

P H CAPITAL LIMITED

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

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**P H CAPITAL LIMITED
POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY
TRANSACTIONS**

TITLE

This Policy shall be called 'Policy on materiality of Related Party Transactions and dealing with Related Party Transactions'.

OBJECTIVE

Related Party Transactions have been one of the major areas of focus for the corporate governance reforms being initiated by Indian legislature.

In due compliance with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and disclosure Requirements) Regulations, 2015 (hereinafter referred to as "Listing Regulations"). Pursuant to Regulation 23 of the Listing Regulations, a policy needs to be formulated to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions. This policy therefore lays down the mechanism to deal with Related Party Transactions.

DEFINITION

1. **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.
2. **Audit Committee:** means the Committee of the Board constituted from time to time under the provisions of Listing Regulations as amended from time to time and Section 177 of the Companies Act, 2013
3. **Board:** means the Board of Directors of P H Capital Limited.
4. **Company:** means P H Capital Limited
5. **Material modifications:** means - (a) In the case of related party transactions where Omnibus Approval of the Audit Committee has been obtained considering the repetitive nature of these transactions, any modification which has the effect of variation in the originally approved value of the transaction by 20% or more, or in the pricing criteria, or such other parameter as may be determined by the Audit Committee from time to time. (b) In the case of other related party transactions, any modification which has the effect of variation in the originally approved value of the transaction by 15% or more, or in the pricing, or such other parameter as may be determined by the Audit Committee from time to time, or 'such other modification which is deemed material by the Audit Committee. Provided that, a modification mandated pursuant to change in law, or pursuant to and in accordance with the terms of the approved transaction/contract, or is uniformly effected for similar transactions with unrelated parties shall not be regarded as Material Modification.
6. **Material related party transaction:** are transaction as defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Companies Act, 2013. Provided that in case of any amendment to the Act or Listing Regulations, definition of Material Related Party Transactions will be deemed to be changed without any further approval of Audit Committee or Board.

7. **Policy:** means this Policy, as amended from time to time.
8. **Related party:** is a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations, as amended from time to time.
9. **Related party transaction:** or “RPT” means transactions as given under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the Listing Regulations, as amended from time to time. These include sale, purchase, leasing or supply of goods or property, availing/rendering of any services, appointment of agents for any of these transactions, underwriting of securities and transfer of resources, services or obligations between the Company and its related party/ies, regardless of whether a price is charged or not.

Provided that the following shall not be a related party transaction:

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

Further the Related Party Transactions approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee (NRC), Corporate Social Responsibility Committee (CSR Committee), and Stakeholders Relationship Committee (SRC), if any, shall be deemed to have approval of the Audit Committee from the RPT perspective and the same need not be approved by the Audit Committee once again. E.g.: Allotment of Shares to Key Managerial Personnel by the NRC or payment of remuneration to Directors shall be deemed to have approval of the Audit Committee from RPT perspective.

10. **Relatives:** is a relative as defined in Section 2(77) of the Companies Act, 2013 read with Rules thereto and clause (zd) of Regulation 2 of the Listing Regulations.
11. **Transaction:** with a related party shall be construed to include a single transaction or a group of transactions.

IDENTIFICATION OF RELATED PARTY

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per 'Annexure 1' containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

APPROVAL OF RELATED PARTY TRANSACTIONS (RPTs)

I. Audit Committee

Every Related Party Transaction whether fresh or modification in the existing transactions thereof shall be subject to approval of the Audit Committee as required under Companies Act, 2013/Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time. The approval of the Audit Committee can be granted by way of a circular resolution. The Audit Committee shall also approve any subsequent material modification of RPTs.

A. In summary, prior approval of Audit Committee is required for the following Related Party Transactions:

- i) Where Company is a party
- ii) Where subsidiary of the Company is a party but the Company is not a party, 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 the Company.
- iii) With effect from April 1, 2023, where subsidiary of the Company is a party but the Company is not a party, 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 standalone turnover, as per the last audited financial statements of the subsidiary;
- iv) Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.

B. The Audit Committee will take into account following considerations while dealing with the RPTs:-

- ❖ Nature of relationship with the related party;
- ❖ Nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
- ❖ Method and manner of determining the pricing and other commercial terms;
- ❖ Whether the transaction is at arm's length; and
- ❖ Any other information relevant or important for the Audit Committee/ Board to take a decision on the proposed transaction.
- ❖ Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise); Tenure of the proposed transaction (particular tenure shall be specified); Value of the proposed transaction The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
 - i) details of the source of funds in connection with the proposed transaction;
 - ii) where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
 - a) nature of indebtedness
 - b) cost of funds; and
 - c) tenure;
 - iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- ❖ Justification as to why the RPT is in the interest of the listed entity;
- ❖ A copy of the valuation or other external party report, if any such report has been relied upon;
- ❖ Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;

C. Any member of the Audit Committee who has a potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction. Only members of the Audit Committee who are independent members shall approve all Related Party Transactions.

However, the Audit Committee may grant omnibus approval for Related Party Transactions of the Company in respect of transactions which are repetitive in nature.

- i. The Audit Committee shall take into account following considerations while granting omnibus approval for RPTs, of repetitive nature:
 - ❖ Criteria specified by the Audit Committee under Rule 6A of the Companies (Meetings of Board & Its Powers) Rules, 2014 after approval of the Board;
 - ❖ Nature of relationship with the related party;
 - ❖ Nature, material terms and conditions, monetary values and particulars of the contract or arrangement;
 - ❖ Method and manner of determining the pricing and other commercial terms;
 - ❖ Justification for need of omnibus approval;
 - ❖ Whether the transaction is at arm's length and in ordinary course of business; and
 - ❖ Any other information relevant or important to take a decision on the proposed transaction.
- ii. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. Additionally, the Committee may also grant omnibus approval for RPTs of unforeseen nature not exceeding Rupees One Crore.
- iii) The Audit Committee shall review on a quarterly basis the details of RPTs entered into by the Company pursuant to omnibus approval.

II. Board Approval

All Related Party Transactions (other than Material Related Party Transactions) pursuant to Section 188 of the Companies Act, 2013 which are not in the ordinary course of business or not an Arms' length transaction and cross the threshold limits prescribed under Companies Act, 2013 shall also require the approval of the Board and the Related Parties shall abstain from voting on such resolution(s).

Where any Director or Key Managerial Personnel is interested in any Related Party Transaction, such Director or Key Managerial Personnel will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

Where the Audit Committee does not approve the RPTs, it shall make its recommendations to the Board for approval.

If prior approval of Board or shareholders has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

III. Shareholders' Approval

Further, all Material Related Party Transactions shall require approval of shareholders of the Company through Special Resolution (unless it is exempted pursuant to the provisions of Listing

Regulations as amended from time to time) and the Related Parties shall abstain from voting on such resolution(s) irrespective of whether the entity is a party to the particular transaction or not.

RPTs exceeding the limits prescribed under the Act and not in ordinary course of business and/or arm's length basis, shall require prior approval of the Board and shareholders, respectively.

DISCLOSURE

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

AMENDMENTS

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. The Policy shall be reviewed by the Audit Committee and the Board every three years.

INTERPRETATION

Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder.

ANNEXURE 1
NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL

To,
The Company Secretary/Compliance Officer
_____ Limited
<Address>.

Dear Sir,

I, _____, son/daughter/spouse of _____, resident of _____, holding _____ Equity Shares of Rs. 10/- each (_____ percent of the paid-up Capital) in the Company in my name, being a _____ in the Company, hereby give notice that I am interested directly/through my Relatives (Schedule) in the following company or companies, body corporate, firms or other association of individuals:

Sr. No.	Name of the Companies/Bodies Corporate/Firms/ Association of Individuals	Nature of Interest or concern / Change in Interest or Concern	Shareholding	Date on which Interest or Concern arose/changed

The Following are the Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions;

Sr. No.	Name of the Body Corporate

I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).

Sr. No.	Name of the person	Relation

Place:

Date:

Signature: _____

Name: _____

Designation: _____

**SCHEDULE
LIST OF RELATIVES**

No.	Relationship	Full Name	Address	Shareholding in _____ Limited
1	Spouse			
2	Father (including Step-Father)			
3	Mother (including Step-Mother)			
4	Son (including Step-son)			
5	Son's Wife			
6	Daughter			
7	Daughter's Husband			
8	Brother (Including Step-Brother)			
9	Sister (Including Step-Sister)			
10	Members of HUF			