

“RELATED PARTY TRANSACTIONS POLICY”
PERFECTPAC LIMITED
APPROVED IN BOARD MEETING HELD ON 28TH MAY, 2015

PREAMBLE

The Company is committed to upholding the highest ethical and legal conduct in fulfilling its responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management etc., with the interest of the Company.

Further, the Companies Act, 2013 (Act) read with the Companies (Meetings of Board and its Powers) Rules, 2014 (Rules) has introduced specific provisions relating to related party transactions and defined the term related parties, (material) related party transactions, relatives and key management personnel. The Act and the Rules have also laid down the financial limits and the approval process for such transactions.

In addition, the Securities and Exchange Board of India (SEBI) has reviewed the provisions of the Listing Agreement vis-a-vis the Companies Act, 2013 and with the objectives to align with the provisions of the Companies Act, 2013, to adopt best practices on corporate governance and to make the corporate governance framework more effective, has revised Clause 49 of the Listing Agreement.

Pursuant to the revised Clause 49 VII C of the Listing Agreement (Clause 49), all the listed companies need to formulate a policy on materiality of related party transactions and also a policy on dealing with related party transactions.

Accordingly, the Board of Directors (Board) of Perfectpac Limited (Company) has adopted a policy and a standard operating procedure to regulate transactions between the Company and its Related Parties, in compliance with the applicable provisions of the Act, the Rules and the Listing Agreement.

OBJECTIVE

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders.

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related persons. Further, the Board may amend this policy from time to time as may be required.

The Audit Committee of Directors ("Audit Committee"), shall review, approve and ratify Related Party Transactions based on this Policy in terms of the requirements under the above provisions.

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Policy on Related Party Transactions must be consistent with the Companies Act 2013, including the Rules promulgated thereunder and Clause 49 of the Listing Agreement and must be approved in the manner as may be decided by the Board of Directors.

SCOPE

Transactions covered by this policy include any contract or arrangement with a related party with respect to transactions defined hereunder as “Related Party Transaction”.

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and on an arm’s length basis shall not require any approval of the Audit Committee / Board of Directors of the Company except in the case of Specific Transactions, which shall be subject to prior approval of the Audit Committee.

Provided further that any transaction entered into by the Company with Related Party in its ordinary course of business and on an arm’s length basis, except Specific Transactions for which proper procedure shall be followed as provided under this Policy, shall be periodically disclosed to the Board.

DEFINITIONS

	Transaction or contract or arrangements for	Limits for the time being in force * [as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014]
1	Sale, purchases or supply of any goods or materials, services or property, directly or through appointment of agent	Lower of amount i) exceeding 10% of the Annual Turnover of the company ; or ii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year
2	Selling or otherwise disposing of, or buying services or property of any kind, directly or through appointment of agent	Lower of amount i) exceeding 10% of the Net Worth of the company; or ii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a financial year
3	Leasing of property of any kind	Lower of amount i) exceeding 10% of the Net Worth of the company ; or ii) 10% of the Annual Turnover of the company; or iii) Rs.100 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year

“Audit Committee or Committee” means the Committee of the Board constituted from time to time under the provisions of Clause 49 of the Listing Agreement 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”

a. Under Clause 49

A Related Party Transaction shall be considered Material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceed 10% of the annual consolidated turnover of the Company as per the last audited Financial Statements of the Company.

b. Under the Act

4	Availing or rendering of any services, directly or through appointment of agent	Lower of amount i) exceeding 10% of Annual Turnover of the Company; or ii) Rs.50 Crore For the transaction or transactions to be entered in to either individually or taken together with the previous transactions during a Financial Year
5	For appointment to any office or place of profit in the Company, its Subsidiary or Associate Company	Where monthly remuneration exceeds Rs.2,50,000/-
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company	For amount exceeding 1% of Net Worth of the Company
	* shall be considered as amended from time to time in line with the amendment in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 by the Central Government. Annual Turnover and Net Worth referred above is computed as per audited Financial Statement for the preceding financial year.	

“Related Party” a means related party as defined under the Companies Act, 2013 read with Clause 49 of the Listing Agreement and as amended from time to time.

“Related Party Transaction” means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged and includes –

- a Sale, purchase or supply of any goods or materials;
- b Selling or otherwise disposing of, or buying property of any kind;
- c Leasing of property of any kind;
- d Availing or rendering of any services;
- e Appointment of any agent for the purchase or sale of goods, materials, services or property;
- f Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g Underwriting the subscription of any securities or derivatives thereof, of the Company;

As per Clause 49:

- h Transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

“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.

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

“Net Worth - Section 2(57)” The aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

“Ordinary Course of Business” Ordinary course of business shall include the usual transactions, customs and practices of the company, or transactions permitted by the Object Clause in the Memorandum of Association of the Company, or transactions that are considered while computing the business income / revenue / turnover of the Company as opposed to “income from other sources”.

DETAILS REQUIRED FOR ASCERTAINING RELATED PARTY

The following details shall be required:

- 1 Declaration/Disclosure of interest by all the Directors and KMPs' in form MBP-1.
- 2 Declaration of relatives by all Directors and KMPs'.
- 3 Declaration about a firm in which a Director/ Manager or his relative is a partner.
- 4 Declaration about a private Company in which a Director or Manager is a member or director.
- 5 Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of the paid-up share capital.
- 6 Notices from Directors of any change in particulars of Directorship or in other positions during the year.
- 7 Declaration by Holding Company regarding its Directors/KMPs' and their relatives.
- 8 Details of anybody corporate, whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager of the Company.
- 9 Details of any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in point no.8 & 9 shall apply to the advice, directions or instructions given in a professional capacity.
- 10 Details of any Company which is
 - a. a holding, subsidiary or an associate company of such company; or
 - b. a subsidiary of a holding company to which it is also a subsidiary.

POLICY

A. Audit Committee approval

All Related Party Transactions and any subsequent modifications thereto, shall require the prior approval of the Audit Committee.

B. Board of Directors approval

All Related Party Transactions that are not in the ordinary course of business or in the ordinary course of business but not at arms' length or neither in the ordinary course of business nor at arms' length shall require the prior approval of the Board of Directors at a Meeting of the Board.

C. Shareholders' approval

All Material Related Party Transactions shall require prior Shareholders' approval through a resolution ("special resolution" has been substituted with "resolution" by the Companies (Amendment) Act, 2015) passed at a General Meeting. All Related Parties shall abstain from voting on such Resolution.

D. Process for approval

1. The Audit Committee will determine, in line with this Policy, whether the transaction submitted to it does, in fact, constitute a Related Party Transaction, requiring compliance under this Policy.
2. Review and Approval of Related Party Transactions
 - i. Any Director, who is interested in any Related Party Transaction, shall recuse him-self or her- self from discussion and voting on the approval of the Related Party Transaction.
 - ii. To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms and conditions of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, competitive quotes from third parties and any such other information reasonably required to decide whether such transaction is Related Party Transaction or not including any additional information about the transaction that the Audit Committee may reasonably request.
 - iii. In determining whether to approve a Related Party Transaction, the Audit Committee may consider giving omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c. 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;
 - d. The Audit Committee shall review, at least on a quarterly basis, the details of the Related Party Transactions entered

into by the Company pursuant to each of the omnibus approval given.

- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- iv. In determining whether to approve a Related Party Transaction the Committee will consider, inter alia, the following factors to approve a Related Party Transaction:
- a. Whether the terms and conditions of the Related Party Transaction are fair and on an Arms' Length basis to the Company and are in the ordinary course of business of the Company;
 - b. Whether there are compelling business reasons for the Company to enter into the Related Party Transaction as against the normal transactions;
 - c. Whether the Related Party Transaction would affect the independence of an independent director;
 - d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of, or in connection with, the proposed transaction;
 - e. Whether the Related Party Transaction would amount to a 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, nature of direct or indirect interest of directors, Key Managerial Personnel or other Related Party in the transaction and the ongoing nature of any proposed relationship and such other aspects as may be deemed relevant to the Committee;
 - f. If the Committee determines that a Related Party Transaction should be brought before the Board or if the Board itself elects to review any such matter or it is mandatory under any law for the Board to approve such Related Party Transaction, then the criteria set out above shall also apply to the Board's review and approval of the matter with such modifications as may be necessary or appropriate under the circumstances.
- v. If the Board determines that a Related Party Transaction should be brought before the Shareholders or it is mandatory under any law for the Shareholders to approve such Related Party Transaction, then the Chairman of the Board will ensure obtaining requisite approval of the Shareholders. Shareholder(s) who are Related Parties will abstain from voting on such resolution.

REVIEW BY THE AUDIT COMMITTEE

- a The statement of significant Related Party Transactions, submitted by Management, shall be reviewed by the Audit Committee. For the purpose of this Clause, significant Related Party Transactions would mean Related Party Transaction(s) (individually or taken together with previous transactions during a financial year), that exceed(s) 5% of the annual consolidated turnover as per the last audited Financial Statements of the Company.
- b The Standard Operating Procedure designed by Management for compliance with this Policy shall be periodically reviewed by the Audit Committee to ensure that it is effective, efficient and delivers its objective.
- c This Policy shall be reviewed by the Audit Committee on an annual or periodic basis and if required, changes shall be made in the light of the latest requirement and applicable legislation. The said recommendations of the Audit Committee shall be presented to the Board for approval.

VIOLATION OF THE POLICY

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy prior to its consummation, the same shall be reviewed by the Audit Committee / Board as follows:

- a The Audit Committee or Board or Shareholders, as the case may be, will consider all the relevant facts and circumstances regarding the Related Party Transaction, and evaluate all options available to the Company, including ratification within 3 months of the date of the contract or arrangement, whether ratification should be allowed and if ratified whether it would be beneficial or detrimental to the Company, revision or termination of the Related Party Transaction including the facts and circumstances of failure to obtain approval / report such Related Party Transaction to the Audit Committee or the Board or Shareholders under this Policy and take such action as deemed appropriate. In case, such contract or arrangement is not so ratified, such contract or arrangement shall be voidable at the option of the Board.
- b It shall be open to the Company to proceed against a Director or any other employee who had entered into such a contract or arrangement in contravention of the provisions of this Policy for recovery of any loss sustained by it as a result of such contract or arrangement.
- c Where the Audit Committee or Board, as the case may be, determines not to ratify a Related Party Transaction that has been commenced without approval, it may direct such additional actions including, but not limited to, immediate cancellation of such transaction or recovery action against a Director or KMP who had entered into such contract or arrangement in contravention of the provisions of the Act or Clause 49.
- d If such contract or arrangement is with a related party with reference to any Director, or is authorized by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

DISCLOSURE OF RELATED PARTY TRANSACTION

1. All contracts or arrangements which require Board approval shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
2. The Explanatory Statement annexed to the Notice convening General Meeting for seeking the Shareholders' approval for the Related Party Transaction should contain the following details:
 - Name of the Related Party;
 - Name of the Director or Key Managerial Personnel, who is related, if any;
 - Nature of relationship;
 - Nature, material terms, monetary value and particulars of contract or arrangement;
 - Other relevant or important information which helps Shareholders take a decision
3. Details of all material transactions with the Related Parties should be disclosed to the Stock Exchanges on quarterly basis along with the Corporate Governance Compliance Report.
4. The Policy on dealing with Related Party Transactions shall be uploaded on the Company's website
5. The Company shall publish the Policy in its Annual Report.
6. This Policy will be communicated to all operational employees and other concerned persons of the Company.