

POLICY ON RELATED PARTY TRANSACTIONS

OF

PATRON EXIM LIMITED

(Pursuant to Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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1. INTRODUCTION

The Companies Act 2013 ('the Act') and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') as amended from time to time prescribe comprehensive regulatory framework governing the Related Party Transactions. The Act and the SEBI LODR also require the Companies to adopt comprehensive policy on dealing with the Related Parties.

In the context of above, in compliance with the provisions of the Act and SEBI LODR, the Board of Directors of Company upon recommendation of the Audit Committee has adopted this Policy on Materiality of and Dealing with Related Party Transactions ('the Policy').

2. PURPOSE

The objective of the Policy is to frame a policy to deal with Related Party Transactions including formulating a policy on materiality of Related Party Transactions including clear threshold limits.

3. DEFINITIONS

“**Act**” means Companies Act, 2013, including any statutory modification or re-enactment thereof.

“**Arm’s Length Transaction**” shall have the meaning ascribed to such term under section 188 of the Act.

“**Associate Company**” shall have the meaning ascribed to such term under sub-section (6) of Section 2 of the Act.

“**Audit Committee or Committee**”: Audit Committee is the committee which is constituted by the Company pursuant to section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 18 of the LODR.

“**Board**” means Board of Directors of the Company.

“**Body Corporate**” shall have the meaning ascribed to such term under sub-section (11) of Section 2 of the Act.

“**Control**” shall have the meaning ascribed to such term under sub section (27) of Section 2 of the Act.

“**Compliance Officer**” means Company Secretary of the Company.

“**Holding Company**” in relation to one or more Companies means a Company of which such Companies are Subsidiary Companies as per sub-section (46) of Section 2 of the Act.

“**Key Managerial Personnel**” (“KMP”) shall have the same meaning ascribed to such term under sub-section (51) of Section 2 of the Act.

“**Material Related Party Transaction**” shall have the same meaning ascribed to such term under Regulation 23 (1) read with 23 (1A) of the LODR.

“**Materiality Threshold**” means limits for Related Party Transactions beyond which the shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

“**Net Worth**” shall have the meaning ascribed to such term under sub-section (57) of Section 2 of the Act.

“**Related Party**” shall have the meaning ascribed to such term under Regulation 2(1) (zb) of the LODR and under sub-section (76) of Section 2 of the Act.

“**Relative**” shall have the meaning ascribed to such term under sub-section (77) of Section 2 of the Act and under Regulation 2(1) (zd) of the LODR.

“**Related Party Transaction**” shall have the meaning ascribed to such term under Regulation 2(1) (zc) of the LODR and under Section 188 of the Act

“**Securities**” means the Securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulations) Act, 1956.

“**Office or Place of Profit**” shall have the meaning ascribed to such term under section 188 of the Act.

“**Ordinary course of business**” if transactions satisfy any of the following criteria, such transactions will be generally in the ordinary course of business: I. The memorandum of Association of the Company should cover such transaction; II. There are previous instances of the Company having carried out such transaction; III. These transactions are frequent over a period of time; IV. The transaction should be in furtherance of the business objectives of the Company; V. The transactions, if not frequent, are important to the business objectives of the Company; VI. The transactions are incidental to pharma industry/ part of standard industry practice or but for which the business would be adversely affected. This is not exhaustive criteria and the Company should assess each transaction considering its specific type, nature, value and circumstances.

“**Material Modification**” means any modifications to the material related party transactions which were approved by the Audit Committee or Shareholders during the year which will change complete nature of the transaction and in case of monetary thresholds which is in excess of 20% of the originally approved transaction or 1 crores whichever is higher.

The following will not be considered as material modifications:

1. Modification which may be mandated pursuant to change in law.
2. Modifications pursuant to and in accordance with the terms of the approved transaction/contract.
3. Modifications resulting from change in constitution of either of the parties pursuant to schemes of arrangement / restructuring / reorganisation viz. merger, amalgamation, demerger, capital reduction etc.

4. APPROVAL OF AUDIT COMMITTEE

All Related Party Transactions and subsequent Material Modifications, shall require prior approval of the Audit Committee, whether at a meeting or by resolution passed by circulation.

These provisions shall not apply to transactions, other than transactions referred to in Section 188 of the Act, entered into with wholly owned subsidiaries.

The Audit Committee may also grant omnibus approval for the Related Party Transactions proposed to be entered into by the Company, if the transactions satisfy the following conditions:

- I. Such Related Party transactions are repetitive in nature (in past or in future).
- II. Specific need of such omnibus approval i.e., the transactions are in the best interest of the Company.
- III. Omnibus approval shall not be made for transactions in respect of selling or disposing of the assets of the undertaking of the Company.
- IV. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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.
- V. Where the need for Related Party Transaction cannot be foreseen and the aforesaid details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One crore per transaction or such limits as specified under Listing Regulations. However, Audit Committee should be concurrently informed about such transaction(s).

Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

In case the Committee does not approve any transaction, then it shall make its recommendations to the Board. In case any member of the Committee is interested in any potential Related Party Transaction, such member shall abstain from voting when such transaction is being considered.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

5. RPTs THAT SHALL NOT REQUIRE APPROVAL OF AUDIT COMMITTEE AND SHAREHOLDERS

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:

- i. Any transaction that involves providing of compensation to a Director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii. Issue of securities on a preferential basis in compliance with ICDR Regulations.
- iii. Payment of Dividend
- iv. Rights Issue and bonus issue of securities
- v. Buy back of securities
- vi. Transactions available to all employees generally
- vii. Transactions entered into between a holding company and its wholly owned subsidiary, 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.
- viii. Company with its Wholly Owned Subsidiaries, whose accounts are consolidated with the accounts of Company and placed before the shareholders of Company at the general meeting for approval.
- ix. Two wholly-owned subsidiaries of the company, whose accounts are consolidated with company and placed before the shareholders at the general meeting for approval.

- x. RPTs referred to in section 188 of the Act which are not in the ordinary course of business and / or not on Arms' length basis and which crosses the threshold limits prescribed under the Act and rules made thereunder, entered by Company with its Wholly Owned Subsidiaries, whose accounts are consolidated with the accounts of Company and placed before the shareholders of Company at the general meeting for approval.

Further the Related Party Transactions approved by other statutory board committees within their terms of reference viz. Nomination & Remuneration Committee, CSR Committee, Risk Management Committee and Stakeholders Relationship Committee, if any, shall be deemed to have approval of the Audit Committee from the RPT perspective and the same need not be approved by the Audit Committee once again. E.g.: Allotment of Shares to KMP by the SRC shall be deemed to have approval of the Audit Committee from RPT perspective.

Independent Directors who are members of the audit committee, shall only approve related party transactions.

6. APPROVAL OF THE BOARD OF DIRECTORS OF THE COMPANY

- (i) 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 or both, are placed before the Board for its approval.
- (ii) In addition to the above, the following kinds of transactions with related parties are also to be placed before the Board for its approval:
- RPTs in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval with reasons;
 - RPTs which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view require Board approval.
 - RPTs which are intended to be placed before the shareholders for approval.

7. APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All Material Related Party Transactions and subsequent Material Modifications shall be subject to prior approval of shareholders of the company by way of a resolution.

Prior approval of Shareholders of the Company shall not be required in the following cases:

- Transactions entered into between company and its wholly owned subsidiary whose accounts are consolidated with company and placed before the shareholders at the general meeting for approval.
- Transactions entered into between two wholly-owned subsidiaries of the company, whose accounts are consolidated with company and placed before the shareholders at the general meeting for approval.

However, prior approval of shareholders of the Company shall not be required for such other cases as may be prescribed under SEBI LODR, as amended or as notified by any regulatory authority. No Related Party shall vote to approve such resolution whether the entity is Related Party to the particular transaction or not.

8. CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS

Criteria for granting omnibus approval by the Audit Committee:

While assessing any proposal, the Audit Committee may review the documents / seek information from the Management.

The transactions undertaken pursuant to omnibus approval shall be reviewed by the Audit Committee on a quarterly basis.

Transactions of following nature will not be subject to omnibus approval of the Audit Committee:

- I. Transactions which are not in ordinary course of business or not on arm's length basis;
- II. Transactions involving sale or disposal of an undertaking of the Company;
- III. Such other transactions specified under applicable law from time to time.

In determining whether to approve a Related Party Transaction, the Audit Committee shall interalia consider the following factors to the extent relevant in the matter:

- Whether the proposed transactions are in the best interest of the Company;
- Whether the terms of the proposed Related Party Transactions are fair and on arm's length basis;
- Whether the proposed Related Party Transactions are permissible under the provisions of the applicable laws;
- Whether such contract or arrangement is entered into on terms not less favorable to the Company than terms generally available to an unaffiliated third-party under the same or similar circumstances;
- Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- The actual or apparent conflict of interest of the Related Party participating in the Related Party Transaction;
- Whether the Related Party Transaction would affect the independence of an independent director.

9. RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

In the event the Company becomes aware of a Related Party Transaction that has not been approved under this Policy, the transaction shall be placed as promptly as practicable before the Audit Committee or Board or the Shareholders ('Approving Authority' for the purpose of this Clause) as may be required in accordance with this Policy, for review and ratification.

The Approving Authority shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision in the terms, or termination of such transaction. The decision of the Approving Authority shall be binding under such circumstances.

If such contract or arrangement is with related party to a Director or is authorized by any Director, the Directors concerned shall indemnify against any loss incurred.

Audit committee may examine internal controls and the reasons for failure in reporting/ prior approval of such Related Party Transaction and suggest directives to strengthen the internal controls/collaboration. In connection with any review/ratification of any particular Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

10. DISCLOSURES & REPORTING

This Policy shall be disclosed on the website of the Company and a web link to the policy shall be provided in the Annual Report.

A summary statement of Related Party Transactions entered into by the Company shall be submitted to the Audit Committee in quarterly meetings for information, review and noting.

The details of Related Party Transactions shall be disclosed in the Annual report of the Company, to the Stock Exchanges and other regulatory bodies as per the provisions of Indian Accounting Standards, the Act, SEBI LODR or any other applicable laws and regulations.

11. REVIEW AND AMENDMENTS

The Board of Directors shall review this policy at least once every three years and may amend this policy from time to time. The Board reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification shall be inconsistent with the applicable provisions of the SEBI LODR, Act or any law for the time being in force.
