



**POLICY ON RELATED PARTY**  
**TRANSACTIONS**  
*Of*  
**PARADEEP PARIVAHAN LIMITED**

*Approved by Board on the Meeting held on Dt.05.06.2024*

## **POLICY ON RELATED PARTY TRANSACTION**

### **1. NOTING OF RELATED PARTY TRANSACTION POLICY**

Related-party transactions (RPTs) refer to transactions between a company and its related entities such as subsidiaries, associates, joint ventures, substantial shareholders, directors, Key Managerial Personnel and their relatives, or entities owned or controlled by them. 'Framework' shall mean the Audit Committee approved Framework on Arm's Length Pricing.

The Company recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are in the best interest of the Company and its shareholders. Therefore, this policy has been adopted by the Company's Board of Directors, on the recommendation of the Audit Committee, to ensure high standards of Corporate Governance while dealing with Related Parties (as defined below) and sets forth the procedures under which the RPT must be reviewed, approved or ratified and reported.

This policy is to regulate the transaction between the Company and related party based on applicable laws and regulations applicable on the Company.

The Audit Committee would review and recommend amendment to the Policy, as and when required, which will be subject to the approval of the Board.

### **2. APPROVAL PROCESS**

#### **I. Threshold Limits for approval**

| <b>Nature of Transaction</b>  | <b>Limit as per Companies Act, 2013</b>   | <b>Approval</b>                                    |
|---|---|--|
| sale, purchase or supply of any goods or materials, directly or through appointment of agent                | Exceeding 10% of Turnover or Rs.5 Crores, whichever is lower                      | Shareholder Approval by way of Ordinary Resolution |
| selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent | Exceeding 10% of Net worth or Rs.5 Crores, whichever is lower                     | Shareholder Approval by way of Ordinary Resolution |
| leasing of property of any kind   | Exceeding 10% of Net worth or 10% of Turnover or Rs.10 Crores, whichever is lower | Shareholder Approval by way of Ordinary Resolution |
| availing or rendering of any services, directly or through appointment of agent                             | Exceeding 10% of Turnover or Rs.5 Crores, whichever is lower                      | Shareholder Approval by way of Ordinary Resolution |
| Appointment to any office or place of profit in the company, its subsidiary company or associate company    | Monthly remuneration exceeding Rs.2,50,000  | Shareholder Approval by way of Ordinary Resolution |
| Remuneration for underwriting the subscription of any securities in or derivatives thereof                  | Exceeding 1% of net worth   | Shareholder Approval by way of Ordinary Resolution |

Provided that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.

Provided also that the requirement of passing the shareholders resolution shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Provided also that nothing in this sub-section shall apply to any transaction entered into by the company in its ordinary course of business other than transactions which are not at arm's length basis.

## **II. Arm's Length Transaction**

The expression "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.

In the absence of any prescriptive guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company shall take guidance from the Framework on Arm's Length Pricing (herein after referred to as the 'Framework') approved by the Audit Committee, for determining the terms of RPTs. Additionally, the Company may also adopt any other reasonable approach or methodology to demonstrate ALP for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm's Length benchmark.

## **III. Ordinary Course of Business**

The term ordinary course of business is not defined under the 2013 Act or the Rules thereunder. Therefore, it would depend on facts and circumstances of each case. The company would therefore exercise judgment to conclude whether a transaction can be considered to be in the 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 ascribed to business objectives or operational activities or alternatively, related to financial activities and;
- b) The same transaction must also fall under the perimeter of the ordinary exercise of operational activities or related financial activities.

## **3. POLICY**

The Audit Committee shall review and approve all Related Party Transactions based on this Policy. All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the 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 on the following conditions:



- 1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
    - (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
    - (b) the maximum value per transaction which can be allowed;
    - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
    - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
    - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
  - (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
    - (a) repetitiveness of the transactions (in past or in future);
    - (b) justification for the need of omnibus approval.
  - (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
  - (4) The omnibus approval shall contain or indicate the following: -
    - (a) name of the related parties;
    - (b) nature and duration of the transaction;
    - (c) maximum amount of transaction that can be entered into;
    - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
    - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
  - (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
  - (7) Any other conditions as the Audit Committee may deem fit.”

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.



#### **4. IDENTIFICATION OF RELATED PARTY TRANSACTION**

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. 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)

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

#### **5. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or 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.

##### **Approval by the Board**

The Board after taking into consideration the recommendation of the Audit Committee, shall consider and approve the Related Party Transaction at a meeting with such modification as may be necessary or appropriate under the circumstances.

##### **Approval by the Shareholders**

All Related Party Transactions in excess of the threshold limits shall require approval of the shareholders through Ordinary resolution and the Related Parties shall abstain from voting on such resolution.



Place: Paradeep  
Date: 05.06.2024