



## **POLICY ON RELATED PARTY TRANSACTIONS**

**(With Effect from 23-05.2023)**

### 1. **PREAMBLE**

The Board of Directors (the “Board”) of Paul Merchants Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and this Policy includes the materiality thresholds and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (Act), other applicable Provisions of the Act, Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations), as amended from time to time. Any amendment in the said Act/Rules/Listing Regulations at any point of time in future shall be deemed to be automatically incorporated herein. Any amendment to this Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee and the Board shall review this Policy at least once every three years.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material related party transactions.

### 2. **OBJECTIVE**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### 3. **DEFINITIONS**

“**Audit Committee or Committee**” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

“**Board**” means the Board of Directors as defined under the Companies Act, 2013.

“**Key Managerial Personnel**” means Key Managerial Personnel as defined under the Companies Act, 2013.

**“Material Related Party Transaction”** will have the same meaning as defined in Regulation 23, as amended from time to time.

**“Material Modifications”** would mean a modification in a transaction resulting in deviation of more than 50% of the approved value of a Related Party Transaction. The audit committee of the Company is also authorized to define the material modifications, as it deems fit depending upon the circumstances.

**“Related Party”** will have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.

**“Related Party Transaction”** and their exceptions shall have the same meaning as defined under Regulation 2(1)(zc) of the Listing Regulations and Section 188(1) of the Companies Act, 2013, as amended from time to time.

**“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).

**“Transaction”** with a related party shall be construed to include a single transaction or a group of transactions.

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

**“Ordinary Course of Business”** means a transaction which is:

- i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company as amended from time to time,
- ii) historical practice with a pattern of frequency,
- iii) in connection with the normal business carried on by the Company
- iv) the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity,
- v) common commercial practice
- vi) meets any other parameters / criteria as decided by the Board/Audit Committee

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations or any other applicable law or regulation, as amended from time to time.

The terms **Director, Chief Financial Officer, Company Secretary**, shall have the same meaning as assigned under the Companies Act, 2013.

#### 4. **POLICY**

The Audit Committee of the Board shall review and approve all Related Party Transactions and material modifications thereto based on this Policy.

All proposed Related Party Transactions and material modifications thereto must be undertaken with prior approval of the Audit Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre – approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy after considering all the relevant facts and circumstances regarding the RPTs and after evaluating all options available to the Company, including ratification, revision or termination of the related party transaction.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

##### 4.1 **IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

The Company shall identify related parties as per the definition provided in the Act and Listing Regulations. Every Director will be responsible for providing a declaration in the prescribed form MBP-1 every year in the first Board meeting of the Financial year on an annual basis. Every Director will also be responsible to update the Board and the Company Secretary of any changes in the information furnished by him/her immediately on him/her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Party Transactions in the prescribed form MBP-4.

Every Director, Key Managerial Personnel, Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board. The information will be provided as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time. The Company Secretary and Chief Financial Officer of the Company will also arrange to obtain the same information from the Directors, Key Managerial Personnel, Chief Financial Officer of the Subsidiary Companies.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/ Valuation expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee.

#### 4.2 **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee of the Company in accordance with provisions of Regulation 23(2) and other applicable SEBI Regulations and provisions of Companies Act, 2013 as amended from time to time. A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting or if he is present, shall abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered. Only those members of the audit committee, who are independent directors, shall approve related party transactions. Further, the relevant provisions of the Act and Listing Regulations shall be complied with by the Company in this regard at the time of discussing, reviewing and approving any Related Party Transaction in the Audit Committee, Board Meeting or the meeting of the Shareholders of the Company.

A related party transaction to which the subsidiary(s) of the Company is a party but the Company is not a party, shall also require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company.

With effect from April 1, 2023, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary. It is further provided that the prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

##### 4.2.1 **CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS**

While considering any transaction, 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 and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, be provided with the following factors to the extent relevant to the transaction:-

<b>Name of the related party</b>	
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<p><b>Nature of Relationship with the listed entity or its subsidiary including nature of its concern or interest (financial or otherwise)</b></p>	
<p><b>Nature, Type, material terms and particulars of the proposed transaction</b></p>	
<p><b>Tenure of the proposed transaction/ Duration of the contracts/ arrangements/ transactions</b></p>	
<p><b>Value of the proposed transaction/ Maximum amount of the transactions that can be entered into</b></p>	
<p><b>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)</b></p>	
<p><b>Additional disclosures, if the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:-</b></p> <ul style="list-style-type: none"> <li>i details of the source of funds in connection with the proposed transaction</li> <li>ii where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments:-, <ul style="list-style-type: none"> <li>• nature of indebtedness</li> <li>• cost of funds; and</li> <li>• tenure;</li> </ul> </li> </ul>	
<p><b>Justification as to why the RPT is in the interest of the listed entity</b></p>	

<b>A copy of the valuation or other external party report, if any such report has been relied upon;</b>	
<b>Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis</b>	
<b>Period of the transaction</b>	
<b>Indicative base price / current contracted price and formula for variation in price, if any</b>	
<b>Additional disclosures, if the transaction relates to any loans, inter- corporate deposits, advances or investments made or given by the listed entity or its subsidiary</b>	
<b>Any advance paid or received for the contract or arrangement</b>	
<b>The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract</b>	
<b>Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;</b>	
<b>Any other information that may be relevant</b>	

a.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering

into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

#### **4.2.2 APPROVAL BY THE BOARD**

Requisite Related Party Transactions shall be placed before the Board for its consideration & approval. The Board shall review and approve the matter after considering the same in the light of provisions of para 4.2.1, with such modification as may be necessary or appropriate under the circumstances.

#### **4.2.3 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE**

In case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that 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
- 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 beyond the pre-approved variations. 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 all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only) in a year. The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. The committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

#### 4.2.4 **APPROVAL OF SHAREHOLDERS FOR MATERIAL RELATED PARTY TRANSACTIONS**

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. Provided that prior approval of the shareholders of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing regulations are applicable to such listed subsidiary. The notice being sent to the shareholders seeking approval for any Related Party Transaction shall, in addition to the requirements under the Companies Act, 2013, shall include the following information as a part of the explanatory statement:-

- a. A summary of the information provided by the management of the listed entity to the audit committee as specified in point 4.2.1 above;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under point 4.2.1 above;
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis.

#### 4.2.5 **THRESHOLDS FOR VARIOUS RELATED PARTY TRANSACTIONS**

Following thresholds have been decided by the Board:-

Except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into:-

- A. As per SEBI Listing Regulations:
  1. Any transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or ₹ 1,000 crore, whichever is lower.
  2. 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.
- B. As per the Companies Act:



RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

(a).

The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year

#### **4.2.6 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH**

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through resolution provided that 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.

#### **4.2.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED**

Where any contract or arrangement is entered into by any related party, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders] and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

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.

#### **4.3 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction in accordance with the provisions of Section 188 of the Companies Act and as per applicable Listing Regulations. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013. Further, the disclosures required to be made under Listing Regulations shall be made in the mode and manner as prescribed therein.

5. **SCOPE/ LIMITATION**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations/ Act or any other statutory enactments, rules, the provisions of such Listing Regulations/ Act or statutory enactments, rules shall prevail over this Policy.

6. **DISSEMINATION OF POLICY**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

Reviewed by Audit Committee on 22-05-2023

Approved by the Board of Directors on 23-05-2023

Sd/-

Chairman