

Prithvi Exchange[®]



PRITHVI EXCHANGE (INDIA) LIMITED

[Pursuant to Regulation 23 of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015]

Policy on Related Party Transactions

Purpose

Prithvi Exchange (India) Limited (the “Company”) recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are in the best interest of the Company and its shareholders. Therefore, this policy has been adopted by the Company’s Board of Directors, to ensure high standards of Corporate Governance while dealing with Related Parties (as defined below) and sets forth the procedures under which the RPT must be reviewed, approved or ratified and reported.

This policy has been made with an objective of ensuring compliance with the provisions pertaining to RPT in Companies Act, 2013 and SEBI LODR Regulations and setting out materiality thresholds for RPT.

This policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy.

Definitions

1.1. Definitions as per Companies Act, 2013

- a. “**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.
- b. “**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 purposes of this definition:

- i. 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;
- ii. 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.

- c. **'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.
- d. **'Chief Executive Officer'** means an officer of a company, who has been designated as such by it.
- e. **Chief Financial Officer'** means a person appointed as Chief Financial Officer of the company.
- f. **'Company'** means a company incorporated under the Companies Act, 2013 or under any previous company law
- g. **'Control'** shall include the right to appoint majority of the directors or to control the management or policy decisions, exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.
- h. **'Holding Company'** in relation to one or more other companies, means a company of which such companies are subsidiary companies
- Explanation:** For the purposes of this definition, -- the expression "company" includes any Body Corporate
- i. **'Key Managerial Personnel'** in relation to company, means -
- the Chief Executive Officer or the managing director or the manager;
 - the whole-time director; - the Chief Financial Officer;
 - the Company Secretary;
 - such other officer, not more than one level below the directors who is in wholetime employment, designated as key managerial personnel by the Board; and such other officer as may be prescribed
- j. **'Manager'** means an individual who, subject to the superintendence, control and direction of the Board of Directors, has the Management of the whole, or substantially the whole, of the affairs of a company, and includes a director or any other person occupying the position of a manager, by whatever name called, whether under a contract of service or not.

- k. **‘Managing Director’** means a director, who by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of Management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.
- l. **‘Net Worth’** means the aggregate value of the paid-up share capital and all reserves created out of the profits, securities premium account and debit or credit balance of profit and loss 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.
- m. **‘Office or place of profit’** means any office or place – – Where such office or place is held by a director, if the director holding it receives from the company anything by the way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, any rent free accommodation or otherwise; – 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 the way of remuneration, salary, fee, commission, perquisites, any rent free accommodation or otherwise.
- n. **‘Related party’** with reference to a company, means –
- i. A director or his relative;
 - ii. A key managerial personnel or his relative;
 - iii. A firm, in which a director, manager or his relative is a partner;
 - iv. A private company in which a director or manager or his relative is a member or director;
 - v. A public company in which a director or manager is a director AND holds along with his relatives, more than 2% of its paid-up share capital;
 - vi. Any 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;
 - vii. Any person on whose advice, directions or instructions a director or manager is accustomed to act;

viii. Any Body Corporate which is – – a holding, subsidiary or an associate company of such company; – a subsidiary of a holding company to which it is also a subsidiary; – an investing company or the venturer of the company;

ix. A director (other than an independent director) or key managerial personnel of the holding company or his relative.

Provided that nothing in sub-clause (vi) and (vii) shall apply to the advice, directions, or instructions given in a professional capacity;

Explanation: For the purposes of this definition, -- “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.

Provided further that any person or entity belonging to the promoter or promoter group of the Company and holding 20% or more of shareholding in the Company shall be deemed to be a related party.

o. **‘Relative’**, with reference to any person, means anyone who is related to another, if –

- They are members of a Hindu Undivided Family;
- They are husband and wife; or
- One person is related to the other in such manner as may be prescribed

Rule 4 of the Definition Rules have prescribed the following persons who shall be deemed to be the relative of another, if he or she is related to another in the following manner;

- Father: term “Father” includes step-father;
- Mother: term “Mother” includes the step-mother;
- Son: term “Son” includes the step-son;
- Son’s wife; – Daughter;
- Daughter’s husband;
- Brother: term “Brother” includes the step-brother;
- Sister: term “Sister” includes the step-sister

p. **‘Subsidiary Company’ or ‘Subsidiary’**, in relation to any other company (that is to say the holding company), means a company in which the holding company –

- i. Controls the composition of the Board of Directors; or

- ii. Exercise or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies;

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation: For the purposes of this clause –

- A company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
 - The composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
 - The expression ‘company’ includes any Body Corporate;
 - ‘layer’ in relation to a holding company means its subsidiary or subsidiaries.
- q. **"Turnover"** means the gross amount of revenue recognised in the profit and loss account from the sale, supply, or distribution of goods or on account of services rendered, or both, by a company during a financial year.
- r. **Whole-time director**’ includes a director in the whole-time employment of the company.

2.2. Definitions as per SEBI LODR Regulations

- a. **Related Party:** An entity shall be considered as Related Party to the company if:
- i. Such an entity is Related Party under Section (76) of the Companies Act, 2013; or
 - ii. Such an entity is a Related Party under the applicable accounting standards.
- b. **Related Party Transaction:** means transfer of resources, services or obligations between a 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.

2.3. A Related Party Transaction (RPT) would include contracts/ arrangements/ transactions with a Related Party.

Key Principles

A. Materiality Thresholds for RPTs

Nature of Transactions	Materiality as per Companies Act, 2013	Materiality as per SEBI LODR
Sale, purchase or supply of any goods or materials directly or through appointment of agents	10% or more of Turnover	All transactions with one party exceeding 10% of the annual consolidated turnover
Buying, Selling or otherwise disposing of property of any kind directly or through appointment of agents	10% or more of Networth	
Leasing of any kind of property	10% or more of Turnover	
Availing or rendering of any services directly or through appointment of agents	10% or more of Turnover	
Appointment to any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding ₹250,000	
Remunerations for underwriting the subscription of any securities in or derivatives thereof	Exceeding 1% of net Worth	
Transfer of resources (e.g. loans and advances, interest thereon, guarantees)	-	
Payments with respect to brand usage or royalty	-	All transactions with one party exceeding 2% of the annual Consolidated turnover

(Any subsequent amendment / modification in the SEBI LODR, Act and/or applicable laws in this regard shall automatically apply to this threshold limits.)

Net worth and turnover would be as per Audited accounts of preceding financial year.

The Company has defined Material RPTs on the basis of thresholds defined in the Companies Act 2013 and Regulation 23 of SEBI LODR Regulations.

B. Arm's Length Pricing

The Arm's Length Pricing (ALP) is the condition or the fact that the parties to a RPT are independent (un-related) and on an equal footing from one or more of the following aspects namely quality, realization, commercial terms etc. Such a transaction is known as an "arm's length transaction".

In the absence of any prescriptive guidelines on Arm's Length Pricing in the Companies Act, 2013, the Company shall take guidance from the Framework on Arm's Length Pricing (herein after referred to as the 'Framework') approved by the Audit Committee, for determining the terms of RPTs. Additionally, the Company may also adopt any other reasonable approach or methodology to demonstrate ALP for the specified RPT identified by them. For example: in case the Company is not doing a similar transaction with any unrelated Party, the terms between two unrelated parties of similar standing for similar transactions, will form the Arm's Length benchmark.

Additionally, the pricing of long term RPTs as defined by Audit Committee/ Board of Directors, shall be reviewed periodically to ascertain the appropriateness of Arm's Length. For example: The costs of materials change in the case of projects with longer duration, as a result of fluctuations in the market and economy. Gradually, the overall value of project gets impacted. Hence, the pricing of projects with significantly longer duration shall be reviewed periodically, to ensure it is at Arm's Length.

C. Ordinary Course of Business

The criteria of being "ordinary" or "normal" or "in the ordinary course of business", is met when both of the two selective criteria are satisfied namely;

- a) the transaction must be ascribed to business objectives or operational activities or alternatively, related to financial activities and;
- b) the same transaction must also fall under the perimeter of the ordinary exercise of operational activities or related financial activities.

Based on the principles elaborated in the Group Guidelines Governing Related Party Transactions, the Company shall determine the activities to be classified as being in the Ordinary Course of Business.

Review and Approval of Related Party Transaction

TRANSACTIONS WITH APPROVAL OF AUDIT COMMITTEE

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

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 provided in this policy.

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 Regulation 23 of SEBI LODR and such other conditions as it may consider necessary in line with this policy. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

Omnibus approval of the related party transaction shall specify

- (i) name(s) of the related party, nature of transaction, period of transaction, amount 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 audit committee may deem fit.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval.

TRANSACTION WITH APPROVAL OF 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 and abstain from discussion and voting on the approval of the related party transaction.

TRANSACTION WITH APPROVAL OF SHAREHOLDERS

If a related party transaction is
(i) a material transaction as per SEBI LODR, or
not in the ordinary course of business, or not at arm's length price and exceeds certain Thresholds prescribed under Point A of Key Principles it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is concerned related party shall not vote on resolution passed for approving such related party transaction.

REPORTING OF RELATED PARTY TRANSACTIONS

REPORTING TO BOARD OF DIRECTORS

Statement of related party transaction as approved by the Audit Committee will be placed before the immediate next Board meeting after the Audit Committee meeting for their record and reference and any Direction by Board of Directors will be followed by the Audit Committee.

REPORTING TO SHAREHOLDERS

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.

MATERIALITY OF RELATED PARTY TRANSACTIONS

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 10% of Annual Consolidated turnover of the Company as per last audited financial statements.

LIMITATION

In the event of any conflict between the provisions of this Policy and any regulations as applicable to company with regard to Related Party Transactions then such Regulation shall prevail over this Policy.

AMENDMENT

The Audit Committee will review the Policy periodically and may amend the same from time to time.

CONCLUSION

At present there were no significant related party transactions made by the company with related parties, however this policy will be applicable for all the future related party transactions.