

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

### **1. PURPOSE:**

The Board of Directors (the “Board”) of PH TRADING LTD (“the Company”), based on recommendations of the Audit Committee, has adopted the Policy on materiality of Related Party Transactions and dealing with Related Party Transactions (the “Policy”) in terms of the requirements of Companies Act, 2013 (“Act”) read with the Rules framed thereunder and Regulation 23 of the Listing Obligations & Disclosure Requirements. The Audit Committee would review and recommend to the Board any amendment / modification to the Policy, as and when required.

### **2. DEFINITIONS:**

**Accounting Standards** means accounting standards notified under Section 133 of the Act.

**Audit Committee** means a committee of the Board of Directors constituted as per the requirements of Regulation 23 and the Act.

**Group** includes all the entities which are included in the consolidated financial statements of the Company.

**Key Managerial Personnel (‘KMP’)** means a person who is a KMP, as defined in sub-section (51) of Section 2 of the Act or KMP within the meaning of the Accounting Standard 18 – Related Party Disclosures (‘AS 18’).

**Policy** means this Policy on materiality of Related Party Transactions and dealing with Related Party Transactions, as amended from time to time.

**Related Party or Related Parties** with reference to a Company shall have the same meaning as defined in Section 2(76) of the Act and Regulation 23.

**Related Party Transaction** means any transaction or arrangement in which the Company and Related Party are contracting parties either directly or indirectly with respect to the items specified in Section 188(1)(a) to (g) of the Act and which involves transfer of resources, services or obligations between a Company and a Related Party, 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.

Words and expressions used and not defined in this Policy, but defined in the Act or any Rules framed thereunder or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the Regulation 23 of Listing Obligation and Disclosure Requirement or the Accounting Standards shall have the meanings assigned to them in these regulations.

### **3. MATERIALITY THRESHOLDS:**

Regulation 23 requires a company to provide materiality thresholds for transactions beyond which the shareholders' approval will be required by way of a Special Resolution. The Company has fixed its materiality threshold in terms of Regulation 23 as amended from time to time, which presently elucidates that transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

### **4. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:**

#### **i) Identification of Related Parties:**

Based on declarations / disclosures received from the Directors / KMP, from time to time, the list of Related Parties shall be identified.

#### **ii) Identification of Related Party Transactions:**

In the event that a proposed transaction is to be entered into with any of the parties identified as a Related Party in the list of the Related Parties, the proposed transaction shall be considered as a Related Party Transaction.

#### **iii) Arm's length evaluation:**

The Act or Rules framed thereunder or Clause 49, require that the transactions between Related Parties be conducted at Arm's length. However, Arm's length transaction has been defined under Explanation (b) of Section 188 of the Act as the transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

In the absence of any guidance, Transfer pricing guidelines under the Income Tax Act, 1961, may be used for determining the appropriate method for determining arm's length price. There may be certain transactions which do not need an arm's length evaluation or documentation under the Income-tax Act 1961. In such cases also, it is considered appropriate if the principles of Transfer pricing guidelines under the Income Tax Act, 1961 are used. In situations, where it is not appropriate to determine the arm's length price through the methods prescribed by the Income-tax Act, 1961, reliance can be placed on expert valuation obtained from an external agency.

#### **iv) Procedure for approval of Related Party Transactions:**

##### **a) Approval of the Audit Committee:**

All Related Party Transactions would require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:

- 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.
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- The omnibus approval shall specify:
  - (i) the name/s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - (ii) the indicative base price / current contracted price and the formula for variation in the price, if any, and
  - (iii) such other conditions as the Audit Committee may deem fit.

However, in case of Related Party Transactions, which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval.

- 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.
- Such omnibus approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.
- Any Director / KMP having potential interest in any Related Party Transaction shall not participate in discussions and voting on the approval of the Related Party Transaction.

The approval of the Audit Committee can be granted by way of circular resolution subject to the provisions of the Act. Any such approval must be ratified by the Audit Committee / Board at its next meeting.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review one or more or all of the following documents / seek one or more or all of the following information, as the case may be, from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- Nature of the transaction, i.e. details of goods or property to be acquired / transferred or services to be rendered / availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub-arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - ❖ market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - ❖ Third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
  - ❖ Management assessment of pricing terms and business justification for the proposed transaction;
  - ❖ Comparative analysis, if any, of other such transaction entered into by the Company.

The above list is only indicative in nature and depending upon the facts of the case, one or more or all or some other information may be called for / reviewed to determine if the transaction is in the ordinary course of business and at arm's length.

Further, the Audit Committee / Board may seek external professional opinion, if required.

**b) Approval of the Board of Directors:**

In terms of the provisions of Section 188 of the Act, all kinds of transactions specified therein and which are not in the ordinary course of business and at arm's length basis, shall be placed before the Board for its approval. Further, if the Audit Committee determines that a particular Related Party Transaction should be brought before the Board, then the Board shall consider and approve the same.

The agenda of the Board Meeting at which approval for Related Party Transactions is sought shall disclose the necessary details as required under the Act and the Equity Listing Regulations. Any Director / KMP having potential interest in any Related Party Transaction shall not participate in discussions and voting.

**c) Approval of the Shareholders of the Company:**

- Transactions with Related Party, which are in the ordinary course of business and at arm's length basis, do not require shareholders' approval in terms of Section 188 of the Act, however in absence of similar exemption in Regulation 23 all kinds of transactions specified under Section 188 of the Act though in the ordinary course of business and at

arm's length basis and exceeding the thresholds laid down under the Act and Regulation 23, as amended from time to time, shall be placed before the shareholders for their approval.

- All kinds of transactions specified under Section 188 of the Act, which (a) are not in the ordinary course of business and / or at arm's length basis; or (b) exceed the thresholds laid down under the Act and Regulation 23, as amended from time to time, shall be placed before the shareholders for their approval by way of a Special Resolution.
- Regulation 23 of Listing Obligations and Disclosure Requirements provides that the requirement for seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiaries whose accounts are consolidated with the Company.

None of the Related Parties shall be entitled to vote on a resolution relating to material Related Party Transaction in the shareholders' meeting.

**5. Disclosure Requirements:**

i) Every Related Party Transaction prescribed in Section 188(1) of the Act shall be disclosed in the Board's report along with the justification for entering into such transaction.

ii) Details of all Related Party Transactions meeting the materiality threshold as given in the Policy shall be disclosed on a quarterly basis along with the compliance report on corporate governance to the stock exchanges.

iii) The Company shall disclose the Policy on its website and a web link shall be provided in the Annual Report.

**6. 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, 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, and shall evaluate all options available to the Company, including but not limiting to ratification, revision or termination of such Related Party Transaction.