

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RPTs

1. Introduction:

Pradeep Metals Limited (the "Company") recognizes that Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are fair and on arm's length basis. The Company has been in compliance with various laws and regulations in this regards so far and ensured that such transactions are in the best interest of the Company and stakeholders.

The Companies Act, 2013 (hereinafter known as "Act") and the Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, the Listing Regulations specifies that the Company is required to formulate a Policy on materiality of related party transactions and also on dealing with Related Party Transactions. Accordingly this Policy regulates all transactions between the Company and the Related Parties.

Consequent to changes made in the provisions of the Act and the then Listing Agreement, which was replaced by the Listing Regulations, the revised Policy was approved and adopted by the Board on 3rd July, 2014.

Further considering various changes in the provisions of the Act read with changes as made applicable through the Companies (Amendment) Act, 2017 and the Listing Regulations, this revised Policy has been approved and adopted by the Board of Directors of the Company on 15th May, 2019.

2. Definitions:

- i. **"Act"** means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- ii. **"Arm's length basis"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determination of arm's length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.
- iii. **"Audit Committee"** means Committee constituted pursuant to Section 177 of the Companies Act, 2013 read with Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including any statutory modification(s) or re-enactment(s) thereof.

- iv. **“Board of Directors” or “Board”** means the Board of Directors of the Company, as constituted from time to time.
- v. **“Control”** has the same meaning as defined under Section 2(27) of the Act.
- vi. **“Deemed to be Related Party (ies)”** means any person(s) and entity(ies) defined under Proviso of Regulation 2(1)(zd) of Listing Regulations.
- vii. **“Financial Year”** shall mean the period beginning from 1st April of every year to 31st March of the succeeding year.
- viii. **“Office or place of profit”** means any office or place—
 - i. where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
 - ii. where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent- free accommodation, or otherwise.
- ix. **“Policy”** means this Policy on Related Party Transactions of the Company.
- x. **“Relative”** shall mean “relative” as defined in Section 2(77) of the Act read with Regulation 2(1)(zd) of Listing Regulations.
- xi. **“Related Party/ies”** shall mean a person(s) or an entity(ies) which is a related party under Section 2(76) of the Act read with Regulation 2(1)(zb) of Regulations or a related party under the applicable accounting standards to the Company.
- xii. **“Related Party Transactions”** shall mean transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged whether by way of any contract, arrangement or otherwise.
- xiii. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.
- xiv. **“Stock Exchange(s)”** means BSE Limited.

Words and expressions used and not defined in the Policy shall have the same meanings respectively assigned to them in the Act and/or Regulations, as amended from time to time.

3. Material Related Party:

A transaction with a related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover of the Company as per the last audited financial statements of the Company.

A “transaction(s)” 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, exceeds 2 (two)% (percent) of the annual turnover of the Company as per the last audited financial statements of the Company.

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4. Review and approval of Related Party Transactions:

Approval of related party transactions

A. Audit Committee:

i) All the transactions which are identified as related party transactions shall be pre-approved by the Audit Committee before entering into such transaction. The Audit Committee shall consider all relevant factors while deliberating the related party transactions for its approval.

ii) Any member of the Audit Committee who has a potential interest in any related party transaction will rescue himself/herself and abstain from discussion and voting on the approval of the related party transaction. A related party transaction which is (i) not in the ordinary course of business, or (ii) not at arm’s length price, would require approval of the Board of Directors or of shareholders, as the case may be.

iii) The Audit Committee may grant omnibus approval for related party transactions which are repetitive in nature and subject to such criteria/conditions as mentioned under the provisions of Section 177 of the Act and Rules made thereunder and Regulation 23 of the Listing Regulations, as amended from time to time, and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one financial year.

iv) Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

v) A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

B. Board of Directors:

In case any related party transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price, the Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any related party transaction will rescue himself/herself and abstain from discussion and voting on the approval of the related party transaction.

C. Shareholders:

If a related party transaction is (i) a material transaction, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Act and the Rules made thereunder (as amended from time to time), it shall require shareholders' approval by a resolution and no related party shall vote to approve such resolutions whether the Company is a related party to the particular transaction or not.

The requirements of approval specified under this Policy shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 including any statutory modification(s) or re-enactment thereof, subject to the event being disclosed to the recognized stock exchanges within 1 (one) day of the resolution plan being approved.

Further if 90 (ninety)% (percent) or more members of the Company, in number, are relatives of promoters or are related parties then that such members who are related party(ies) is/are eligible to entitle to vote on such resolutions whether the Company is a related party to the particular transaction or not.

5. Criteria for approving Related Party Transactions:

The following criteria shall be taken into account, in determining whether to approve, ratify, disapprove or reject a Related Party Transaction and assessing the Related Party transactions:

- i. whether the Related Party Transaction is entered into on terms no less favorable to the Company than terms generally available to an unrelated third-party under the same or similar circumstances;
- ii. the terms of such transaction;
- iii. the Related Party's interest in the transaction;
- iv. purpose and timing of the transaction;
- v. whether the Company is a party to the transaction, and if no, the nature of the Company's participation in the transaction;
- vi. if the transaction involves the sale of an asset, a description of the asset, including date acquired and cost basis;
- vii. information concerning potential counterparties in the transaction;
- viii. approximate rupee value of the transaction and approximate rupee value of the Related Party's interest in the transaction;
- ix. whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- x. any other relevant information regarding the transaction.

6. Prior Board approval for certain transactions upto monetary ceiling with Related Parties:

The Company shall not enter into below transactions with related parties unless prior approval of the Board of Directors of the Company is obtained by way of resolution passed at a meeting of the Board of Directors of the Company, which shall be subject to monetary ceilings specified therein:

Sr. No.	Nature of Transaction(s)	Monetary Ceiling for transaction(s) during a financial year per related party
1	Sale, purchase or supply of any goods or materials or services directly or through appointment of agent	amounting to ten percent or more of the turnover of the Company or rupees one hundred crore, whichever is lower as per the last audited financial statements of the Company.

2	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agent	amounting to ten percent or more of net worth of the Company or rupees one hundred crore, whichever is lower as per the last audited financial statements of the Company
3	Leasing of property of any kind	amounting to ten percent or more of the net worth of company or ten per cent or more of turnover of the Company or rupees one hundred crore, whichever is lower as per the last audited financial statements of the Company
4	Availing or rendering of any services, directly or through appointment of agent	amounting to ten percent or more of the turnover of the Company or rupees fifty crore, whichever is lower
5	Such related party's appointment to any office or place of profit in the Company	at a monthly remuneration two and a half lacs rupees or as per performance assessment by the Company and industry standards
6	Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company	exceeding one percent of the net worth of the Company as per the last audited financial statements of the Company
7	Other related Party Transactions in the normal course of business	Such other transactions as would be required approval of the Audit Committee and Board of Directors

7. Disclosures:

Every contract or arrangement, which is required to be approved by the Board/shareholders under this Policy, shall be referred to in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement.

The Company shall submit within 30 days from the date of publication of its standalone financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on the Company's website.

8. Scope and Limitations:

In the event of any conflict between the provisions of this Policy and of the Act or Regulations or any other statutory enactments, rules, the provisions of such Act or Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

9. Amendments:

This Policy (including threshold limits) shall be reviewed by the Board of Directors at least once every three years and/or as and when required subject to applicable laws and updated / amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, as it may deem necessary.

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Date on which revised Policy placed at Audit Committee/Board Meeting: 15th May, 2019.