



Permanent Magnets Ltd.

Policy on Related Party Transactions Permanent Magnets Limited

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1. OBJECTIVE:

The objective of this Policy is to regulate transactions between Permanent Magnets Limited (“the Company”) and its Related Parties based on the laws and regulations applicable to the Company in this regard and to ensure proper approval and reporting of transactions between the Company and its Related Party.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulation 23”), the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. DEFINITIONS:

i. **“The Act”** means the Companies Act, 2013, together with the rules notified there under including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as “Act”).

ii. **“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.

iii. **“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 purpose of this clause —

(a) the expression "significant influence" means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

iv. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under provisions of Section 177 of the Act and as per Regulation 18 of Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, for audit related purpose.

v. **“Board of Directors” or “Board”**, in relation to a Company, means the collective body of the directors of the Company.

vi. **“Body Corporate” or “Corporation”** includes a Company incorporated outside India, but does not include;

- ☐ A co-operative society registered under any law relating to co-operative societies; and
- ☐ Any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.

vii. **“Key Managerial Personnel” or “KMP”** means:

- ☐ the Chief Executive Officer or the managing director or the manager;
- ☐ the Company Secretary;
- ☐ the Whole-time director; and
- ☐ the Chief Financial Officer

viii. **“Material Related Party Transaction”** means a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with the previous transaction(s) during a financial year exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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 listed entity as per the last audited financial statements of the listed entity

ix. **“Transactions in the Ordinary course of business”** mean transactions/activities that are connected to or necessary for the business of the Company and satisfy the following principles:

- (i) The transaction/activity is permitted under the Memorandum and the Articles of Association of the Company;
- (ii) The transaction/activity is carried on a frequent or regular basis or is as per the industry practise; and
- (iii) The terms of the transaction/activity are similar to those which would be otherwise applicable to transactions with unrelated parties.

x. **“Relative”**, with reference to any person, means anyone who is related to another in any of the following manner:

- a. they are members of a Hindu Undivided Family
- b. they are husband and 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)
- j. Sister (including step-sister)

xi. **“Related Party”** means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:

As per sub-section (76) of section 2 of the Companies Act, 2013 “related party”, with reference to a company, means -

- ☐ a director or his relative
- ☐ a key managerial personnel or his relative;
- ☐ a firm, in which a director, manager or his relative is a partner;
- ☐ a private company in which a director or manager *or his relative* is a member or director;
- ☐ a public company in which a director or manager is a director *and holds* along with his relatives, more than two percent of its paid up share capital;
- ☐ a body 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 (*Not applicable to the advice, directions or instructions given in a professional capacity*);
- ☐ any person whose advice, directions or instructions a director or manager is accustomed to act (*Not applicable to the advice, directions or instructions given in a professional capacity*);
- ☐ any company which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.
- ☐ a Director (*other than an independent director*) or KMP of holding company or his relative with reference to a company, shall be deemed to be a related party.

Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023;
in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);

xii. **“Related Party Transaction”** means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract:

Provided that the following shall not be a related party transaction:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:

i. payment of dividend;

ii. subdivision or consolidation of securities;

iii. issuance of securities by way of a rights issue or a bonus issue; and

iv. buy-back of securities.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s);”

xiii. “**Material modifications**” will mean and include any modification to an existing related party transaction having variance of 20% of the existing limit as sanctioned by the Audit Committee / Board / Shareholders, as the case may be.

3. POLICY:

All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Committee or the Board or the Shareholders as required under this Policy.

□ IDENTIFICATION OF RELATED PARTY TRANSACTIONS:

i. Companies:

All the Holding, Subsidiaries and Associate Companies will be considered as Related Parties.

ii. Key Managerial Personnel and connected Related Parties:

Each Director and Key Managerial Personnel shall disclose to the Company Secretary of the Company its Related Parties and Board shall record the disclosure of Interest. Company shall also identify Related Party Transactions with Directors or

Key Managerial Personnel of the Companies or their relatives.

□ APPROVAL FOR RELATED PARTY TRANSACTIONS :

The Company shall not enter into any Related Party Transaction except as stated hereinafter.

Materiality Thresholds:

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 rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.

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 listed entity as per the last audited financial statements of the listed entity.

Transactions requiring approval of Audit Committee:

All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the listed entity:

only those members of the audit committee, who are independent directors, shall approve related party transactions.

(a) the audit committee of a listed entity shall define “material modifications” and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

(b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

(c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;

(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed

subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity subject to the following conditions, namely-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

- (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall 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 rupees one crore per transaction.

(d) the audit committee shall review, atleast on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals 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.

Transactions requiring approval of Board:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

Following transactions shall require a prior approval of the Board:

- ☐ Related Party Transactions which are not in the ordinary course of business or not at arm's length price.
- ☐ Material Related Party Transactions.

Transactions requiring approval of Shareholders of the Company:

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

The requirements specified under this sub-regulation 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.

All the transactions with related parties exceeding the materiality thresholds, are placed before the shareholders for approval.

For this purpose, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not. In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- (a) are not at Arm's Length or not in the ordinary course of business; and
- (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for

- (i) transactions entered into between two government companies;
- (ii) 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.
- (iii) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

□ APPROVAL & REVIEW MECHANISM:

- While seeking the approval of the Audit Committee, Board or the Shareholders, all the information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws shall be duly provided to the Audit Committee, Board or Shareholders as the case may be.

☐ In case of any Related Party Transactions that cannot be foreseen or transactions in respect of which complete details are not available, the Audit Committee may grant an omnibus approval for such transactions provided that the value does not exceed Rupees One crore per transaction in a financial year.

☐ For the purpose of this regulation, all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

☐ Any Director or Key Managerial Personnel who is interested in any Related Party Transaction shall not be present at the meeting of the Board or Audit Committee during discussions on the subject matter of the resolution relating to such transaction.

☐ The adequacy of this Policy shall be reviewed and reassessed by the Committee periodically and appropriate recommendations shall be made to the Board to update the Charter based on the changes that may be brought about due to any regulatory amendments or otherwise.

4. DISCLOSURE:

Appropriate disclosure as required under the Laws shall be made in the Annual Returns, Boards' Report and such other places and to the Stock Exchanges and such other authorities as may be prescribed by the laws.

5. ADMINISTRATIVE MEASURES:

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

The Board of the Company has adopted this updated Policy at the Meeting of the Board held on February 11, 2022.