

POLYCON INTERNATIONAL LTD

(CIN: L28992RJ1991PLC006265)

RELATED PARTY TRANSACTION POLICY

Preamble

This policy is framed as per requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and applicable provisions of the Companies Act, 2013 and intended to ensure the proper approval 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 shareholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws.

The Audit Committee of Directors (—Audit Committee) , shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act, 2013, including the Rules promulgated there under and SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015 and must be approved in the manner as may be decided by the Board of Directors.

Definitions

1) —**Audit Committee or Committee** means Committee of Board of Directors of the Company constituted under provisions of SEBI(LODR) Regulations,2015 and CompaniesAct, 2013.

2) —**Board** means the Board of Directors of the Company.

3) —**Related Party** means related party as defined in SEBI(LODR) Regulations,2015 which is as follows:

A 'related party' is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1) A person or a close member of that person's family is related to a Company if that person:

i. is a related party under Section 2(76) of the Companies Act, 2013 which are as follows:

- a. a director or his relative ;
- b. a key managerial personnel or his relative ;
- c. a firm, in which a director, manager or his relative is a partner ;
- d. a private Company in which a director or manager is a member or director ;
- e. 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 ;

- f. any Body Corporate whose Board of directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions (except those given in a professional capacity) of a director or manager ;
- g. any person under whose advice, directions or instructions (except those given in a professional capacity) a director or manager is accustomed to act :
- h. 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 ;
- i. Director or key managerial personnel of the holding Company or his relative with reference to a Company; or
- ii. has control or joint control or significant influence over the Company; or
- iii. is a key management personnel of the Company or of a parent of the Company; or

2) An entity is related to a Company if any of the following conditions applies:

- i. The entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- iii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
- iv. Both entities are joint ventures of the same third party; or
- v. One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
- vi. The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company; or
- vii. The entity is controlled or jointly controlled by a person identified as a related part under Section **2(76) of the Act**
- viii. A person who has control or joint control or significant influence over the entity (or of a parent of the entity); or

4) —Relatives - with reference to any person, means anyone who is related to another, if–

- (i) They are members of a Hindu Undivided Family;
- (ii) They are husband and wife; or
- (iii) One person is related to the other in the following manner, namely:-

- a) Father including step father
- b) Mother including step mother
- c) Son including step son
- d) Son's Wife
- e) Daughter
- f) Daughter's Husband
- g) Brother including step brother
- h) Sister including step sister

5) —Related Party transactions - transactions/contracts/arrangement between the Company and its related parties which fall under one or more of the following headings:

As per Section 188 of the Act:

- (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;

As per Regulations:

(i) Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

As per Accounting Standards 18:

- (i) transfer of research and development
- (ii) license agreements
- (iii) finance (including loans and equity contributions in cash or kind).
- (iv) Guarantees and collaterals
- (v) Management contracts including for deputation of employees.

6) —Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of the company shall not be considered to be in control over such company, merely by virtue of holding such position;

7) —**Material Related Party Transaction** means a transaction with a related party if 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.

8) —**Office or place of profit** means any office or place—

(i) where such office or place is held by a director, if the director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;

(ii) where such office or place is held by an individual other than a director or by any firm, private Company or other body corporate, if the individual, firm, private Company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

9) —Transactions on arm's length basis means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

10) — **Key Managerial Personnel** includes

(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

11)—**Associate Company** , in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.—**significant influence** means control of at least twenty percent of total share capital, or of business decisions under an agreement.

Total Share Capital means the aggregate of the paid-up Equity Share capital and Convertible Preference Share capital.

Details required for ascertaining Related party

The following details shall be required:

1. Declaration/Disclosure of interest by all the Directors and KMPs' inform MBP-1.
2. Declaration of relatives by all Directors and KMPs'.
3. Declaration about a firm in which a Director/ Manager or his relative is a partner.
4. Declaration about a private Company in which a Director or Manager is a member or director.
5. Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.

6. Notices from Directors of any change in particulars of Directorship or in other positions during the year.

7. Declaration by Holding Company regarding its Directors/KMP's and their relatives.

8. Details of anybody 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 of the Company.

9. Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.

10. Details of 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.

Identification of Potential Related Party Transactions

The Company Secretary shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in Definition Clause 3&4 above, along with their personal/company details including any revisions therein.

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

The Company Secretary shall circulate the aforesaid list to the Chief Financial Officer who shall collate the information, coordinate and send the Related Party List to the concerned he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

Review and Approval of Related Party Transactions

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy. Individual transactions with Related Parties, which are not in Ordinary Course of Business and not on an arm's length basis and all material related party Transactions, shall be accompanied with Management's justification for the same. Before approving such transactions, the Committee will look into the interest of the Company and its Stakeholders in carrying out the Transactions and on the benefits. The Committee may accordingly approve or modify such transactions, in accordance with this policy and/or recommend the same to the Board for approval.

Each director and key managerial personnel is responsible for providing notice to the Company of any potential Related Party Transaction where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Directors and KMPs will ensure that their notice of any potential Related Party Transaction is delivered well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The Audit Committee/the Board may review any Related Party Transactions involving independent directors as part of the annual determination of their independence.

In the case of Transactions which are frequent and regular in nature and are in the normal course of business of the Company, the Audit Committee may fix up Limits within which the management may carry out such Transactions without any approval of the Audit Committee. Further, it shall periodically review and assess such limits and revise the same as deemed proper and ensure that they are in compliance of this Policy and the guidelines herein.

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 transaction that can be entered into, (ii) the indicative case 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 Rs. 1.00 crore per transaction.

The Audit Committee, shall review atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.

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

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

In case a related party transaction exceeds the threshold limits as specified in Companies Act, 2013 read with its rules, no contract or arrangement shall be entered except with the prior approval of the company by a special resolution.

Where any director/ key managerial personnel is interested in any contract or arrangement with a related party, such director / key managerial personnel shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

No Shareholder of the Company if such a shareholder is a related party with reference only to the contract or arrangement for which the said special resolution is being passed shall vote on any such special resolutions.

In the case of a wholly owned subsidiary, the Special Resolution passed by the Holding Company shall be sufficient for the purpose of entering into the transactions between wholly owned Subsidiary and Holding Company within the limits approved by the Shareholders.

Related Party Transactions not previously Approved

Where any contract or arrangement is entered into by a director or any other employee of the Company with a related party, without obtaining the consent of the Board or approval by a special resolution in the general meeting, where required and if it is not ratified by the Board or, as the case may be, by the Shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

Exemptions

Nothing contained in this policy shall apply to any contract or arrangement—

- (i) In the ordinary course of its business; and
- (ii) At arm's length price.
- (iii) Between the Company and any other partner of the firm in which Director/Manager/Relative is a partner.
- (iv) Service availed in a professional capacity from body corporate/person.
- (v) Contract with a private or public company in which relative of a director/manager is a director/member.
- (vi) The following transaction(s) undertaken by the Independent Director with the Company or its holding, subsidiary, or associate company or their promoters or directors during the year and during two immediately preceding financial years shall not fall in the ambit of pecuniary relationship with the Company:
 - (i) transaction(s) done in ordinary course of business at arm's length;
 - (ii) receipt of remuneration by way of sitting fees;
 - (iii) re-imbursement of expenses for attending board and other meetings;
 - (iv) any profit related commission as approved by members.

Registers & Disclosures

The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

Every director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.

The Company shall maintain such register in the Head Office of the Company and provide extracts from such register to a member of the Company on his request, within seven days from the date on

which such request is made upon the payment of such fee as may be specified in the articles of the Company but not exceeding ten rupees per page.

The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.

The register shall be preserved permanently and shall be kept in the custody of the Company Secretary of the Company or any other person authorized by the Board for the purpose.

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

The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement.

The Company shall disclose this policy relating to Related Party Transactions on its website and also a web link thereto shall be provided in the Annual Report.