

**PEARL GLOBAL INDUSTRIES LIMITED**

**POLICY**

**ON DEALING**

**WITH**

**RELATED PARTY TRANSACTIONS**

## 1. Introduction

The Board of Directors (the “Board”) of Pearl Global Industries Limited (the “Company”) have adopted the following policy and procedures with regard to Related Party Transactions (‘Related Party Transaction (RPT) Policy’), in line with the requirement of Section 188 of the Companies Act, 2013 read with Rules made thereunder (hereinafter referred to as ‘The Act’) and Revised Clause 49 of the Listing Agreement on Corporate Governance and subsequent amendments thereto.

The Board/Audit Committee will review and may amend this policy from time to time.

## 2. Purpose

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders.

## 3. Definitions

- a) **Audit Committee** means the Audit Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013.
- b) **Board** means Board of Directors of Pearl Global Industries Limited.
- c) **Key Managerial Personnel** in relation to a Company means
  - i. The Chief Executive Officer, or the Managing Director or the Manager;
  - ii. The Company Secretary;
  - iii. The Whole-Time Director;
  - iv. Chief Financial Officer
- d) **Material Related Party Transaction** is a transaction with a related party which shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the company as per last audited financial statements of the Company.
- e) **Related Party with reference** to a Company, means:
  - 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 or his relative is a member or director;
- v. a public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital;
- 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;
- 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 holding company to which it is also a subsidiary;
- ix. Director, other than independent director, or key managerial personnel of the holding company or his relative with reference to a company;
- x. An entity that is related party under the applicable accounting standards.

f) **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.

g) **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:
  - (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)

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

#### **4. Identification of Potential Related Party Transactions**

Each director and key managerial personnel is responsible for providing notice to the Company of all Related Parties involving him/her or his/her relative, including any additional information about the transaction that the Board or Audit Committee may request. The Company shall record the disclosure of Interest and the Audit Committee

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

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

## **Approval of Related Party Transactions**

### **I. Prior approval of Audit Committee**

All Related Party Transactions shall require prior approval of Audit Committee, whether at a meeting or by Resolution by circulation.

### **II. Procedure for approval**

The Audit Committee will be provided with all relevant material information of Related Party Transactions, including the terms of the transactions, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/or recommend the same to the Board for approval.

The Independent Directors shall pay sufficient attention and ensure that adequate deliberations are held before approving Related Party Transactions which are not in Ordinary Course of Business and not on arm's length and Material Specific Transactions and assure themselves that the same are in the interest of the Company and its shareholders.

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 the management may carry out such Transactions without any approval of the Audit Committee for the specific transactions as long as these are carried out on the principles approved by 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.

### **III. 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:

- a) 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.
- b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest of the Company.
- c) Such omnibus approval shall specify
  - The name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into;
  - The indicative base price/current contracted price and formula for variation in the price if any; and
  - 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 transaction subject to their value not exceeding Rs. 1 Crore per transaction.

#### **IV. Prior approval of Board of Directors**

Transactions with the related parties which are either not in the Ordinary Course of Business or are not at Arm's Length shall require prior approval of the Board.

Where any director is interested in any contract or management 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.

#### **V. Shareholders' approval**

Shareholder's approval shall be sought in the following cases:

- All the Material Related Party Transactions shall require approval of the shareholders and the Related Parties shall abstain from voting on such resolution.
- Transactions, other than the Material Related Party Transaction, with the related parties which are either not in the Ordinary Course of Business or are not on an arm's length basis and exceeds the threshold under section 188 of the Companies Act, 2013 shall also require the prior approval of the shareholders and the Related Parties shall abstain from voting on such resolution.

**Threshold limit prescribed under the Companies Act, 2013 are as follows:**

<b>Nature of transaction</b>	<b>Monetary threshold limit</b>
Sale, purchase or supply of goods or materials (directly or through appointment of agent)	Exceeding 10% of the turnover of the Company or Rs. 100 Crore, whichever is lower*
Selling or otherwise disposing of, or buying property of any kind (directly or through an agent)	Exceeding 10% of the net worth of the Company or Rs. 100 Crore, whichever is lower*
Leasing of property of any kind	Exceeding 10% of the net worth of the Company or 10% of the turnover of the company or Rs. 100 Crore, whichever is lower*
Availing or rendering of any service (directly or through an agent)	Exceeding 10% of the turnover of the Company or Rs. 50 Crore, whichever is lower*
Appointment to any office or place of profit in the Company, subsidiary company or associate Company	Remuneration exceeding Rs. 2.50 Lakh per month
Underwriting the subscription of any securities or derivatives of the Company	Remuneration exceeding 1% of net worth

\* Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

# 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.

No member of the Company shall vote on Resolution, to approve any contract or arrangement which may be entered by the Company, if such member is a related party to the contract or arrangement for which the Resolution is being passed. However, in case of material related party transactions, no member/ entity of the Company who is a related party shall vote on such Resolution for the approval of any contract or arrangement pertaining to a Related Party Transaction.

**VI. Related party transactions not approved under this policy**

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure

of reporting such Related Party Transaction to the Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, that Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. in connection with any review of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of Policy.

#### **5. Disclosure of related party transactions**

This Policy will be communicated to all operational employees and other concerned person of the Company. The Company shall disclose the Policy on dealing with Related Party Transactions on its website [www.pearlglobal.com](http://www.pearlglobal.com) and a web link thereto shall be provided in its Annual Report.