

## **PRECISION ELECTRONICS LIMITED (PEL) RELATED PARTY TRANSACTION POLICY**

### **1. Preamble**

The Board of Directors (the "Board") of Precision Electronics Limited (the "Company" or "PEL"), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

This policy will be applicable to the Company. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable on the Company.

### **2. Purpose**

PEL recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with PELs' and its stakeholders' best interests.

PEL must specifically ensure that certain Related Party Transactions (as defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject.

This policy is framed as per requirement of regulation 23 of SEBI (LODR) 2015 entered by the Company with the Stock Exchanges and also to comply with the provisions of Section 188 of the Companies Act, 2013 and is intended to ensure the 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 other stakeholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

No Related-Party Transaction may be entered into by the Company, or any of its subsidiaries or associates, except in accordance with the provisions of this Policy.

### **3. Definitions**

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company constituted under provisions of Listing Agreement and Companies Act, 2013.

**"Arms 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. For determination of Arms length transaction, guidance may be taken from the provisions of the Income Tax Act, 1961.

**“Associate Company (Section - 2(6) of the Companies Act, 2013)”**, 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. Where significant influence means control of at least twenty percent of total share capital or business decision under an agreement.

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

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**“Holding Company (Section - 2(46) of the Companies Act, 2013)”** in relation to one or other Companies, means a Company of which such Companies are Subsidiary Companies.

**“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and the Rules made there under and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

**“Related Party Transaction”** means transactions as defined under section 188 of the Companies Act, 2013.

**“Policy”** means Related Party Transaction Policy.

**“Related Party”** means related party as defined in regulation 23 of SEBI (LODR) 2015 read with Section 2 (76) of the Companies Act, 2013, as amended from time to time.

**“Related party transaction”** means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

**“Relative”** means relative as defined under the Companies Act, 2013.

**“Subsidiary Company”** shall have meaning assigned to it under Section -2(87) of the Companies Act, 2013

**“Company Secretary”(Section 2(24) of the Companies Act, 2013)** means a Company Secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 (56 of 1980) who is appointed by a company to perform the function of a company secretary under this Act.

#### **4. Policy**

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

In the case of any repugnancy between this Policy and Companies Act, 2013 and Rules framed there under and Listing Agreement, the provisions of Policy shall be void to the extent of repugnancy.

##### **4.1 Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

##### **4.2 Prohibitions related to Related Party Transactions**

The Company shall endeavor to ensure that no Related Party Transactions is entered without prior approval of Board whether at a meeting or by resolutions by circulation. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company which are repetitive in nature and are in the ordinary course of business or at Arm's Length basis, subject to compliance of the conditions contained in regulation 23 of SEBI (LODR) 2015.

Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall not vote on such resolution.

Any Related Party Transaction entered in to without proper approval shall be placed for approval of Board or shareholders, as the case may be, within three months of contract or arrangement.

##### **4.3 Review and Approval of Related Party Transactions**

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

To review a Related Party Transaction, the Committee will be provided with all relevant material information of the 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

√ Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same 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 the nature of alternative transactions, if any;

√ Whether the Related Party Transaction would affect the independence of an independent director;

√ Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;

√ Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and

√ Whether the Related Party Transaction would present an conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

## **5. Related Party Transactions not approved under this Policy**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee 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 and circumstances 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 any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate

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

## **6. Maintenance of records and register**

The records and register pertaining to related party will be kept with the Company Secretary.

## **7. Disclosure**

Details of all material transactions with Related Parties shall be disclosed to the stock exchanges quarterly along with the compliance report on corporate governance.

## **8. Amendments**

Audit Committee will recommend and Board of Directors will amend from time to time the policy.

Any amendment/ modification in the listing agreement, Companies Act, 2013, SEBI guidelines and/or other applicable laws in this regard shall automatically apply to this Policy.

This Policy will be communicated to all operational employees and other concerned persons of the Company. The Company shall disclose this policy on dealing with Related Party Transactions on its website and web-link shall be provided in the Annual Report.

Signed

Effective Date  
**12.02.15**