



RELATED PARTY TRANSACTION POLICY

PULZ ELECTRONICS LIMITED

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This policy is framed pursuant to the requirement of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'Listing Regulations'), with the objective to align with the provisions of the Companies Act, 2013, adopt the best practices on corporate governance and make the corporate governance framework more effective.

A related party transaction is a transfer of resources, services or obligations between a Company and a Related party, regardless of whether price is charged or not and includes those transactions as defined under Section 188(1) of the Companies Act, 2013 and included in the **DEFINITIONS** below. This policy is aimed to regulate the transactions between the Company and its Related Parties based on the applicable laws and regulatory provisions governing the Company's operations.

The policy is intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. The Company is required to disclose every year in the Financial Statements, certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The Board of Directors (the "Board") of Pulz Electronics Limited (the "Company"), has adopted the following policy with regard to Related Party Transactions as defined below, effective November 21, 2017. The Audit Committee will review and may amend this policy from time to time.

1. Definitions

➤ **"Related Party"** as defined in Section 2(76) of the Companies Act, 2013.

A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- 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 and manager is a director and holds along with his relatives, more than two per cent 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:

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



- viii. any company which is—
 - A. a holding, subsidiary or an associate company of such company; or
 - B. a subsidiary of a holding company to which it is also a subsidiary;
- ix. a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party.

➤ **“Related Party Transaction”** as per regulation 2(zc) of the Listing Regulations, means a transfer of resources, services or obligations between a listed entity 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.

In terms of Section 188 of the Companies Act, 2013, it means any contract or arrangement with a related party with respect to:

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the company.

➤ **“Relative”** as defined under section 2(77) of the Companies Act, 2013 read with rule 4 of the Companies (Specification of Definitions Details) Rules, 2014 shall mean anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) Father (includes step-father)
- (iv) Mother (includes the step-mother)
- (v) Son (includes the step-son)
- (vi) Son's wife
- (vii) Daughter
- (viii) Daughter's husband
- (ix) Brother (includes the step-brother)
- (x) Sister (includes the step-sister)

➤ **“Control”** shall have the same meaning as defined in section 2(27) of the Companies Act, 2013 which is as follows:

“Control” includes 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.

- **“Key Managerial Personnel”** means key managerial personnel as defined under section 2(51) of the Companies Act, 2013 and includes:
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;
 - (iii) the whole-time director;
 - (iv) the Chief Financial Officer.

- **“Material Related Party Transaction”** as per regulation 23 of the Listing Regulations shall mean 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 ten percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- **“Policy”** means Related Party Transactions policy.

2. Policy

The Related Party Transactions Policy is formulated and aimed to identify related party transactions and the manner of dealing with such transactions.

3. Identification of potential Related Party Transactions and restrictions thereto

Each Director and Key Managerial Personnel shall inform the Audit Committee/Board of any potential Related Party Transaction involving him/her or his/her relative or an entity in which he /she is interested as mentioned above.

The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement and shall abstain from voting.

The Company may require any additional information on any such potential Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters well in advance so that the Audit Committee/Board has adequate time to obtain any further approval/s necessary for the proposed transaction.

All Related Party Transactions shall require prior approval of Audit Committee. The Audit Committee may consider the following factors, amongst others, to the extent relevant to the Related Party Transaction:



- ✓ Whether the terms of the Related Party Transaction are fair and on arm's length basis and do not conflict with the interests of the Company and whether they would apply on a similar basis if the transaction did not involve a Related Party;
- ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and nature of alternative transactions, if any;
- ✓ Whether the Related Party Transaction affects the independence of an independent director;
- ✓ Whether the proposed transaction includes any potential risk issues to the reputation of Company and management as a result of or in connection with the proposed transaction.

Under Regulation 23 of Listing Regulations:

Audit Committee may grant omnibus approval for the related party transactions proposed to be entered into by the Company subject to the following conditions, namely:

- ✓ 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 the transactions which are repetitive in nature;
- ✓ The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- ✓ The Omnibus Approval shall specify:
 - i. The name(s) of the related party, nature of transaction, period 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 the audit committee may deem fit:
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 transactions subject to their value not exceeding rupees one crore per transaction.
- ✓ The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approvals 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.

Further, all the **MATERIAL RELATED PARTY TRANSACTIONS**, which term is included in the 'DEFINITIONS' above shall require a prior approval of the shareholders through special resolution.

Under the Companies Act, 2013

Section 188(1) of the Companies Act 2013 also stipulates prior approval of the Board and for transactions which meet certain criteria as prescribed therein, prior approval of Company by special resolution is required. Where any contract or arrangement is entered into by a Director or any other employee without obtaining prior consent of Board and approval of shareholders in general meeting, it shall be ratified by the Board or shareholders within three months from the date on which such transaction or arrangement was entered into.

No Member who is a Related Party to the transaction shall vote on such resolutions.



Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as prescribed under rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Company shall not enter into any contract or arrangement with a related party.

Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 describes the limits of the transactions above which the Company shall require members' approval by way of ordinary resolution for those transactions which are not in the ordinary course of business and on an arm's length basis.

| Sr. No. | Transactions/ Contracts/ Arrangement as per section 188(1) of the Act | Limits as per Rule 15 of the Companies (Meetings of Board and its Powers) Rule, 2014 |
|---|---|--|
| <i>For the transaction(s) to be entered into (in point no 1-5) either individually or taken together with the previous transactions during a Financial Year</i> | | |
| 1 | Sale, purchase or supply of any goods or materials | 10% of the net worth or Rs. 100 Crores, whichever is lower |
| 2 | Selling or otherwise disposing of, or buying, property of any kind | 10% of the net worth or Rs. 100 Crores, whichever is lower |
| 3 | Leasing of property of any kind | 10% of the net worth or 10% of turnover or Rs. 100 Crores, whichever is lower |
| 4 | Availing or rendering of any services | 10% of the net worth or Rs. 50 Crores, whichever is lower |
| 5 | Appointment of any agent for purchase or sale of goods, materials, services or property | 10% of the net worth or Rs. 50 Crores, whichever is lower |
| 6 | Such related party's appointment to any office or place of profit in the Company, its subsidiary company or associate company | Where monthly remuneration exceeds Rs. 2,50,000/- |
| 7 | Underwriting the subscription of any securities or derivatives thereof, of the Company | For amount exceeding 1% of the net worth of the Company |

4. Related Party Transactions not approved under this policy

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee which shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts, circumstances and reasons pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.



In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all stakeholders including Directors, Key Managerial Personnel and other concerned persons of the Company.