

PITTI ENGINEERING LIMITED
[Formerly Pitti Laminations Limited]
Registered Office: IV Floor, Padmaja Landmark, 6-3-648/401,
Somajiguda, Hyderabad - 500082
Tel: 91 040-23312774 Fax: 91 040-23393985
Website: www.pitti.in, Email: shares@pitti.in
CIN: L29253TG1983PLC004141

POLICY ON RELATED PARTY TRANSACTIONS

A. BACKGROUND

The Board of Directors (the “**Board**”) of Pitti Engineering Limited (the “**Company**”), after considering the recommendation of the Audit Committee, has adopted this policy on related party transactions (the “**Policy**”) and associated procedures with regard to Related Party Transactions in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

This Policy has been approved by the Board at their meeting held on 11th February 2022. Effective from 1st April 2022 this Policy supersedes the earlier policy of the Company on Related Party Transaction that was approved by the Board at their meeting held on 7th February 2019.

B. PURPOSE

The Company is listed on BSE Ltd and National Stock Exchange of India Ltd. This Policy is framed as per requirement of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as amended and is intended to ensure proper approval and reporting of Related Party Transactions.

C. DEFINITIONS

1. “**Act**” shall mean Companies Act, 2013 and rules made thereunder including any amendments thereof.
2. “**Listing Regulations**” shall mean SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015 and includes any amendments thereof.
3. “**Material Modifications**” shall mean any modification to the existing Related Party Transactions which has the effect of increasing or decreasing the value of original contract by 10% or more.

All Capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

D. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

Every Director and Key Managerial Personnel shall, as may be applicable to them, provide a declaration containing the necessary details of Related Party to the Company Secretary of the Company, upon their appointment and on an annual basis thereafter. Also, they should provide declarations if there is any change in the details from the last declaration made under this Policy.

The Chief Financial Officer and the Managing Director & Chief Executive Officer are jointly responsible in identifying the potential Related Party Transactions and providing necessary information in advance to the Company Secretary for initiating the process of obtaining the necessary approvals of the Audit Committee / Board / Shareholders. Further, the Chief Financial Officer and the Managing Director & Chief Executive Officer are responsible for providing additional information about transactions that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

E. APPROVAL PROCESS

1. Audit Committee

All Related Party Transactions and subsequent Material Modifications shall require prior approval of the Audit Committee. Accordingly, all proposed Related Party Transactions must be reported to the Audit Committee for its prior approval.

All Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year:

- (a) exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company (upto March 31, 2022).
- (b) exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary (with effect from April 1, 2023).

Further, remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee provided that the same is not material as mentioned in Paragraph F hereunder.

Further, only the independent directors who are members of the Audit Committee shall approve the Related Party Transactions.

The Managing Director/Whole-time Director of the Company shall provide to the Audit Committee 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 information as may be required under applicable laws, rules, regulations, or statutory requirements.. In determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) the name of the related party;
- (ii) the name of the Director or Key Managerial Personnel who is related, if any;
- (iii) nature of relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- (iv) the nature, duration of the contract and particulars of the contract or arrangement;
- (v) the material terms of the contract or arrangement including the value, if any;
- (vi) any advance paid or received for the contract or arrangement, if any;
- (vii) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- (viii) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
- (ix) the persons/authority approving the Related Party Transaction;
- (x) 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 Related Party Transaction involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- (xi) If the Related Party Transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
 - (a) details of the source of funds in connection with the proposed transaction;
 - (b) where any financial indebtedness is incurred to make or give loans, intercorporate deposits, advances or investments:
 - nature of indebtedness;
 - cost of funds; and
 - tenure;
 - (c) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security;
 - (d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the Related Party Transaction.
- (xii) Justification as to why the Related Party Transaction is in the interest of the Company;
- (xiii) A copy of the valuation or other external party report, if any such report has been relied upon;

- (xiv) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed Related Party Transaction on a voluntary basis; and
- (xv) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

Further, in determining whether to approve a Related Party Transaction, the Audit Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- (i) Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction had not involved a Related Party;
- (ii) Whether the Related Party Transaction would affect the independence of the Director/Key Managerial Personnel;
- (iii) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (iv) Whether the Related Party Transaction is in the nature of 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 or other Related Party, the direct or indirect interest of the Directors, 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.

The Audit Committee shall also review the status of long-term (more than one year) or recurring Related Party Transactions on an annual basis.

Subject to the provisions of the applicable laws, the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed Related Party Transaction for the approval of Board of Directors or Shareholders as the case may be.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Act and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Subject to the provisions of applicable laws from time to time, 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 in terms of the provisions of sub-regulation (1) of this regulation;

- (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 in terms of the listing regulations.
- (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 listed entity against any loss incurred by it.

2. **Omnibus approval**

The Audit Committee may grant omnibus approval for Related Party Transactions to be entered by the Company or its subsidiary that are:

- (i) Repetitive in nature; and / or
- (ii) Entered in the ordinary course of business and are at arm's length

Such omnibus approval will be granted to the transaction which, in addition to meeting the above criteria, also satisfy the following conditions:

- (i) The transaction in question is necessary to be executed in the interest of the company;
- (ii) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at arm's length and in the ordinary course of business;
- (iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can 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;
- (iv) Maximum value of each Related Party Transaction shall be subject to the Materiality Threshold as mentioned in Paragraph F hereunder.
- (v) 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 ₹ 1 crore per transaction.

Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company or its subsidiary pursuant to each of the omnibus approval given.

Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.

Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

3. Board

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval.

Where any Director is interested in any contract or arrangement with a Related Party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

4. Shareholders

All Related Party Transactions in excess of the limits prescribed under the Act which are not in the ordinary course of business or not at arms' length shall require the prior approval of the shareholders through a resolution and no member of the company shall vote on such resolution to approve any contract or arrangement which may be entered into by the Company, if such member is a Related Party.

In addition to the above, a material Related Party Transaction and subsequent Material Modifications thereof shall require shareholders' approval and no Related Party shall vote to approve such resolutions whether the entity is a Related Party to the particular transaction or not.

F. MATERIAL RELATED PARTY TRANSACTION

All Material Related Party Transactions shall require approval of the shareholders and any member of the Company who is a Related Party shall abide by the voting restriction as specified in the Act or the Listing Regulations.

Materiality Threshold: 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 ₹ 1,000 crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, 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.

G. EXEMPTION FROM APPLICABILITY OF THE POLICY

Notwithstanding the foregoing, this Policy shall not apply to the Related Party Transactions and shall not require approval of Audit Committee / Board or

Shareholders in accordance with the exemptions provided under the applicable laws including the Act and the Listing Regulations.

H. DISCLOSURE

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

The Company will make disclosures in compliance with the Accounting Standard, the Act, Listing Regulations and other applicable law on "Related Party Disclosures".

The Policy shall be disclosed on the company's website (www.pitti.in) and a web link thereto shall be provided in the Annual Report of the Company.

I. POLICY REVIEW AND AMENDMENT

The Audit Committee shall review and may amend this Policy from time to time subject to the approval of the Board of Directors.

Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Act and Listing Regulation on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment (s), clarification (s) circular(s) etc issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment (s), clarification(s), circular (s) etc. shall prevail upon the provision hereunder and this Policy shall stand amended accordingly.

In the event of any conflict between the provisions of this Policy and of the applicable law dealing with the Related Party Transactions, such applicable law in force from time to time shall prevail over this Policy.

The Policy shall be reviewed by the Board at least once every three years or such period as may be prescribed under the applicable law, and updated accordingly.

Note: Policy amended on 11.04.2022 and 13.02.2025