

**PANYAM CEMENTS & MINERAL
INDUSTRIES LIMITED**

RELATED PARTY TRANSACTIONS POLICY

Preamble

Related party relationships are a normal feature of commerce and business and such relationship could have an effect on the profit or loss and financial position of an entity. As a part of the Company's philosophy of adhering to highest ethical standards, transparency and accountability in conduct of its business and in the interest of maintaining and adhering to an appropriate governance framework, the Company has ensured that such Related Party Transactions should be undertaken only in the ordinary and normal course of business and at arm's length such that relationship with the Related Party does not influence, in any manner whatsoever, the pricing and other terms and conditions of such transactions by the Company with Related Parties.

Section 188 of the Companies Act, 2013 classifies certain kinds of transactions as Related Party Transactions (RTPs) and Section 177 of the Companies Act, 2013 requires that such RTPs shall require approval of the Audit Committee of the Board.

Furthermore, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires each listed company to formulate a Policy to govern Related Party Transactions, apart from stipulating that Audit Committee should pre-approve such RPTs. In order to provide operational flexibility, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, envisage, subject to certain conditions, Omnibus Approval by Audit Committee instead of pre-approval of each and every transaction.

The Companies Act, 2013 and / or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, provides for certain kinds of Related Party Transactions to be pre-approved by shareholders. These are:

- (i) WRPT is not in the ordinary course of business even though at arm's length;
- (ii) When the RPT though in the ordinary course of business is not at arm's length;
- (iii) When the RPT is both in the ordinary course of business and at arm's length but crosses the materiality threshold of value at 10% of consolidated turnover of the Company

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require all listed companies to formulate a policy for determining material subsidiary.

In the light of the above regulatory developments, the Company has decided to formally document and articulate its Policy for entering into Related Party Transactions and for determining material subsidiary, by way of a formal document, suitably adapted to meet specific Regulatory requirements.

The Board of Directors (“the Board”) of M/s. Panyam Cements & Mineral Industries Limited (the “Company”), has adopted the said policy and procedures to RPTs. The Audit Committee will review and may amend this policy from time to time.

This policy is to regulate transactions between the Company and its Related Parties based on the laws and regulations applicable on the Company.

Objective

The primary objective of this policy is

A. To ensure highest standard of Corporate Governance, transparency, probity and ethical standards in all dealings of the Company with Related Parties such that its reputation is well protected and it continues to enjoy high levels of trust and confidence of investors, regulatory authorities and other stakeholders.

B. To ensure compliance with legislative and regulatory provisions under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, governing RPTs, if any, both in letter and spirit

C. An allied objective is to concurrently ensure compliance with Indian Accounting Standards AS 24.

Definitions

“**Act**” shall mean the Companies Act, 2013 and the rules framed there under, including any modifications, clarifications, circulars or re-enactment thereof.

“**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. For determination of Arm’s length basis, guidance may be taken from provisions of Transfer Pricing under Income Tax Act, 1961.

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under the provisions of Companies Act, 2013 and SEBI Regulations from time to time.

“**Associate Company**” means any other Company, in which the Company has a significant influence, but which is not a Subsidiary Company or the Company having such influence and includes a joint venture company.

Explanation: For the purpose of this clause, “significant influence” means control of at least twenty per cent of total share capital, or business decisions under an agreement.

“Board of Directors” or “Board” means the Board of Directors of the company, as constituted from time to time.

“Control” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeover) Regulations) 2011.

“Key Managerial Personnel”, means Key Managerial Personnel (KMP) of the Company in terms of the Companies Act, 2013 and the Rules made there under.

“Material Related Party Transaction” means transaction/transactions with the related party to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover over of the company, as per the latest audited financial statements of the company.

“Policy” means Related Party Transaction Policy.

“Related Party” means an entity which

- a) Is a related party under Section 2(76) of the Companies Act, 2013 and the rules framed there under;
- b) Is a related party under the applicable accounting standards;

“Related Party Transaction or Transactions (RPTs)” means transaction in the nature of contract involving transfer of resources, services or obligations between the Company and the Related Party, regardless of whether a price charged.

Explanation – A “transaction” with a Related Party shall be construed to include single or a group in a contract.

To understand the expression **“ordinary course of business”**, which is not a defined term under the statute, amongst other relevant considerations, due regard shall be had to

- (i) Frequency of the activity, whether the activity is considered normal / incidental in common business parlance in I.T. Industry, financial scale of the transaction, resources committed to the transaction, willingness to offer similar transactions to others, adherence of custom and practices that are considered normal for industry etc.;
- (ii) It need not be restricted to the Company’s core business; and
- (iii) It should not be unusual for business in the same industry/ an extraordinary nature.

“Material subsidiary” - A subsidiary shall be determined as material, if its income or net worth exceeds ten percent of the consolidated income or net worth respectively of Panyam Cements and Mineral Industries Ltd. and its subsidiaries in the immediately preceding accounting year.

Further, at least one independent director on the board of directors of the Company shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not, whose income or net worth exceeds 20% of the consolidated income or net worth respectively of the Company and its subsidiaries in the immediately preceding accounting year

“Material Modification” – Any modification to a Related Party Transaction approved by the Audit Committee by more than 50% in value or nature of such transaction shall be deemed to be a material modification of such RPT.

Policy and Procedures:

- Policy

The Company, its directors, promoters, KMPs, and operating management shall ensure that –

- (i) All RPTs are at arm’s length and are undertaken in the ordinary course of business i.e. the relationship with the transacting party should not confer on the Company or the transacting party any undue benefit / advantage or undue disadvantage / onerous obligations, that will be unacceptable if such transacting party was not a related party and / or the Company will not enter into a transaction which it will ordinarily not undertake.
- (ii) There is no “conflict of interest” while negotiating and arriving at terms of such Related Party Transactions. For this purpose “Terms” will not be merely confined to ‘price’ or ‘consideration’ but also other terms such as payment terms, credit period, sale whether ex-factory, FOB, CIF etc.

The Company believes that a fair and transparent mechanism to govern and regulate such RPTs is important and is an integral part of its overall governance framework and should never ever be compromised.

All Related Party Transactions must be reported to the Audit Committee and referred or approved by the Committee in accordance with this Policy.

- Procedures:

A. Identification of Related Party Transactions

Every Director shall at the beginning of the financial year provide information by way of written notice to the company regarding his concern or interest in the entity with specific concern to parties which may be considered as related party with respect to the Company. Directors are also required to provide information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.

The Company will identify potential transactions with Related Parties based on written notices of concern or interests received from its Directors/Key Managerial Personnel in the manner prescribed in the Companies Act, 2013 and the rules there under.

B. Review and approval of Related Party Transaction

Audit Committee

- Every Related Party Transaction shall be subject to the prior approval of the Audit Committee.

Provided that the transactions entered into by the Company with its wholly owned subsidiary (ies) whose accounts are consolidated with the company and placed before the shareholders at the general meeting for approval shall not require prior approval of the Audit Committee.

Further, as per the Act, the related party transaction shall not require approval of the Audit Committee where the transactions are in the ordinary course of business and at arm's length basis.

- The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are respective in nature subject to compliance of the conditions contained in regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

The Committee shall also satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company. Such omnibus approved RPT value shall not exceed Rupees One Crore per transaction and such approval validity shall not exceed by a period of more than year.

If any additional Related Party Transaction is to be entered into by the Company post omnibus approval granted by the Audit Committee, then the company shall present such transaction before the Audit Committee in its next meeting approval.

- The Audit Committee shall also review the statement of significant related party transactions submitted by the management as per its terms of reference.
- Any member of the Committee who has a potential interest in any Related Party Transactions submitted by the management as per its terms of reference may exit such committee meeting where such RPT to be reviewed in unless all members are interested in the RPT.
- To review a Related Party Transaction, the Committee shall be provided with the necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions.
- The Audit Committee shall recommend the Related Party Transactions for approval of the Board of Directors / shareholders as per terms of this policy.

Approval of the Board and the Shareholders

- All Related Party Transactions (other than Material Related Party Transactions) which are not in the ordinary course of business or not at the arm's length price shall require prior approval of the Board of Directors of the Company. Where any director is interested in any Related Party Transaction, such director will abstain from discussion and voting on the subject matter of the resolution relation to such Transaction.
- Further, all such related party transactions exceeding threshold limits prescribed in the Act as per Annexure I shall also require prior approval of the shareholders of the company by way of Special Resolution and related party/ies shall abstain from voting on such resolution.
- All material Related Party Transactions shall require approval of the Board and shareholders through Special Resolution and the Related Party/ies shall abstain from voting on such resolution.

Transactions which do not require approval

Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

Related Party Transactions not approved under this Policy

If a Related Party Transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Committee. The Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the Related Party Transaction. The Committee may examine the facts and circumstances of the case and take any such action it deems appropriate.

Disclosures:

- Every Related Party Transaction with proper justification shall be disclosed in the Directors' Report.
- Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.
- The company shall disclose policy on dealing with Related Party Transactions on its website and also in the Annual Report.

Policy Review:

This policy is framed based on the provisions of the Companies Act, 2013, and rules there under and the requirements of the Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, SEBI (LODR) Regulations, 2015 or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the Regulations, the provisions of the Regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with the Regulations.

The Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in the Regulations as may be felt appropriate by the Committee. Any changes or modifications on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

ANNEXURE I

Transactions that, require previous approval of the Shareholders of the Company, as prescribed under rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, includes the transactions/contracts/arrangements as follows.

As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of Section 188, with criteria as mentioned below:-

- Sales, purchase or supply of any goods or materials, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause(e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013.
- Selling or otherwise disposing off or buying property of any kind, directly or through appointment of agent, exceeding ten per cent of net worth of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (b) or clause (e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013.
- Leasing of property of any kind exceeding ten per cent of the net worth of the company or ten per cent of turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (c) of sub-section (1) of Section 188 of the Companies Act, 2013.
- Availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees hundred crore, whichever is lower, as mentioned in clause (d) and clause (e) respectively of sub-section (1) of Section 188 of the Companies Act, 2013.
