

P. N. GADGIL & SONS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS & DEALING WITH RELATED PARTY TRANSACTIONS

INTRODUCTION:

This policy is intended to ensure proper approval and reporting of transactions between P. N. Gadgil & Sons Limited (the Company) and the related parties in terms of the applicable laws and regulations.

OBJECTIVES

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

This policy is framed as per the requirement of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) and in accordance with the provisions of Section 188 of the Companies read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, for identification of related parties and the proper conduct and documentation of all related party transactions, materiality thresholds for related party transactions and review and approval of related party transactions. The Company is required to disclose each year in the Financial Statements RPT as well as the policy concerning RPT. Policy has been designed to ensure the transparency of approval process and disclosures requirements for fairness in the conduct of RPT in accordance with the applicable laws. This policy shall supplement the Company's practices applicable to or involving the transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

APPLICABILITY:

The Policy has been approved by the Board of Directors ("Board") of P.N.GADGIL & SONS LIMITED at its meeting held on 30th March, 2018 and this Policy shall come into force with effect from 1st April, 2018. This policy shall be applicable to transactions, covered under section 188 of the Companies Act, 2013 or which are related party transactions under the Income Tax Act, 1961 or under the SEBI LODR, when made with:-

- (a) Board of Directors & their Relatives,
- (b) Key Managerial Personnel (KMP) of the Company and their Relatives, and
- (c) Other Related Parties, as defined hereinafter

DEFINITIONS

"Audit Committee or Committee" means committee of the Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"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 under section 188 of companies Act, 2013.

"Board of Directors" or "Board" in relation to a Company means the collective body of Directors of the Company pursuant to Section 2(10) of the Companies Act, 2013.

“Company” means P.N.GADGIL & SONS LIMITED.

“Control” means control as defined under section 2 (27) of the Companies Act, 2013 which 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.

“Key Managerial Personnel”, in relation to a company, means as defined under section 2(51) of the Companies Act, 2013, viz.

- i) Chief Executive Officer or Managing Director or Manager;
- ii) Company Secretary;
- iii) Whole Time Director;
- iv) Chief financial Officer; and
- v) Such other officer as may be prescribed.

“Material Related Party Transaction” as per Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 means a transaction with related party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed(s) ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

“Policy” means Related Party Transaction Policy.

“Related Party” means related party as defined under section 2(zb) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Section 2(76) of the Companies Act, 2013 and under the applicable accounting standard(s)

“Regulations” mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modifications, clarifications, circulars or re-enactment thereof.

“Related Party Transaction” means any transaction involving a transfer of resources, services or obligations between a company and a related party, 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 and shall include the following:

- (a) sale, purchase or supply of any goods or materials;
- (b) purchasing, supplying, selling or otherwise disposing of, or buying, property or other assets of any kind;
- (c) leasing of property of any kind or hire purchase arrangements;
- (d) availing or rendering of any services;
- (e) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (f) underwriting the subscription of any securities or derivatives thereof, of the company;
- (g) transfers under license agreement(s)
- (h) transfers under finance arrangement(s) including loans

- (i) provision of guarantee or co-lateral
- (j) agency arrangements and management contracts
- (k) deputation of employees
- (l) settlement of liabilities on behalf of the company or by the company on behalf of another party

“Relative” means relative as defined under section 2(zd) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and section 2(77) under the Companies Act, 2013.

APPROVAL OF RELATED PARTY TRANSACTIONS

(a) The Related Party Transactions should be in conformity with the prevailing rules and regulations prescribed by law.

(b) All Related Party Transactions shall be placed before the Audit Committee for prior approval of the Audit Committee, as required under the provisions of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

(c) The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature, provided that such approval shall remain valid for a period not exceeding **one year**, during which period the commercial terms of approved Related Party Transactions may change, provided that arm’s length criterion shall be ensured at the time of each such change. Further, where the need for Related Party Transactions cannot be foreseen and requisite details are not available, the Audit Committee may grant omnibus approval for such transactions provided that the value of each such transaction shall not exceed two crore rupees.

While granting the omnibus approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:

- a) Name of the related party;
- b) Nature of the transaction;
- c) Period of the transaction to be specified or not;
- d) Maximum amount of the transactions that can be entered into;
- e) Frequency of the transactions in the last 3 (three) years;
- f) Volumes of transactions undertaken with such Related Party;
- g) Projected growth rate in the business with the Related Party in the financial year for which omnibus approval is sought;
- h) Contractual terms offered by third parties for similar transactions;
- i) Adherence to any conditions on the contractual terms with such Related Parties for instance floor and cap on the pricing, credit terms, escalation in costs, quality checks etc.;
- j) Indicative base price or current contracted price and formula for variation in price, if any;
- k) Such other conditions as the Audit Committee may deem fit.

(d) All Related Party Transactions specified in the Act which are not Ordinary Course of Business of the Company or not at Arm’s Length Basis; and exceed the thresholds laid down in Companies (Meeting of Board and its Power) Rules, 2014 shall be placed before the shareholders for its approval. Notwithstanding, the Related Party Transactions which cross the Materiality thresholds as defined herein shall be entered by the Company only with prior approval of shareholders of the Company, as per applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.

(e) Subject to the applicable laws, the Audit Committee shall have the power to ratify, revise or terminate the Related Party Transactions, which are not in accordance with this Policy.

(f) The Audit committee shall review the details of related party transactions entered into by company at least once in each quarter pursuant to each of the omnibus approvals given.

(g) SEBI (LODR) Regulations shall be applicable on all prospective Transaction.

(h) All entities falling under the definition of related party shall abstain from voting irrespective of the whether the entity is a party to the particular transaction or not.

(i) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit committee or Board or Shareholders:

i) Any transactions that involve the providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.

ii) Any transactions in which the Related Party's interest arises solely from ownership of securities issued by the company and all holders of such securities receive the same benefits pro rata as the Related Party.

iii) Any transaction which is in the ordinary course of business and on an arm's length basis as determined in terms of this policy

iv) Any other exception which is consistent with the applicable laws including any rules or regulation made thereunder

FACTORS FOR APPROVAL OF THE PROPOSED TRANSACTIONS

While a transaction is placed before the Committee, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party. The Committee shall also examine permissible methods of Arm's Length pricing as per Applicable Law .For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.

Prior to the approval, the Committee shall, inter alia consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The estimated amount involved in the Related Party Transaction;
- c. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- d. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- e. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position, past history and past behavior and

reputation of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant;

- f. Permissible methods of Arm's Length pricing as per Applicable Law including such prices where the benefit of safe harbour is available under Applicable Law.
- g. For the said purposes the Audit Committee shall be entitled to rely on professional opinion in this regard.
- h. Any other information as deemed fit by the Audit Committee or Board.

DETERMINATION OF ORDINARY COURSE OF BUSINESS

The Company should take into account the frequency of the activity and its continuity carried out in a normal organized manner for determining what is in the ordinary course business.

Following transactions with related parties would be considered to be in the ordinary course of business:

- (i) Buying or selling or importing or exporting of jewellery, precious metals etc
- (ii) Agency, distribution, sub-agency, del-credere agent, commission agent with respect to jewellery, precious metals etc
- (iii) Rendering of services under Common service platform between related parties
- (iv) Loans, guarantees or security between related parties within limits as provided under the Companies Act;
- (v) Availing treasury related advisory services;
- (vi) Leasing of immovable property and movable assets;
- (vii) Buying and selling of assets (including sale to Key Managerial Personnel);
- (viii) Sharing costs under a common pool arrangement (Cost sharing agreement);
- (ix) Receiving and rendering services (e.g. research, technical, management, consultancy, outsourcing etc.);
- (x) Distributing dividend;
- (xi) Samples;
- (xii) Payment of Royalty and technical fees;
- (xiii) Any other transaction as deemed fit by the Audit Committee.

APPROVAL BY THE BOARD

If the Audit Committee determines that a Related Party Transaction should be brought before the Board or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and in its judgment, approve or disapprove the Related Party Transaction.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

(1) If prior approval of the Audit Committee or Board or general meeting for entering into a Related Party Transaction is not feasible, then the Related Party Transaction shall be ratified by the Audit Committee and the Board / general meeting, if required, as promptly as practicable and within 3 months of entering in the Related Party Transaction.

(2) The Committee or 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 deems appropriate under the circumstances.

(3) In any case where either the Audit Committee or Board or a general meeting determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee or Board or the general meeting, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Audit Committee / Board has authority to modify or waive any procedural requirements of this Policy.

(4) In determining whether to approve or ratify a Related Party Transaction, the Audit Committee / Board will consider whether the Related Party Transaction is on reasonable terms having regard to the circumstances of the case. The Audit Committee and the Board will also take into account the extent of the Related Party's interest in the transaction.

DISCLOSURES

The Company shall make the following disclosures:

- a. The particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties shall be made in the Director's Report which forms a part of the Company's Annual Report along with the justification for entering into such contract or arrangement.
- b. This Policy shall also be uploaded on the website of the Company and a web link there to shall be provided in the Annual Report.
- c. The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges under Regulation 27(2)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 after listing
- d. Quarterly/Periodical update to the Audit Committee on all the related party transactions entered into by the Company.
- e. The Company shall keep one or more registers as specified under Applicable Law giving separately the particulars of all contracts or arrangements with any related party.

REVIEW

This Policy shall be reviewed by the Audit Committee and the Board, from time to time as may be necessary. This Policy will be communicated to all related parties, operational employees and other concerned persons of the Company and also uploaded on the web site of the Company.