

PREMIER SYNTHETICS LIMITED

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

* As amended on 19/05/2023

1. Preamble

The Board of Directors (**the “Board”**) of Premier Synthetics Limited (**the “Company”**), has adopted the following policy and procedures with regard to Related Party Transactions and dealing with related party transaction as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable to the Company pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI LODR”**).

2. Purpose

The Company requires related party transaction to be approved by Audit committee and Clause 49 of the Listing Agreement requires company should articulate a policy and publish on its website to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties. This policy is applicable to Key Managerial Personnel and related parties mention in Clause 3.

3. Definitions

‘Act’ means Companies Act, 2013, as amended from time to time.

‘Arm’s Length Transaction’ means a transaction between the Company and its Related Party(ies) that is conducted as if they were unrelated and at a fair value, so that there is no conflict of interest.

‘Associate Company’ means any company, in which the Company controls at least twenty per cent (20%) of total share capital or controls business decisions under an agreement, including a joint venture company but not a subsidiary of the Company.

“Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under provisions of Listing agreement and the Companies Act, 2013.

“Board” or “Board of Directors” means Board of Directors of the Company, as constituted from time to time.

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

“Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes

- (i) Managing Director, or Chief Executive Officer or Manager and, in their absence, a Whole-time Director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

“Material Related Party Transaction” means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds **ten (10%)** percent of the annual turnover or ten percent of the net worth of the Company as per the last audited financial statements of the Company, whichever is higher.

“Policy” means Related Party Transaction Policy.

“Related Party” means a related party as defined under Regulation 2(1)(zb) of SEBI LODR under Section 2(76) of the Companies Act, 2013 or under the applicable accounting standards, read with amendments issued from time to time.

“Related Party Transaction or transaction” means related party transaction as defined under Regulation 2(1)(zc) of SEBI LODR and Section 188 of the Companies Act, 2013 read with amendments issued from time to time.

Explanation – A “transaction” with a Related Party shall be construed to include single or a Group of transactions in a contract.

‘Relative’ with reference to a Director or a Key Managerial Personnel means persons defined under Section 2(77) of the Companies Act, 2013 read with amendments issued from time to time.

‘Subsidiary company’ or ‘subsidiary’ means the company as defined under Section 2(87) of the Companies Act, 2013. However, for the purpose of compliance under Clause 49 of the Listing Agreement, subsidiary or subsidiary company means the company as defined under the accounting standards issued by the Institute of Chartered Accountant of India.

‘Total Share Capital’ means the aggregate of the (a) paid-up equity share capital; and (b) convertible preference share capital.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the SEBI LODR Regulations, 2015 as amended from time to time or any other applicable law or regulation.

‘Stock Exchanges’ means the stock exchanges where equity shares of the Company are listed.

4. Policy

All Related Party Transactions must be reported to the Audit Committee subject to limit specify in Clause 3 and referred for prior-approval by the Committee in accordance with this Policy.

Identification of Potential Related Party Transactions

Each Director and Key Managerial Personnel (KMP) is responsible for providing notice to the Board regarding persons and entities to be considered as “Related Parties” by virtue of his/her being Director/ KMP in the Company. Such Notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors / KMP in the manner prescribed in the Companies Act, 2013 and the rules there under.

Approval/Prohibitions related to Related Party Transactions

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Approval Process of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will refuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the Related Party Transaction, 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- ❖ Whether the terms of related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ❖ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

- ❖ Whether Proposed transaction includes any potential reputational risk issue that may arise as a result of or in connection with the proposed transaction;
- ❖ Whether the Company was notified about the Related party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- ❖ Whether the Related Party Transaction would present an improper 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 of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the on-going nature of any proposed relationship and any other factors the Board / Committee deems relevant.
- ❖ **Approval of Audit Committee:**
 - i. All related party transactions and subsequent material modifications shall require prior approval of Audit Committee in terms of Regulation 23(2) of SEBI LODR Regulations, 2015
 - ii. The related party transactions shall only be approved by the members of the Audit Committee who are independent Directors.
 - iii. The Company may also obtain omnibus approval from the Audit Committee for such transactions, subject to compliances set out in Regulation 23(3) of the SEBI LODR Regulations, 2015
- ❖ **Approval of the Board:**
 - i. All related party transactions which are not in the Ordinary course of business or qualify as an Arm's Length Transaction will be put up for prior approval of the Board.
- ❖ **Approval of the Shareholders:**
 - i. All material related party transaction and subsequent material modifications shall be placed for prior approval of the Shareholders in terms of Regulation 23(4) of SEBI LODR Regulations, 2015.

If the 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 considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

Exception:

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

i. Any transaction that involves 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 transaction 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. The requirement of seeking approval of the Audit Committee or Board or the Shareholders shall not apply in respect of exempted transactions as specified under Section 188 of the Companies Act, 2013 and read along with the ruled made thereunder Regulation 23(5) SEBI LODR Regulations, 2015

5. Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

6. Voting Requirements:

- i. Before approving any Related Party Transactions, the Chief Financial Officer (CFO) must express a reasoned opinion on the Company's interest in carrying out the transaction and on the benefits and substantive fairness of the related terms. In determining whether to approve or ratify a Related Party Transaction, the Audit Committee/ Board, as the case may be, shall take into account among other factors it deems appropriate, whether the Related Party Transaction is in the Ordinary course of business of the Company and whether it qualifies as an Arm's Length Transaction and the extent of the Related Party's interest in the transaction.
- ii. The term Ordinary course of business has been elaborated below. For this purpose, the Audit Committee/ Board, as the case may be, is entitled to seek the assistance of any employee of the Company or one or more independent experts of its choice at the expense of the Company.
- iii. Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from any discussions or voting on such proposals.

7. Ordinary Course of Business and Arm's Length Price:

Arm's length pricing in respect of all Related Party Transactions shall be determined in accordance with the policy memos adopted by the Board for specified Related Party Transactions, where such memos have been prepared.

Disclosure and Reporting:

- i. Details of the Related Party Transactions during the quarter shall be disclosed in the Audit Committee and Board Meeting of the Company.
- ii. The Company shall submit to the relevant Stock Exchange disclosure of related party transactions in the format specified by SEBI from time to time and publish the same on its website.
- iii. In case the Company has issued high value Debt securities then it shall submit such disclosure along with its standalone Financial Results for the half year.
- iv. The Company shall make such disclosure every Six months within fifteen days from the date of publication of its standalone and consolidated financial results.
- v. From April 1, 2023, the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.
- vi. Director's report shall contain details of Related Party Transactions as required under the Companies Act, 2013
- vii. The Annual Report shall contain details of Related Party Transactions as required under the Companies Act, 2013 and Schedule V of SEBI LODR Regulations, 2015.

Amendment to the Policy

- ❖ The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.
- ❖ In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities are not consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Determination of Ordinary Course of Business

Background:

Section 188(1) of the Companies Act, 2013 (“Companies Act”) states that a company shall not enter into any contract or arrangement, as specified therein, with a related party which is not in the ordinary course of business and which is not at arm’s length, without the consent of the board of directors given by a resolution at the meeting of the board of directors. In case the Company has a paid-up share capital exceeding the amount as may be prescribed or the value of the specified transaction exceeds the prescribed thresholds under the Companies Act read with the rules made thereunder, it will also be put up for prior approval of the Shareholders through special resolutions.

Accordingly, for transactions meeting both the criteria in the third proviso to section 188(1) of the Companies Act, viz. transactions that are entered in the Ordinary course of business and amount to an Arms’ Length Transaction, the provisions of Section 188(1) of the Companies Act would not apply. Whilst the framework policy defined by us defines an Arm’s Length Transaction, the Policy does not articulate what would be deemed as ordinary course of business for the Company.

What is Ordinary course of Business?

The phrase 'ordinary course of business' is not defined under the Companies Act or the rules prescribed thereunder. An assessment of whether a transaction is in 'ordinary course of business' may be very subjective, judgmental and can vary on case-to-case basis. The purpose of making such assessment is to determine whether the transaction is usual or customary to the Company and / or its line of business.

The Company would, therefore, be required to exercise its judgment to conclude whether a transaction which the Company enters into can be considered to be in the ordinary course of its business.

Key factors which the management of the Company may consider in making its assessment for ordinary course of business of the Company:

i. Whether the transaction is covered in its Memorandum of Association:

If the transaction is covered in the objects clause of the Memorandum of Association then it is likely to be in ordinary course of business of the company.

ii. Whether a transaction is usual or unusual:

Although a Company would be outsourcing its IT processes for the first time, if that is a norm in the industry in which it operates the transaction is not unusual. Hence, whilst deciding the usualness or otherwise of a transaction, one should not restrict oneself only to the company and its past history; rather, a wider perspective covering line of business.

iii. Frequency:

If a transaction occurs frequently over a period of time, the more likely it is to be an ordinary part of the business. However, the inverse of this does not necessarily hold true.

iv. Business purpose of the transaction and whether transaction is done on similar basis with other third parties:

The Company would consider transactions to be in the ordinary course of business which include those that form part of the revenue from operations, the costs of goods / products sold and the normal expenses incurred for operating the business uninterruptedly or part of capital asset like replacement / maintenance of fixed assets (considering the business rationale and without any complicated terms and conditions as compared to transactions with independent third parties).

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary may generally be assessed on a case to case basis as to whether they could be considered to be in the ordinary course of business.

v. Size and volume of transaction.

The materiality of the transaction in terms of its value may be considered.
