

Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions

Purpose:

This policy aims to determine the materiality of Related Party Transactions and to deal with Related Party Transactions.

This policy is framed in accordance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Section 188 of the Companies Act, 2013 read with Rules made there under and amendments thereon.

Objective:

The SEBI (LODR) Regulations, 2015 mandates formulation of a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions. This Policy has been framed for complying with this requirement.

The objective of this policy is to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company.

Effective Date

In the context of the aforesaid objectives, the Board had formulated and adopted Policy on Related Party Transactions at its meeting held on 23rd January, 2015. Further, the Board at its meeting held on 13th November, 2015 formulated and adopted the Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions and this policy substituted with earlier policy and made effective from December 1, 2015 and April 1, 2020. This Policy was last amended by the Board at its meeting held on January 28, 2025.

Scope & Applicability:

This Policy shall be applied in:

- Identifying Related Parties, updating and maintaining the database of such persons/entities;
- Identifying the Ordinary Course of Business and Arms' Length Transactions in relation to the Company and such persons/entities;
- Identifying Related Party Transactions ("RPT")
- Obtaining approval/ratifications (as the case may be) for entering into any transactions with such Related Parties;

- Obtaining disclosures from the Directors who are interested either directly or indirectly in the RPT and refraining such Directors from participating in the discussions related to RPT;
- Documenting the Arms' Length pricing of transactions; and
- Disclosing these transactions in Annual Report or any such documents as prescribed under the applicable Laws.

Definitions/Key Terms:

- a. "Act" means Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- b. "Arm's Length Basis" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. For determining Arm's Length basis, guidance may be taken from the transfer pricing provisions under the Income Tax Act, 1961.
- c. "Audit Committee" means the Audit Committee of the Board constituted from time to time under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.
- d. "Board" or "Board of Directors" means Board of Directors of PDS Limited.
- e. "Company" means PDS Limited.
- f. "Key Managerial Personnel" means the Key Managerial Personnel of the Company in terms of the Act.
- g. "Listing Regulations" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 of the Company and amendments thereto from time to time.
- h. "Material Related Party Transaction" is a transaction with a related party which shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1,000 cr or 10% of the annual consolidated turnover of the Company as per last audited financial statements of the Company whichever is lower. However, 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 Company as per the last audited financial statements of the Company
- i. "Material Modification to Related Party Transaction" means the following:
 - a. In case the modification is resulting into a change of more than 10% in the amount of the transaction originally approved;

- b. Modification in material terms and conditions of a related party transaction including non-financial terms such as modifications in the credit period, scope of contract etc.;
 - c. Any other modification which as per the directions of the Audit Committee may be determined as material on case to case basis.
- j. "Policy" means the current Policy on Materiality of Related Party Transactions and on Dealing with Related Party Transactions, including amendments, if any from time to time.
- k. "Related Party" means related party as defined in the Listing Regulations which is as follows:
An entity shall be considered as related party if:
(i) Such entity is a related party under Section 2(76) of the Act; or
(ii) Such entity is a related party under the applicable accounting standards."
Provided that following shall also be deemed to be a related party:
(a) any person or entity forming a part of the promoter or promoter group; or
(b) any person or entity, holding equity shares of ten percent or more in the company either directly or indirectly on beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year.
- l. "Relative" or "Relatives" means a relative as defined under the Act
- m. "Related Party Transaction" means any transaction involving a transfer of resources, services or obligations, regardless of whether a price is charged, between:
(i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
(ii) the Company 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 Company or any of its subsidiaries.

Explanation: A "transaction" with a Related Party shall be construed to include 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 SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) Following corporate actions which are uniformly applicable / offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend;
 - ii. sub-division or consolidation of securities;
 - iii. issuance of securities by way of a rights issue or bonus issue; and

- iv. buy back of securities.

Note: i) Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act or Listing Regulations shall have the meaning respectively assigned to them therein.

ii) Words imparting the singular shall include the plural and vice versa. Words imparting a gender include every gender.

Compliance & Consequences:

Approval of Related Party Transactions

- **Prior Approval of Audit Committee**

All Related Party Transactions and subsequent Material Modifications to Related Party Transactions shall require prior approval of Audit Committee except such transactions which are exempt from such approval requirement.

- **Omnibus Approval**

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company and its subsidiaries 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 company 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 interest of the Company.
- c) Such omnibus approval shall specify:
 - a. Type, material terms and particulars of the proposed transaction;
 - b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - c. Tenure of the proposed transaction (particular tenure shall be specified);
 - d. Value of the proposed transaction;
 - e. The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - i. details of the source of funds in connection with the proposed transaction;

- ii. where any financial indebtedness is incurred to make or give loans, inter- corporate deposits, advances or investments,
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- g. Justification as to why the RPT is in the interest of the Company;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant

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 transaction subject to their value not exceeding Rs. 1 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 Company or its subsidiaries 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:
- f) The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis and such other conditions as the Audit Committee may deem fit
- g) Only those members of the audit committee, who are independent directors, shall approve the related party transactions

- Shareholders' Approval

All Material Related Party Transactions and subsequent Material Modifications to Material Related Party Transactions shall require prior approval of the shareholders through resolutions and the Related Parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

- Exemptions from approval

The following Related Party Transactions shall not require prior approval/approval of Audit Committee or Shareholders, as may be applicable:

- i. Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- ii. Transactions entered into between two wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval
- iii. Transactions to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year is not more than 10% of the annual consolidated turnover of the Company as per the last audited financial statements;
- iv. Transactions to which the subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year is not more than 10% of the annual standalone turnover of such subsidiary company as per its last audited financial statements; and
- v. Transactions 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.
- vi. The remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group provided that the same is not material related party transactions.
- vii. The transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between the Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

- Ratification

The members of the audit committee, who are independent directors, may ratify related party transactions within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, subject to the following conditions:

- i. the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;
- ii. the transaction is not material related party transaction;
- iii. rationale for inability to seek prior approval for the transaction shall be placed before the audit committee at the time of seeking ratification;
- iv. the details of ratification shall be disclosed along with the disclosures of related party transactions to the Stock Exchanges.
- v. any other condition as specified by the audit committee.

Provided that failure to seek ratification of the audit committee shall render the transaction voidable at the option of the audit committee and if the transaction is with a related party to any director, or is authorised by any other director, the director(s) concerned shall indemnify the Company against any loss incurred by it.

Disclosure

This Policy shall be disclosed on the Company's website www.pdsltd.com and web link thereto shall be provided in the Annual report of the Company.

Related Documents/References:

This Policy should be read in conjunction with the following documents:

- The Companies Act, 2013 and applicable Rules.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Indian Accounting Standards (Ind AS).
- Audit Committee Charter.

Ownership and Review:

Ownership: This Policy shall be owned and administered by the Board of Directors of the Company through Audit Committee.

Review: The Board may amend, abrogate, modify or revise any or all clauses of this Policy. Based on recommendation of the Audit Committee. This policy shall be reviewed by the Board of Directors atleast once in three years and/or as and when required and updated accordingly.

Version History:

Version No.	Approved on	Created by	Approved by
1.	January 23, 2015	Finance and Compliance Team	Board of Directors
2.	November 13, 2015		
3.	December 1, 2015		
4.	February 14, 2020		
5.	May 16, 2022		
6.	January 28, 2025		