



## **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS**

### **1. PREAMBLE**

The Board of Directors (the “Board”) of P.K.Leasing & Finance Ltd (the “Company”) has adopted this Policy on Related Party Transactions (hereinafter referred to as the ‘Policy’) upon the recommendation of the Audit Committee and it includes the manner of dealing with Related Party Transactions. This Policy applies to transactions between the Companies (including its subsidiaries) with one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material transactions.

### **2. GUIDING ACT/REGULATIONS/RULES:**

- a) The Companies Act, 2013 and rules made there under (with amendments or enactments thereof).
- b) SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 (“SEBI (LODR)”) (with amendments or enactments thereof).
- c) Accounting Standard – 18 (with amendments or enactments thereof).

As per the applicability, the listed company will be required to comply with (a), (b) & (c). As for unlisted companies, it will be required to comply with (a) and (c).

### **3. DEFINITIONS**

- a. “**Arm’s Length Transactions**” refers to a transaction that is usual or normal to the business and not exceptional, between two related parties that is conducted as if these were unrelated, so that there is no conflict of interest.
- b. “**Associate Company**”, in relation to another Company, means a company in which that other company has significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company, or as defined under the applicable accounting standards.
- c. “**Audit Committee or Committee**” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of SEBI (LODR) Regulations and Section 177 of the Companies Act, 2013.
- d. “**Board**” means the Board of Directors as defined under the Companies Act, 2013.
- e. “**Key Managerial Personnel**” means Key Managerial Personnel as defined under the Companies Act, 2013 and the Rules made thereunder.
- f. “**Material Related Party Transaction**” shall mean such transaction(s) to be entered into with a related party individually or taken together with previous transactions during a financial year exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

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, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**g. “Ordinary Course of Business”:**

The criteria of being “ordinary” or “normal” or “in the ordinary course of business”, is met when both of the two selective criteria are satisfied namely;

- a. the transaction must be predominantly ascribed to business objectives or operational activities or alternatively, related to financial activities; and
- b. the same transaction must also fall under the purview of the ordinary exercise of operational activities or related financial activities.

Explanation: The transactions which are usual transactions material to the business, involving the customized/customary practices of the business with no exceptional items. The same may be determined, *inter alia*, considering the following measurable criteria:

- (i) Accounting for sizeable portion of revenue/turnover
- (ii) Periodicity – usual – not one off
- (iii) Providing bulk of receipts

**h. “Related Party” means a person or an entity: –**

- (i) which is a related party under section 2 (76) of the Companies Act, 2013; or
- (ii) which is a related party under applicable Accounting Standards.

Related party under Section 2(76) of the Companies Act, 2013 and rules made thereunder are as follows:

- 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 the director, manager, or his relative is a member or director;
- v. A public company in which the 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, 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, instructions the Director or Manager is accustomed to act;  
Provided that nothing in sub clause (vi) and (vii) above shall apply to the advice, directions or instructions given in the professional capacity.
- viii. Anybody corporate which is:
  - (A) a holding, subsidiary or associate company of such company,
  - (B) a subsidiary of a holding company to which it is also a subsidiary or
  - (C) an investing company or the venturer of the company.

For the purpose of this clause, “the investing company or the venturer of a

company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

- ix. A director other than Independent Director or a Key Managerial Personnel of the holding company or his relative; or
  - x. Any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company.
  - xi. such other person as may be prescribed by the Central Government.
- i. **“Related Party Transaction”** means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged. A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.
- j. **“Relative”** means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –
- a. Members of a Hindu undivided family;
  - b. Husband or wife;
  - c. Father (including step-father);
  - d. Mother (including step-mother);
  - e. Son (including step-son);
  - f. Son’s wife;
  - g. Daughter;
  - h. Daughter’s husband;
  - i. Brother (including step-brother); or
  - j. Sister (including step-sister).

All Expression unless defined herein shall have the same meaning as have been assigned to them under SEBI LODR Regulation 2015, amended from time to time and Companies Act 2013 or any statutory modification or re-enactment thereto.

#### **4. APPROVAL OF TRANSACTIONS WITH RELATED PARTIES BY THE AUDIT COMMITTEE, THE BOARD AND THE SHAREHOLDERS**

##### **A. Approval of related party transaction by the Audit Committee**

- a) The Audit Committee will decide whether a transaction to be entered with a related party is in the ordinary course of business, or not or at arm’s length price or not, on the basis of certification provided by Management to the satisfaction of the Audit Committee.
- b) All related party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation.
- c) In case of transactions, other than transactions referred to in Section 188 of the Companies Act, 2013, and where Audit Committee does not approve the transactions, it shall make its recommendations to the Board.

##### **B. Omnibus approval by the Audit Committee**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant omnibus approval. Any change in the character/nature of the transaction with the related party shall not be

deemed as a repetitive transaction for omnibus approval and would mandate the requisite approvals and the management shall certify from time to time that the transactions with the related parties which are covered in the omnibus approval are repetitive in nature and that there is no change in the nature/character of the transaction.

(1) The Audit Committee, shall consider the following criteria for making omnibus approval:

- a. Repetitive transactions (in past or in future): Transactions of similar nature with related parties which are frequent / regular / repetitive arising out of any contract, agreement or arrangement, including reimbursement of expenses/statutory payments made to or on behalf of related parties.
- b. Justification for the need of omnibus approval and that the same is in the interest of the Company.
- c. Transactions in the ordinary/normal course of business and at arm's length as defined in the said policy.
- d. The maximum value of the transaction, in aggregate, in a financial year shall not exceed such .limit as may be decided by the Audit Committee from time to time.
- e. The maximum value per transaction in a single instance shall not exceed such .limit as may be decided by the Audit Committee from time to time.

(2) The omnibus approval shall contain or indicate the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the 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.1,00,00,000/- (Rupees One Crore only)per transaction.

The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company including the transactions pursuant to the omnibus approval given including the limits to ensure that they are in compliance with this Policy.

The omnibus approval shall be valid for a period of one financial year and fresh approval shall be obtained after the expiry of such financial year.

Omnibus approval shall not be granted for transactions in respect of selling or disposing of the undertaking of the Company.

**C. Approval of Related Party Transactions by the Board Of Directors**

- a) Pursuant to the Section 188 of the Companies Act, 2013, consent of the Board of Directors is required, by a resolution at a meeting of the Board, for entering into transactions as mentioned below with related parties, if such transaction is not at arm's length and not in the ordinary course of business:
- i. sale, purchase or supply of any goods or materials;
  - ii. selling or otherwise disposing of, or buying, property of any kind;
  - iii. leasing of property of any kind;
  - iv. availing or rendering of any services;
  - v. appointment of any agent for purchase or sale of goods, materials, services or property;
  - vi. such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
  - vii. underwriting the subscription of any securities or derivatives thereof, of the Company.
- b) Further, the transactions which are not approved by the Audit Committee will be placed before the Board of Directors for its consideration, along with the recommendations of the Audit Committee.

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

**D. Shareholders' Approval**

1. In case of listed company, all the Material Related Party Transactions, shall require approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
2. In case of all companies, the transactions with the related parties which are not in the Ordinary Course of Business or at Arms' Length Basis shall require the prior approval of the shareholders through a resolution if it exceeds the thresholds as specified in Section 188 of the Companies Act, 2013 as provided below:

	<b>Nature of Transactions</b>	<b>Prescribed limits</b>
i.	Sale, purchase or supply of any goods or materials directly or through appointment of agents.	10% or more of Turnover of the Company, as mentioned in clause (a) and clause (e) respectively of section 188(1);
ii.	Purchasing, selling or disposal of property of any kind, directly or through the appointment of agents.	10% or more of net worth of the Company, as mentioned in clause (b) and clause (e) respectively of section 188(1);
iii.	Leasing Of Property of any kind.	10% or more of the turnover of the Company, as mentioned in clause (c) of section 188(1);

iv.	Availing or rendering of services directly or through the appointment of agents	10% or more of Turnover of the Company as mentioned in clause (d) and clause (e) respectively of section 188(1);
v.	The limits specified above shall apply for transaction/transactions either individually or taken together with previous transactions during a financial year.	
vi.	Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs 2,50,000 as mentioned in clause(f) of Section 188(1)
vii.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company	Exceeding 1% of the net worth as mentioned in clause(g) of Section 188(1)

The turnover or net worth referred above shall be computed on the basis of the audited financial statement of the preceding financial year.

3. All entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.
4. The explanatory statement to be annexed to the notice of general meeting seeking approval of members for the related party transactions shall contain the following:
  - a. Name of related party and nature of relationship;
  - b. Name of Director/KMP who is a related party;
  - c. Nature, material terms, monetary value and particulars of the contract and arrangement;
  - d. Any other information relevant or important for the members to take a decision on the proposed resolution.

Any subsequent modifications thereto, shall require prior approval of the Audit Committee, and the Board and shareholders' approval as applicable.

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 shall not require prior approval of Audit Committee and Board or Shareholders.

## 5. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel will be responsible for providing a declaration containing the following information to the Company on an annual basis:

- a. Names of his / her Relatives;
- b. Partnership firms in which he / she or his / her Relative is a partner;
- c. Private Companies in which he / she is a member or Director;
- d. Public Companies in which he / she is a Director and holds along with his/her Relatives

- more than 2% of paid up share capital;
- e. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions;
  - f. 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); and
  - g. Related in terms of the Indian Accounting standards for Related Party Disclosures.

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

The suggested details and supporting documents which are required to be provided along with the proposed transaction are provided in **Annexure 1** to this Policy.

## **6. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders, as may be required, in accordance with this Policy for review and ratification.

The Committee and the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee and the Board deems appropriate under the circumstances.

Where any contract or arrangement is entered into by director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under Section 188(1) of the Companies Act, 2013, and if it is not ratified by the Board or, as the case may be, by the shareholder at a meeting within three months from the date on which such contract or arrangement was entered into, such contract shall be voidable at the option of the Board or shareholders, as the case may be, 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.

In case any transaction involving any amount not exceeding one crore rupees is entered into by a director or officer of the Company without obtaining the approval of Audit Committee and it is not ratified by the Audit Committee within three months from the date of such transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the related party to any director or is authorized by any other director, the director concerned shall indemnify the Company against any loss incurred by it.

## **7. DISCLOSURE AND REPORTING UNDER THE POLICY**

This Policy shall be disseminated on the website of the Company and web link thereto shall be provided in the annual report of the Company.

Every Related Party Transaction entered into by the Company approved by the Board under Section 188 (1) shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company shall also submit necessary quarterly/half yearly disclosures to the Stock Exchanges in terms of the provisions of SEBI (LODR) Regulations, 2015, as amended from time to time.

## **8. REVIEW**

This Policy shall be reviewed by the Board at least once in every three years and updated accordingly. Any subsequent amendment/modification in the SEBI (LODR) Regulations, 2015 and/or applicable Laws in this regard shall automatically apply to this policy.



## **ANNEXURE 1**

### **INFORMATION TO BE PROVIDED TO THE AUDIT COMMITTEE AND/OR BOARD IN RELATION TO THE PROPOSED RELATED PARTY TRANSACTION (TO THE EXTENT RELEVANT TO THE TRANSACTION):**

1. Name of the Related Party and nature of relationship;
2. Nature and duration of the contract/transaction and particulars thereof;
3. Material terms of the contract or arrangement or transaction including the value, if any;
4. In case of existing or approved contracts, transactions, details of proposed variations to the duration, current price / value and / or material terms of the contract or arrangement including a justification to the proposed variations;
5. Any advance paid / received or to be paid / received for the contract or arrangement, if any;
6. Manner of determining the pricing and other commercial terms, whether or not included as part of contract;
7. whether all the factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
8. Copy of the draft MOU, agreement, contract, purchase order or correspondence etc. if any.
9. Applicable statutory provisions, if any;
10. Valuation reports in case of sale or purchase or leasing / renting of capital assets or securities;
11. Justification as to the arm's length nature of the proposed transaction;
12. Declaration whether the transaction is in the ordinary course of business;
13. Whether the transaction is covered by documentation under transfer pricing;
14. Persons / authority approving the transaction; and
15. Any other information relevant or important for the Committee / Board to take a decision on the proposed transaction.