



PACIFIC INDUSTRIES LIMITED

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PACIFIC INDUSTRIES LIMITED

RELATED PARTY TRANSACTION POLICY

(Pursuant to Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019)

Amended on 16th December, 2019

OBJECTIVE

Pacific Industries Limited (the “Company” or “PIL”) may, in the ordinary course of business, enter into transactions with a Related Party or parties.

The Board of Directors (the “Board”) of PIL has adopted this Related-Party Transactions Policy (the “Policy”) to set forth the procedures under which transactions with Related Parties shall be reviewed for approval or ratification.

The Audit Committee will review and may amend this policy from time to time. This Policy also aims to comply with the provisions of Section 188 of Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. No Related-Party Transaction may be entered into by the Company, except in accordance with the provisions of this Policy.

In exercise of the powers conferred under sections 173,177,178 and section 186 read with section 469 of the Companies Act 2013, MCA vide its notification dated 18th November, 2019 amended Companies (Meetings of Board and its Powers) Rules, 2014 through the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2019, Clause (a) of sub-rule (3) of Rule 15 pertaining to Contract or Arrangement with a Related Party.

DEFINITIONS

“Related Party”- an entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable accounting standards.

“Related-Party Transaction”, means any transaction involving transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged. A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

“Material Related-Party Transaction” means any transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year exceed the threshold specified in the section under Material Related-Party Transactions.

”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.

REVIEW AND APPROVAL OF RELATED-PARTY TRANSACTION

1. The Audit Committee of the Board will review and, if appropriate, approve Related-Party Transactions. Accordingly, the Audit Committee in every financial year, management shall present the following information with respect to all Related Party Transactions expected to be entered into during that financial year:
 - a. the name of the Related Party;
 - b. the Related Party’s interest in the transactions, including the Related Party’s position or relationship with, or ownership of, any entity that has an interest in the transactions;
 - c. the estimated rupee value of the transactions;
 - d. a general description of the transactions, including material terms and conditions;
 - e. in case of loans, the aggregate amount of loans and the rate of interest payable on such loans;
 - f. in case of guarantees issued, the aggregate amount of guarantees and commission to be payable on such guarantees;
 - g. an assessment of whether the transactions are on terms that are comparable to the terms available to unrelated third parties or to employees generally; and
 - h. any other material information regarding the transaction(s) or the Related Party’s interest in
After reviewing such information, the members of the Audit Committee (without the participation the Committee member(s) interested in the transaction, if any) shall approve or disapprove such transactions. Omnibus approval of such transactions shall be given only if it is determined by the Committee that such transactions are:
 - (i) repetitive in nature and that such approval is in (or not inconsistent with) the best interests of the Company and its shareholders;
 - (ii) to be entered into by the Company on terms that are comparable to those that would be obtained in arm’s length transactions with unrelated third parties; and

(iii) In the ordinary course of the business of the Company. (Ordinary course of business for this purpose will cover the businesses of PIL, its subsidiaries and usual transactions, customs and practices of a business and would include activities to be carried out incidental to or to facilitate the business of PIL, its subsidiaries and is usual or

- (i) the name/s of the related party,
- (ii) nature of transaction, period of transaction, maximum amount of transaction that can be entered into, and
- (iii) the indicative base price / current contracted price and the formula for variation in the price if any

The Audit Committee may grant omnibus approval for transactions not exceeding Rs.1 crore in value per transaction. 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. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

2. No member of the Audit Committee shall participate in the review, consideration or approval of any Related-Party Transaction with respect to which such member or any of his or her relatives is a Related Party.
3. If any material information with respect to such transactions shall change subsequent to the Committee's review of such transactions, management shall provide the Committee with updated information at a subsequent meeting and will get the changes approved afresh by the Committee.
4. If any additional Related-Party Transactions are proposed to be entered into subsequent to the Committee's first meeting in the financial year, management shall present such transactions to the Committee for approval before entering into such transaction (which can be taken by calling a meeting or by resolution passed through circulation).
5. All the directors are required to declare and disclose their concerns or interests in any company or companies or bodies corporate at the first Board meeting in every financial year and subsequently whenever there is any change therein.

APPROVAL OF THE BOARD AND THE SHAREHOLDERS

The Audit Committee shall report all “Material Related-Party Transactions” to the Board of Directors. The Company will also seek shareholders’ approval by the way of a Resolution for “Material Related-Party Transactions” in the Annual General Meeting of the year in which the Related-Party Transaction is undertaken or by postal ballot process and all the related parties (if any) will abstain from voting on such resolution irrespective of whether the concerned entity is a party to the particular transaction or not.

The approval of the Audit Committee and the Shareholders shall not be required for transactions entered into between a holding company and its wholly owned subsidiary.

The Ministry of Corporate Affairs (“MCA”) on 18th November 2019 vide notification of the Companies (Meeting of Board and its Powers) Second Amendment Rules, 2019 (“Second Amendment Rules, 2019”) issued further amendment to rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014.

The MCA vide Second Amendment Rules, 2019 seeks to revise the threshold limits pertaining to any contract or arrangement with a related party for transaction value beyond which the company would require approval of shareholders by way of a resolution [as provided under the first proviso to sub-section (1) of section 188 of the Companies Act, 2013].

The revised threshold limits prescribed in the Second Amendment Rules, 2019 are as follows:-

Category of Transactions	Material Related Party Transactions Companies Act 2013 <i>(not in ordinary course of business and not on an arm’s length basis)</i>	Revised Threshold Limit <i>(effective from 18.11.2019)</i>	Material Related Party Transactions SEBI
Sale, purchase or supply of any goods or materials, directly or through appointment of agent;	10% or more of turnover or Rs. 100 crore, whichever is lower	10% or more of turnover of the company	10% of annual consolidated turnover as per last audited financial statements
Selling or otherwise disposing of, or buying, property of any kind; directly or through appointment of agent,	10% or more of net worth or Rs.100 crore, whichever is lower	10% or more of the net worth of the company	
Leasing of property of any kind;	10% or more of net worth or 10% of turnover or Rs. 100 crore, whichever is lower	10% or more of the turnover of the company	
Availing or rendering of any services; directly or through appointment of agent;	10% or more of turnover or Rs 50 crore, whichever is lower	10% or more of turnover of the company	
Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 Lakh	No change	

Underwriting the subscription of any securities or derivatives thereof, of the company	1% of net worth	No change
Payments related to brand and royalty	Revised Limit - 5% of the annual consolidated turnover as per the last audited financial statements (Regulation 23(1A) of SEBI (LODR) 2015)	

DISCLOSURE

Disclosure will be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties as part of Directors' Report.

This Policy will also be uploaded on the website of PIL and a web link thereto shall be provided in the Annual Report of PIL.

The Company will also disclose the details of all material Related Party on a quarterly basis along with the compliance report on corporate governance filed with the stock exchanges.

POLICY REVIEW

This Policy is framed based on the provisions of the Companies Act, 2013, and rules framed thereunder and the requirements of Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations which makes any of the provisions in the Policy inconsistent with the Companies Act, 2013, or regulations, the provisions of the Companies Act, 2013, or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

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