

PMC FINCORP LIMITED

Regd. Office : B-10, VIP Colony, Civil Lines, Rampur - 244901 (U.P.)

Corporate Office : 14/5, Old Rajinder Nagar, New Delhi – 110060

Tel. : 011-42436846, E-mail : pritimercantile@gmail.com

CIN : L27109UP1985PLC006998

PMC FINCORP LIMITED

POLICY ON RELATED PARTY TRANSACTIONS

This Policy on Related Party Transactions Revised and approved by the Board of Directors of the Company at their meeting held on February 14, 2022.

PREFACE:

The Board of Directors of the Company has framed policy on materiality and dealing with Related Party Transaction pursuant to the provisions of Companies Act, 2013 (“Act”) including the rules made thereunder (“rules”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as “Listing Regulations”). The Policy is further revised to reflect the changes made in the Act, Rules and Listing Regulations from time to time.

DEFINITIONS:

“**Company**” means PMC Fincorp Limited.

“**Related Party**” shall have the same meaning as defined under the Companies Act, 2013 and the Listing Regulations.

Related Party Transactions (“RPT”) shall be those specified under Section 188 (1) of the Companies Act, 2013 and as defined under Listing Regulations.

“**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.

“**Materiality**”: The materiality of any RPT will be ascertained as per the thresholds prescribed in Annexure A of this Policy.

“**Subsequent Material Modifications**” means modifications in related party transactions as defined by the Audit Committee given below:

A modification in the terms & conditions of the Related Party Transaction already approved by the Audit Committee, shall be considered material if, the value of such modification is more than 50% of total value of a particular transaction approved by the Audit Committee and with such modification, the said transaction becomes material transaction as per listing regulations. (Effective from 1st April, 2022)

“**Net Worth**” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

Words and expressions used in the Policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

POLICY:

Approval of Audit Committee

1. Pursuant to provisions of Section 177 (4) of the Companies Act, 2013, approval of Audit Committee shall be obtained for related party transactions as specified in Section 188 of the

Companies Act, 2013 and their subsequent modifications. Further, in accordance with Listing Regulations, prior approval of the Audit Committee shall be obtained for all Related Party Transactions of the Company and their subsequent material modifications*. (*effective from 1st April, 2022)

2. In accordance with Listing Regulations, with effect from 1st April, 2022, a related party transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company, 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 Company.

Further, with effect from 1st April, 2023, a related party transaction to which the subsidiary of the Company is a party but the listed entity is not a party, shall require prior approval of the Audit Committee of the Company 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;

3. *Pursuant to the Listing Regulations, the term "Material Modifications" shall be defined by the Audit Committee of the Company. (*effective from 1st April, 2022).
4. In accordance with Listing Regulations, w.e.f. 1st January, 2022, only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.
5. The Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company 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, at least 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
6. Prior approval of the Audit Committee of the Company shall not be required for:
- a) A related party transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary. (Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary, the prior approval of the audit committee of the listed subsidiary shall suffice.) * (*effective from 1st April, 2022)
 - b) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
 - c) *transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval. (*effective from 1st April, 2022)
7. The Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given. Further, the Audit Committee shall out the review of statements of RPT as mentioned in Listing Regulations and Companies Act, 2013. Further, the said transactions shall be noted by the Board.
8. Notice of any potential Related Party Transaction shall be given in advance to the Company Secretary so that the Company Secretary has adequate time to place the matter for approval of the Audit Committee.



Approval of Board of Directors of the Company

- I Pursuant to the provisions of Section 188 of the Companies Act, 2013 and the Companies (Meeting of Board and its Powers) Rules, 2014, approval of the Board of Directors of the Company shall be obtained in a meeting for the related party transactions as specified in Section 188(1) of the Companies Act, 2013 as amended from time to time.

Provided that the approval of the Board of Directors is not required:

- a) to any transactions entered into by the company in its ordinary course of business and transactions are on an arm's length basis

- b) Transactions between the Company and wholly owned subsidiary of the Company whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
- ii The Board shall take note of the Related Party Transaction reviewed by the Audit Committee and wherever required, the Board shall also grant its approval to Related Party Transaction.
- iii Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a 3[resolution] in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement [shall be voidable at the option of the Board or, as the case may be, of the shareholders] and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.



Approval of the Shareholders of the Company

As per Listing Regulations

- i Approval of the Shareholders of the Company shall be obtained in respect of following Related Party Transactions. W.e.f 1st April, 2022, the approval of shareholders shall be obtained prior to the entering of RPT:
 - a) Where transactions to be entered into individually or taken together with previous transactions during the financial year with related party exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
 - b) With effect from 1st April, 2022, where transactions into individually or taken together with previous transactions during a financial year with related party, 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, whichever is lower.
 - c) All subsequent material modifications as defined by the Audit Committee.
 - d) Where transaction involving payments made to a related party with respect to brand usage or royalty 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. @effective from June 27, 2019.

- ii Approval of the shareholders of the Company shall not be required for:
 - a) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
 - b) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.
 - c) Related party transaction to which the listed subsidiary of the Company is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary. (Explanation: For related party transactions of unlisted subsidiaries of the Company, the prior approval of the shareholders of the listed subsidiary shall suffice.)

As per Companies Act, 2013

Prior approval of shareholders shall be required where related party transactions as specified in Section 188 of the Companies Act, 2013 are not in the ordinary course of business and not on arms' length basis and the value of such transactions exceeds the threshold limits specified in the Section 188 of Companies Act, 2013 & Rules thereunder. **(Clear Threshold limits specified in Annexure A).**



Voting on Related Party Transactions:

Voting on Related Party Transaction placed before the Audit Committee

In accordance with Listing Regulations, w.e.f. 1st January, 2022, only those members of the Audit Committee, who are Independent Directors, shall approve related party transactions.

Voting on Related Party Transaction placed before the Board

Any Director interested in Related Party Transaction placed before the Board shall not participate in the discussion and abstained from voting.


Voting on Related Party Transaction place before Shareholders

As per Listing Regulations

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.

As per Companies Act, 2013

No member of the company shall vote on such resolution, to approve any contract or arrangement, which may be entered into by the company, if such member is a related party.

 **Information to be placed before the Audit Committee, Board and Shareholders for obtaining their approvals**

The Company shall place the information as specified in Companies Act, 2013, Listing Regulations and relevant circulars issued by Securities and Exchange Board of India (SEBI), from time to time in this regard before the Audit Committee, Board and Shareholders of the Company while obtaining their respective approvals.

 **Related Party Transactions that shall not require approvals**

Following Related Party Transactions shall not require any separate approval under this Policy:

- a) Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c) 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;
- d) 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 issuance of securities by way of a rights issue or a bonus issue; and
- e) Transactions involving corporate restructuring, such as capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- f) Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

 **Amendments**

The Board may amend or modify this Policy in whole or in part, from time to time.

In case of any conflict between the provisions of this Policy and of Statutory Provisions, Statutory Provisions shall prevail over this Policy. Any subsequent amendment/ modification in the Statutory Provisions shall automatically apply to this Policy and the Company Secretary of the Company is authorized to make necessary changes in accordance with the change in statutory provisions applicable to the Company.

ANNEXURE A

THRESHOLD LIMITS FOR DETERMINING MATERIAL RELATED PARTY TRANSACTIONS

Nature of Transactions	Materiality threshold as per Companies Act, 2013	Materiality threshold as per Listing Regulations
Sale, purchase or supply of any goods or materials directly or through appointment of agent#	Amounting to 10% or more of Turnover*	@@Transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity whichever is lower."
Buying, selling or otherwise disposing of property of any kind directly or through appointment of agent#	Amounting to 10% or more of Turnover*	
Leasing of property of any kind#	Amounting to 10% or more of Turnover*	
Availing or rendering of any services directly or through appointment of agent#	Amounting to 10% or more of Turnover*	
Appointment of related party to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs. 250,000	
Underwriting the subscription of any securities in or derivatives thereof of the Company	Exceeding 1% of net worth	
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	Not Applicable	

<p>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 transfer of resources, services or obligations between:</p> <p>(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</p> <p>(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;</p> <p>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 transfer of resources, services or obligations between:</p>		
<p>a transaction involving payments made to a related</p>	<p>Not Applicable</p>	<p>If the transaction(s) to be entered into individually or</p>

party with respect to brand usage or royalty		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 Company
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*the threshold limits shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

**effective from November 19, 2019 as amended by Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019.

@effective from June 27, 2019.

@@ Effective from April 1, 2022. Prior to April 1, 2022, the clause was as under:

Transactions to be entered individually or taken together with previous transactions during a financial year with Related Party exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

@@@ Effective from April 1, 2022. Prior to April 1, 2022, the clause was as under:

Transfer of resources, services or obligations between the Company and a related party, 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.

The above Materiality thresholds are in connection with the approval of the Shareholders.