

**RELATED PARTY**  
**TRANSACTIONS POLICY**  
**(Amended on 14th February 2018)**

**PARNAX LAB LIMITED**  
(CIN: L36912MH1982PLC027925)

**Regd. Office: GALA NO. 114, BLDG. NO. 8 JOGANI INDUSTRIAL COMPLEX, CHUNABHATTI  
MUMBAI 400022.**

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1) INTRODUCTION:**

The Board of Directors (the Board) of “Parnax Lab Limited” (the Company) has adopted this policy and procedures with regards to Related Party Transaction in line with the requirement of Section 188 of the Companies Act, 2013 read with rules made there under and regulation 23 of the Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR), 2015”].

Regulation 23 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR), 2015”] requires formulating a policy on materiality of Related Party Transaction and dealing with Related Party Transaction.

The Board may review and amend the policy from time to time.

### **2) PURPOSE OF FRAMING THE POLICY:**

The Policy is framed as per the requirement of Regulation 23 (1) of the Securities And Exchange Board Of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR), 2015”]; the objective of the Policy is to ensure proper approval, disclosures and reporting of the transactions entered between the Company and its Related Parties.

### **3) APPLICABILITY:**

The Policy on Related Party Transaction shall be governed by Section 188 of the Companies Act, 2013 read with Rules made there under, as well as Regulation 23 of the Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR), 2015”].

### **4) KEY DEFINITIONS:**

#### **“Board of Directors” or “Board”**

“Board of Directors” or “Board” in relation to a Company, means the Collective Body of the Directors of the Company.

#### **“Audit Committee”**

“Audit Committee” means a Committee constituted under the provisions of Section 177 Companies Act, 2013 and Regulation 18 of the Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [“SEBI (LODR), 2015”].

#### **“Key Managerial Person”**

“Key Managerial Person” in relation to a Company, means;

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;
- v) Such other officers as may be prescribed under the Companies Act, 2013.

**“Policy”** means Related Party Transaction Policy of the Company.

**“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. For determination of Arm’s Length basis, guidance may be taken from provision of Transfer Pricing under Income Tax Act, 1961.

**“Related Party”** means a person or an entity:

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

Related party under Section 2(76) of the Companies Act, 2013 and Rules made there under are as follows:

- (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 is a member or director;
- (v) a public company in which a director or manager is a director or 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) Director or Key Managerial Personnel of the holding company or his relative; or
- (x) such other person as may be prescribed.

**“Related Party Transactions”** means transaction in a nature of contract involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- Sale, purchase or supply of any goods or materials;
- Selling or otherwise disposing of, or buying, property of any kind;

- Leasing of property of any kind;
- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company.

**Relatives:**

As per the Provisions of Section 2(77) of the Companies Act, 2013 “Relative” means—

- i. they are members of a Hindu Undivided Family;
- ii. they are husband and wife; or
- iii. one person is related to the other in such manner as may be prescribed under Companies (Specification of definitions details) Rules, 2014;

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 a person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely:-

- (a) Father (including step-father)
- (b) Mother (including step-mother)
- (c) Son (including step-son)
- (d) Son's wife
- (e) Daughter
- (f) Daughter's husband
- (g) Brother (including step-brother)
- (h) Sister (including step-sister).

**Holding company:**

As per the Provisions of Section 2(46) of the Companies Act, 2013 “Holding Company”, means a company of which such companies are subsidiary companies.

**Subsidiary company:**

As per the Provisions of Section 2(87) of the Companies Act, 2013 “**subsidiary company**” or “**subsidiary**”, in relation to any other company (that is to say the holding company), means a company in which the holding company—

- i. controls the composition of the Board of Directors; or
- ii. exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation— For the purposes of this clause:

- a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- c) the expression "company" includes any body corporate;
- d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

**Associate company:**

As per the Provisions of Section 2(6) of the Companies Act, 2013 "associate company", 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.

Explanation: For the purpose of this clause Significant influence means control of at least twenty per cent (20%) of total share capital, or of business decisions under an agreement.

**"Material Related Party Transaction" – As per Regulation 23 of SEBI (LODR), 2015"**

The transaction with the "Related Party" shall be considered material if the transaction/ transactions to be entered in to individually or taken together with previous transactions during a Financial Year exceed 10% of the annual consolidated turnover of the Company as per the last audited financial Statements of the Company.

**"Related Party"**

"Related Party" shall have the same meaning as defined under sec 2(76) of the Companies Act, 2013 or related party under applicable accounting standard.

**"Related Party Transaction" as per Companies Act, 2013**

"Related Party Transaction" shall have the same meaning as defined under Sec 188 (1) of the Companies Act, 2013

**"Related Party Transaction" as per Listing Obligations and Disclosure Requirements**

"Related Party Transaction" means, any transaction involving any transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.

Thus, Related Party Transaction refers to related party transaction as per Companies Act, 2013 as well as the Listing Obligation and Disclosure Requirements.

**5) POLICY ON RELATED PARTY TRANSACTION**

**Identification of Potential Related Party Transaction**

Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving himself/herself or their

relatives, including any additional information about the transaction that the Board or Audit Committee may request. The Board shall record the disclosure of Interest; and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Notice of any potential Related Party transaction shall be intimated to the Board/ Committee, well in advance so that the Board/ Committee have adequate time to review the transaction.

### **Restrictions on Related Party Transaction**

All related party transaction shall require prior approval of the Audit Committee; however, the Audit Committee may grant omnibus approval for Related Party Transaction proposed to be entered in to by the Company subject to the following conditions.

- 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 the need for such omnibus approval and that such approval is in the interest of the Company.
- c) Such omnibus approval shall specify the following details:
  - i) The name of the Related Party
  - ii) Nature of transaction
  - iii) Period of transaction
  - iv) Maximum amount of transaction that can be entered into
  - v) The indicative base price/ current contract price and the formula for variation in the price if any
  - vi) 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 Rs. 1 Crore per transaction.

### **Review of Related Party Transaction**

Audit Committee shall review , at least on a quarterly basis, the details of Related Party Transaction entered in to by the Company pursuant to each of the omnibus approval given.

Approval given by the Audit Committee shall be valid for not exceeding one year and shall require fresh approvals after the expiry of one year.

### **Prior Approval of Board of Directors Under Companies Act, 2013**

Related Party Transaction which are either not in the ordinary course of Business or not at Arm's Length Price shall require prior approval of the Board of Directors.

### **Approval of Shareholders**

**a) Approval of Shareholders as per the requirement of Companies Act, 2013**

Related Party Transaction with are either not in the 'Ordinary Course of Business' or are not at 'arm's length price' and exceeds the threshold under section 188 of the Companies Act, 2013, shall also require prior approval of the shareholders through special resolution.

No members of the Company shall vote in a special resolution where related party contract or arrangement is being considered if such a member is a Related Party in Contract or Arrangement which is being considered.

**b) Approval of Shareholders as per the requirements of Regulation 23 of SEBI (LODR), 2015**

All material Related Party Transaction with exceeds the threshold limit as prescribed under Regulation 23 of Listing Obligations And Disclosure Requirements (LODR), 2015 shall require approval of Shareholders through special resolution.

All the Related parties interested in the subject matter of the resolution shall abstain from voting on such resolution.

However the above shall not be applicable to the transaction 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.

**Related Party Transaction Not Approved Under the Policy**

In case the Company becomes aware of any transaction with a related party which has not been approved in accordance with policy prior to its execution, the matter shall be reviewed by the Audit Committee. The Audit 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 the policy and failure of the internal Control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation for the loss suffered by the related party etc. In connection with any review/approval of a Related Party Transaction, the Audit Committee has authority to modify or waive any procedural requirements of this policy.

**Disclosures**

The Policy shall also be uploaded on the website of the company i.e. [www.naxparlab.com](http://www.naxparlab.com) and a web link thereto shall be provided in the Annual Report.

