regulations made thereunder including the Listing Regulations, the applicable accounting standards or any other relevant legislation/law applicable to the Company or any other applicable laws and regulations.

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other statutory enactments, rules, the provisions of such Act or the Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy

4. (A) APPROVAL OF THE AUDIT COMMITTEE

(i) Prior Approval

- All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee.
- Only those members of the Audit Committee, who are independent directors, shall approve Related Party Transactions.
- A related party transaction to which the subsidiary of PIL is a party but PIL is not a party, shall require prior approval of the audit committee of PIL, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of PIL with effect from April 1, 2022.

Further, **with effect from April 1, 2023** a Related Party Transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the Audit Committee of ARIL, if the **value exceeds 10% of the annual standalone turnover**, as per the last audited financial statements of the subsidiary.

- Prior approval of the Audit Committee of PIL shall not be required for a related party transaction to which the listed subsidiary is a party but PIL is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred to in (4.1.4) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

(ii) **Omnibus Approval**

Omnibus Approval may be obtained from the Audit Committee for certain transactions subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the Listing Regulations including the following:

- The Audit Committee shall lay down the criteria/Policy and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature;
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The Omnibus Approval shall specify:
 - (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transactions 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.
- Where the need for Related Party Transaction cannot be foreseen and

the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction;

- 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;
- Such omnibus approvals shall be valid for a period not exceeding 1 financial year and shall require fresh approvals after the expiry of such financial year.

(B) APPROVAL OF THE BOARD OF DIRECTORS:

- (i) If the Audit Committee determines that a Related Party Transaction is –
- a) A Material Related Party Transaction or its subsequent Material Modification; or
 - b) Not in the ordinary course of business; or
 - c) Not on arm's length basis,

the Audit Committee shall place the matter before the Board for obtaining its approval, unless exempted.

- (ii) Where approval of the Board is required for any Related Party Transaction or if the Board in any case elects to reviews any such matter or it is mandatory under any law for the 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.
- (iii) Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

Explanation: Any director of a company is considered interested, if the Director is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered–

- with a body corporate in which a director (singly or along with other directors) holds more than 2% shareholding or is a promoter/manager/

Chief Executive Officer of that Body Corporate.

- with a firm or other entity in which such Director is a partner, owner or member.
- (iv) Transactions meeting the materiality thresholds laid down Section 5 of the Policy, which are intended to be placed before the shareholders for approval by an Ordinary Resolution.

(C) APPROVAL OF THE SHAREHOLDERS:

- (i) Unless exempted, all Material Related Party Transactions and subsequent Material Modifications thereto, whether in ordinary course of business and/or on arm's length basis or not, shall require prior approval of the shareholders by passing an Ordinary Resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- (ii) Prior approval of the shareholders of PIL shall not be required for a Related Party Transaction to which the listed subsidiary, if any, is a party but PIL is not a party, if Regulation 23 and sub-regulation (2) of Regulation 15 of the Listing Regulations are applicable to such listed subsidiary.

Explanation: For Related Party Transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

(D) 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 then it shall be ratified by the Audit Committee/Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such Transaction was entered into.

(E) If the Related Party Transaction as mentioned in Section 4 (D) above, is not ratified by the Audit Committee/Board or, as the case may be, by the Shareholders at their meeting within three months from the date on which such Transaction was entered into, such Transaction shall be voidable at the option of the Audit Committee/Board or, as the case may be, of the Shareholders and if the transaction is with a Related Party to any director, or is authorised by any other Director, the Directors concerned shall

indemnify PIL against any loss incurred by it.

5. DETERMINATION OF MATERIALITY OF RELATED PARTY TRANSACTIONS:

Material Related Party Transactions shall be determined by applying the following criteria:

Category of Transactions	Materiality Thresholds under the Companies Act, 2013 (for transactions not in ordinary course of business or not on an arm's length basis)	Materiality Thresholds under the Listing Regulations
Sale, purchase or supply of any goods or material, directly or through appointment of agent as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of the Act	10 % or more of the turnover of PIL	Transaction, 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 PIL as per the last audited financial statements of the listed entity, whichever is lower [Notified under SEBI Listing Regulations (Third Amendment) 2015 for determining materiality]
Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188 of the Act	10% or more of net worth of PIL	
Leasing of property any kind as mentioned in clause (c) sub-section (1) of section 188 of the Act	10 % or more of the turnover of PIL	
Availing or rendering of any services, directly or through appointment of agent as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188 of the Act	10 % or more of the turnover of PIL.	

Category of Transactions	Materiality Thresholds under the Companies Act, 2013 (for transactions not in ordinary course of business or not on an arm's length basis)	Materiality Thresholds under the Listing Regulations
Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company as mentioned in clause (f) of sub-section (1) of section 188 of the Act	At a monthly remuneration exceeding Rs. 2.5 Lakh	
Underwriting the subscription of any securities or derivatives thereof, of the company as mentioned in clause (g) of sub-section (1) of section 188 of the Act.	1% of net worth	
Any other transfer of Resources, Services and Obligations with a Related Party	Transaction, 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 PIL as per the last audited financial statements of the listed entity, whichever is lower. [Notified under SEBI Listing Regulations (Third Amendment) 2015 for determining materiality]	

Explanation:

- The turnover or net worth referred in the above shall be computed on the basis of the audited financial statements of the preceding financial year.
- The threshold limits under the Companies Act, 2013 mentioned above shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

6. RELATED PARTY TRANSACTIONS WHERE CERTAIN SECTIONS OF THIS POLICY IS NOT APPLICABLE.

Section 4 & 5 of this Policy shall not be applicable in any of the following cases:

- Transactions entered into between PIL and its wholly owned subsidiary whose accounts are consolidated with PIL and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly-owned subsidiaries of PIL, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

7. DISCLOSURE AND REPORTING:

PIL shall submit disclosures of Related Party Transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges, every six months within fifteen days from the date of publication of its standalone and consolidated financial results and publish the same on its website.

Provided that PIL shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.

Appropriate disclosures shall be made in the Annual Return, Board's Report and to the Stock Exchanges as required under the Act and the Listing Regulations.

8. POLICY REVIEW

The Audit Committee may, for the purpose of aligning this Policy with the regulatory changes, amend any provision(s) or substitute any of the provision(s) with new provision(s) or replace the Policy entirely with a new Policy.

The Board may also, based on the recommendations from the Audit Committee, make any amendments to the Policy from time to time. The Policy shall be reviewed by the Board at least once in every 2 (two) years and updated as may be required.

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. A note in relation to such changes shall be placed in subsequent meeting of the Board and the Audit Committee.