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

SCOPE AND PURPOSE OF THE POLICY

Related party transactions can present¹ a potential or actual conflict of interest which may be against the best interest of the Company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“SEBI LODR”), the Board of Directors, hereinafter referred to as “the Board” of Precision Camshafts Limited has adopted Related Party Transactions Policy, hereinafter referred to as “this Policy” to set forth the procedures under which transactions with Related Parties and materiality thereof shall be ascertained and considered subsequently for approval. It provides a framework for governance and reporting of Related Party Transactions including Material Related Party Transactions.

Note: The words or sentences in ***Italics*** represent the amendments of SEBI (Listing Obligations and Disclosure Requirements) Sixth Amendment Rules applicable with effect from **1st April 2022**.

The words or sentences underlined represent the amendments of SEBI (Listing Obligations and Disclosure Requirements) Sixth Amendment Rules applicable with effect from **1st April 2023**.

DEFINITIONS

1.1. “**Arm’s length transaction**” means a transaction between two related that is conducted as if they are unrelated, so that there is no conflict of interest.

1.2. “**Related Party**” means a related party as defined under sub-section (76) of Section 2 of the Companies Act 2013 or under applicable accounting standards.

[Provided that any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed entity shall be deemed to be a related party.]

Provided that:

a. any person or entity forming a part of the promoter or promoter group of the listed entity; or

b. (b) any person or any entity, holding equity shares:

(i) of twenty per cent (20%) or more; or

(ii) of ten per cent (10%) or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”



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1.3. **“Relative”** means a relative as defined under sub-section (77) of Section 2 of the Companies Act 2013 i.e. with reference to any person, means any one who is related to another, if—

- a) members of a Hindu Undivided Family;
- b) Spouse
- 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)
- j) Sister (including Step-Sister)

1.4. **“Key Managerial Personnel (KMP)”** in relation to a company, means:

- a) the Chief Executive Officer or the managing director or the manager;
- b) the company secretary;
- c) the whole-time director;
- d) the Chief Financial Officer; and
- e) such other officer, as may be prescribed

1.5. **“Related party transaction”** shall have the meaning as defined under Regulation 2 (1) (zc) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 or as envisaged under Section 188 (1) of the Companies Act 2013.

“related party transaction” means a transfer of resources, services or obligations between a listed entity 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

“related party transaction” means a transaction involving a transfer of resources, services or obligations between:

I. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

II. a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

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:*
 - 1. *payment of dividend;*



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2. *subdivision or consolidation of securities;*
3. *issuance of securities by way of a rights issue or a bonus issue; and*
4. *buy-back of securities.*

1.6. “**Transactions in ordinary course of business**” shall mean transaction which /wherein:

- a. is carried out in the normal course of business envisaged in accordance with the objects mentioned in the Memorandum of Association (MOA) of the Company
- b. is as per historical practice with a pattern of frequency, or
- c. is in connection with the normal business carried on by the Company, or
- d. is a common commercial practice in business/market/industry or
- e. income, if any, earned from such transaction is assessed as business income in the Company's books of accounts and hence is a business activity. or
- f. meets any other parameters/criteria as decided by the Board/Audit Committee

1.7. “**Material related party transaction**” means as defined in Regulation 23 of SEBI LODR

- a) *A related party transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent (10%) of the annual consolidated turnover as per the last audited financial statements of the Company whichever is lower .*
- b) In respect of payments to related party for brand usage or royalty, transactions shall be construed as material if the transaction to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent (5%) of the annual consolidated turnover as per the last audited financial statements of the Company.

1.8. “Transaction” shall be construed to include single transaction or a group of transactions in a contract;

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation, amended from time to time.

POLICY ON RELATED PARTY TRANSACTION

- I. The Company shall not enter into any related party *transactions and subsequent material modifications* without the prior approval of the Audit Committee *of the listed entity* unless the transaction /contract/ arrangement enjoys any exemption as provided under the Companies Act, 2013 or Rules made there under or under the provisions of the SEBI (Listing Obligations and Disclosure Requirements) 2015.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions. w.e.f. 1st January 2022



Provided further that:

- a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;*
- b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent (10%) of the annual consolidated turnover, as per the last audited financial statements of the listed entity;*
- c) with effect from 1st April 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity 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;*

- II. The Audit Committee may grant omnibus approval for Related Party Transaction proposed to be entered into by the company, subject to the conditions as stated under Regulation 23 (3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. Such approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- III. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given.
- IV. If any material information with respect to such transactions shall change subsequent to the Audit Committee's review of such transactions, management shall provide the Audit Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Audit Committee
- V. All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior 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:
- VI. Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- VII. The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- (i) the value of the ratified transaction(s) with a related party, whether entered into individually or



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taken together, during a financial year shall not exceed rupees one crore;

(ii) the transaction is not material in terms of the provisions of sub-regulation (1) of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015;

(iii) rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;

(iv) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the provisions of sub-regulation (9) of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015;

(v) any other condition as specified by the audit committee:

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it."

VIII. The related party transactions/ material related party transactions between:

I. The Company and its Wholly Owned Subsidiaries whose accounts are consolidated with Company and placed before the shareholders at general meeting for approval

II. The transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

do not require prior approval of audit committee, omnibus approval and approval of shareholders.

IX. *The listed entity shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.*

The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website:

Provided that a 'high value debt listed entity' shall submit such disclosures along with its standalone financial results for the half year:

Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from 1st April 2023."

If any contract or arrangement with a related party is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015, as applicable, for such transaction/contract/arrangement.



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RELATED PARTY TRANSACTION AND ITS THRESHOLD LIMITS

All related party transactions beyond the threshold limits as mentioned below shall be considered as **material transactions** and **require prior approval of the shareholders** and 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 particular transaction or not.

Sr. No.	Nature of Related Party Transaction	Threshold Limit (% of annual consolidated turnover of the Company as per last audited financial statements)
1.	Payment for usage of brand or royalty	>5%
2.	Any other	>10% > Rs 1000 crore or 10 % whichever is lower

The transactions of the Company with its Related Parties complies with section 188 of the Act and Regulation 23 of SEBI LODR.

DISCLOSURE

1. The Company shall disclose, in the Board Report, transactions prescribed in Section 188 of the Companies Act with related parties, which are not in ordinary course in business or arm/s length basis along with the justification for entering into such transaction.
2. The Annual Report of the Company shall contain Related Party Disclosures as stated in Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015.
3. As prescribed under Regulation 46(2)(g) of the SEBI Listing Regulations, this Policy shall be disclosed on the Company's website viz www.pclindia.in

POLICY INTERPRETATION AND REVIEW

In case of any subsequent changes in the provisions of the Companies Act 2013, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or Regulations, the provisions of the Act or Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in Act or Regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

Irrespective of above, the policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly with recommendations from Audit Committee.