

# PORWAL AUTO COMPONENTS LIMITED

## POLICY ON RELATED PARTY TRANSACTIONS

*(Pursuant to section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (LODR) Regulations, 2015)*

### I. SCOPE AND PURPOSE:

The Board of Directors (the “Board”) of **Porwal Auto Components Limited** (the “Company”) has adopted this Related Party Transaction Policy (“Policy”) upon the recommendation of the Audit Committee and the said Policy includes the materiality threshold and the manner of dealing with Related Party Transactions (“RPT”) in compliance with the requirements of Section 188 of the Companies Act, 2013 and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015 {hereinafter referred as “SEBI (LODR) Regulation 2015”}.

Such policy shall be reviewed by the Audit Committee and the changes be recommended to the board of directors from time to time, as per amendments made in the Companies Act, 2013 and Listing Regulations and will be updated accordingly.

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 transactions. The Company has formulated this policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

This Policy has been amended by the Board of Directors at its meeting held on 12<sup>th</sup> February, 2022 and the revised policy shall be effective from 1st April, 2022.

### II. OBJECTIVES

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.

### III. DEFINITIONS

“**Act**” means the Companies Act, 2013 and Rules made thereunder and any amendment thereof.

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

“**Audit Committee**” or “**Committee**” means the Committee of the Board constituted or reconstituted from time to time pursuant to the provisions of Section 177 and other applicable provisions of the Companies Act, 2013 and Rules made thereunder and Regulation 18 and other applicable provisions of the SEBI (LODR) Regulation, 2015.

“**Board**” means Board of Directors of the Company.

“**Company**” means a company incorporated under the Companies Act, 2013 or under any previous company law.

**"Control"** shall have the same meaning as defined in SEBI (SAST) Regulations, 2011

**"Independent Director"** means a Director referred to in Section 149(6) of the Companies Act, 2013, rules made thereunder and as defined under Regulation 16 of the LODR.

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

**"Associate Company"** in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation- For the purposes of this clause, "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement

**"Material Related Party Transaction"** means a transaction with a Related Party which individually or taken together with previous transactions during the financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or the SEBI (LODR) Regulation, 2015 from time to time.

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**"Ordinary course of Business"** means a transaction which is:-

- i. Carried out in the normal course of business envisaged in accordance with Memorandum of Association of the Company as amended from time to time;
- ii. Historical practice with a pattern of frequency; or
- iii. Common commercial practice; or
- iv. Meets any other parameters/criteria as decided by Board/Audit Committee.

**"Related Party"**, means related party as defined in the Act and/ or SEBI (LODR) Regulation, 2015.

**"Related Party Transaction" (RPT)** means transaction with related party as defined in the Act and/ or SEBI (LODR) Regulation, 2015.

**"Relative"** means relative as defined under the Companies Act, 2013 and rules made there under.

All other terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules there under and the SEBI (LODR) Regulation, 2015, as amended from time to time.

#### **IV. MANNER OF DEALING WITH RPTS**

##### **i. Identification of Related Parties and Related Party Transactions:**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

## **V. MATERIALITY THRESHOLDS**

The materiality of any RPT will be ascertained as per the thresholds prescribed under the Act or the Listing Regulations, whichever is lower:

### **Materiality threshold under Companies Act, 2013**

A transaction with a related party shall be considered material if it exceeds threshold as prescribed under section 188 of the Act read with Rules made there under or any subsequent amendment thereto.

### **Materiality threshold under SEBI (LODR) Regulations, 2015**

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which pre-approval (**w.e.f. 01<sup>st</sup> April, 2022**) of the shareholders through resolution will be required. The Company has fixed the following materiality threshold for the purpose of Regulation 23(1), 23(1A) and 23(4) of the SEBI (LODR) Regulation 2015:

- **Payment to a Related Party with respect to brand usage or royalty** – 5% of the annual consolidated turnover of the Company as per last its audited financial statements.
- **Other transactions with a Related Party** - Rs 1,000 (one thousand) crore or 10% (ten percent) of the annual consolidated turnover of the Company as per its last audited financial statements, whichever is lower.

### **Material Modification (to be defined by the Audit Committee of the Company)**

A modification to a RPT shall be considered material, if the:

- value of the modification individually or taken together with modifications during a financial year, exceeds 10% of the original transaction as approved by the Audit Committee and / or the shareholders, whichever is lower.
- material terms of the contract resulting in novation of the contract, change in tenure of the contract, deferment of security / guarantee shall also be treated as a material modification of the transaction.

## **VI. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTIONS**

All Related Party Transactions shall be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

### **1. Approval of Related Party Transaction by Audit Committee**

- I. All the transactions which are identified as Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee and non-executive and independent members of the Audit Committee will approve these RPTs.

A RPT to which any of the Company's subsidiary is a party but the Company is not, will require prior approval of the Company's Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the Company's annual consolidated turnover, as per the Company's last audited financial

statements.

With effect from 1st April, 2023, a RPT to which the Company's subsidiary is a party but the Company is not, will require prior approval of the Company's Audit Committee if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the subsidiary's annual standalone turnover, as per the subsidiary's last audited financial statements.

Prior approval of the Company's Audit Committee will not be required if the subsidiary is listed and the Company is not a party if applicable provisions of the listing regulations are applicable to such listed subsidiary. For transactions of unlisted subsidiaries, prior approval of the Company's Audit Committee shall suffice.

- a. The Audit Committee may, after obtaining approval of the Board of Directors, grant omnibus approval for certain Related Party Transactions proposed to be entered into by the company subject to compliances with the following conditions:
    - i. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
    - ii. The maximum value per transaction which can be allowed;
    - iii. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
    - iv. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
    - v. transactions which cannot be subject to the omnibus approval by the Audit Committee
  - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval , namely:-
    - i. repetitiveness of the transactions (in past or in future);
    - ii. justification for the need of omnibus approval
  - c. it shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
  - d. Such omnibus approval shall specify:
    - i. the name/s of the related party, nature of the 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;
- Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 Crore per transaction.
- e. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
  - f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
  - g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

- h. The maximum value per transaction which can be approved under omnibus route will be the same as per the materiality threshold as defined in the Policy.
- i. Any other conditions as the Audit Committee may deem fit

## **II. Information to be reviewed by the Audit Committee for approval of RPTs**

The listed entity shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. 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);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
  - i. details of the source of funds in connection with the proposed transaction;
  - ii. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
    - nature of indebtedness;
    - cost of funds; and
    - tenure;
  - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

## **2. Approval of Related Party Transaction by Board of Directors**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case choose to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Related Party transaction should be approved by the Board.

All cases where the Related Party Transactions are not in the ordinary course of business and/or are not on arm's length basis but within the prescribed limits as per the Companies (Meetings of Board & its Powers) Rules, 2014, shall be brought before the Board of Directors for approval through Audit Committee.

Such approval of Board may be obtained at a duly convened meeting.

### **3. Approval of Related Party Transaction by Shareholders**

- I. Notwithstanding, the RPTs which cross the materiality threshold as defined under the Listing Regulations and subsequent material modifications thereof, shall be entered by the Company only with the prior approval of the shareholders of the Company and no related party shall vote to approve, whether the Related Party is a party to a particular transaction or not.

Prior approval of the Company's shareholders will not be required for a RPT to which the listed subsidiary is a party but Company is not, if applicable provisions of the listing regulations are applicable to such listed subsidiary. For material RPTs of unlisted subsidiaries, prior approval of the Company's shareholders shall suffice.

Provided that the requirements specified above shall not apply in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

### **II. Information to be provided to shareholders for consideration of RPTs**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, 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 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(f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- 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;
- f. Any other information that may be relevant.

## **VII. DISCLOSURES**

The Company shall disclose the following:-

1. In the Board's report, transactions prescribed in Section 188(1) as specified in Form AOC-2;
2. In Corporate Governance Report which is required to be submitted to the Stock exchange on Quarterly Basis;
3. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report;
4. In the Annual Report as prescribed in Schedule V of the SEBI (LODR) Regulations, 2015;
5. The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of directors.

6. The Company shall make RPT disclosures to the Stock Exchange, every six months in the format provided in the Annexure attached herewith.

#### **VIII. LIMITATION**

In the event of any conflict between the provisions of this Policy and of the SEBI (LODR) Regulation, 2015 / Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the SEBI (LODR) Regulation, 2015 / Companies Act, 2013 or other statutory enactments, rules, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.

#### **IX. AMENDMENT**

The Company reserves the right to amend or modify this Policy in whole or in part, at any point of time subject to the SEBI (LODR) Regulations 2015 and/or applicable laws in this regard.

**Note:**

The provisions of the Companies Act, 2013 and rules thereto and the SEBI (LODR) Regulations, 2015 (including any amendment thereto from time to time) to the extent applicable, shall be apply in addition to this policy.

**BY THE ORDER OF THE BOARD  
FOR PORWAL AUTO COMPONENTS LIMITED  
CIN: L34300MP1992PLC006912**

**Sd/-  
DEVENDRA JAIN  
MANAGING DIRECTOR  
(DIN - 00232920)**

**Date:** 12<sup>th</sup> February, 2022  
**Place:** Pithampur