

Policy on Related Party Transactions and Material Subsidiaries

PREAMBLE

The Board of Directors of Paras Petrofils Limited has adopted this Policy on Related Party Transactions and Material Subsidiaries in accordance with the Companies Act 2013, the rules framed under it, Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended, and other applicable laws and regulations.

OBJECTIVE

The objective of this Policy is to prescribe materiality thresholds for Related Party Transactions and the process for identification, review, approval and disclosure of such transactions. The Policy sets guidelines for identification of related parties and the manner of dealing with Related Party Transactions.

DEFINITIONS

Act means the Companies Act 2013 and the rules made thereunder.

Arm's length transaction means a transaction between two related parties conducted as if they were unrelated. Guidance may be taken from the transfer pricing provisions under the Income Tax Act 1961.

Audit Committee means the Audit Committee constituted by the Board in accordance with the Act and the SEBI Listing Regulations.

Board or Board of Directors means the Board of Directors of the Company in accordance with Section 2(10) of the Act and the SEBI Listing Regulations.

Control shall have the meaning assigned under Section 2(27) of the Act and Regulation 16 of the SEBI Listing Regulations.

Key Managerial Personnel or KMP means persons defined under Section 2(51) of the Act.

Material Modification means any change to an approved Related Party Transaction which varies more than +20% from the existing limit approved by the Audit Committee, Board or shareholders.

Material Subsidiary means a subsidiary whose turnover or net worth exceeds ten percent of the consolidated turnover or net worth of the Company and its subsidiaries in the immediately preceding accounting year.

Related Party means a related party as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

Related Party Transaction or RPT means a transaction defined under Section 188 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations.

Relative means a relative defined under Section 2(77) of the Act and Regulation 2(1)(zd) of the SEBI Listing Regulations.

Ordinary course of business means usual transactions, customs and practices undertaken by the Company in the conduct of its business in accordance with its Memorandum and Articles of Association.

SEBI Listing Regulations means the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and amendments, circulars or clarifications issued from time to time.

Subsidiary means a subsidiary defined under Section 2(87) of the Act.

Terms not defined in this Policy shall have the meaning assigned under the Act or the SEBI Listing Regulations.

MATERIALITY THRESHOLDS

A Related Party Transaction is material in accordance with Regulation 23(1) of the SEBI Listing Regulations and applicable provisions of the Act.

A transaction is material if:

1. the transaction or series of transactions exceeds Rs. 100 crore or 10 percent of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower, or
2. in case of brand usage or royalty, the transaction exceeds 5 percent of the annual consolidated turnover.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions and subsequent Material Modifications shall be reported to and approved by the Audit Committee in accordance with Regulation 23 of the SEBI Listing Regulations, Section 188 of the Act and other applicable law. Only independent directors in the Audit Committee shall approve RPTs.

Identification of Related Parties

1. Every Director and KMP shall disclose potential Related Party Transactions or subsequent Material Modifications involving themselves or their Relatives.
2. The Company shall maintain an updated list of Related Parties.
3. The Company Secretary or Chief Financial Officer shall identify and notify the Audit Committee and Board of the Related Parties.

Identification of Related Party Transactions

The Company Secretary, CFO or Managing Director shall determine whether a proposed transaction is a Related Party Transaction. The CFO shall assess:

1. whether the transaction is at arm's length
2. whether it is in the ordinary course of business
3. whether it is material
4. whether it affects the independence of any Independent Director
5. whether the transaction involves reputational risk
6. whether the transaction creates a conflict of interest for any Director or KMP

Approval by the Audit Committee

1. All RPTs and Material Modifications require prior approval of the Audit Committee.
2. RPTs of subsidiaries where the Company is not a party shall require prior approval if the transaction value exceeds ten percent of the consolidated turnover of the Company.
3. Where the subsidiary's standalone turnover threshold of ten percent is triggered, approval of the Company's Audit Committee shall be required.
4. Members of the Audit Committee having an interest shall abstain from discussion and voting.

Exceptions

Audit Committee approval is not required for:

1. RPTs between the Company and its wholly owned subsidiaries whose accounts are consolidated and placed before shareholders.

2. RPTs between two wholly owned subsidiaries whose accounts are consolidated and placed before shareholders.
3. RPTs of listed subsidiaries where Regulation 23 and Regulation 15(2) apply to that listed subsidiary.
4. Compensation to directors or KMP for duties performed, including reimbursement of routine business expenses.
5. Transactions arising solely from ownership of securities where all holders receive the same benefit.
6. Remuneration or sitting fees paid to directors, KMP or senior management (other than members of the promoter group), provided such payments are not material.

Omnibus approval

The Audit Committee may grant omnibus approval for repetitive RPTs. Such approvals shall be valid for one year.

The Audit Committee shall specify:

1. name of the related party
2. nature, duration and maximum value of transactions
3. indicative base price and formula for variation
4. any other condition deemed fit

For unforeseen transactions, omnibus approval may be granted if the value does not exceed Rs. 1 crore per transaction.

The Audit Committee shall review omnibus-approved transactions quarterly.

Omnibus approval shall not apply to transactions that:

1. are not at arm's length or not in the ordinary course of business
2. are not repetitive
3. exceed materiality thresholds
4. involve sale or disposal of the undertaking
5. are financial transactions such as loans or corporate guarantees
6. are otherwise deemed unsuitable by the Audit Committee

Approval by the Board

The Board shall approve transactions under Section 188 of the Act which are not in the ordinary course of business or not at arm's length. Approval shall be by Board resolution.

The Board shall also approve:

1. transactions requiring Board approval as per internal policy
2. transactions referred by the Audit Committee
3. transactions in ordinary course and arm's length but considered significant by the Audit Committee
4. transactions exceeding materiality thresholds and intended for shareholder approval

Exceptions

Board approval is not required for:

1. RPTs between the Company and its wholly owned subsidiaries whose accounts are consolidated
2. RPTs between two wholly owned subsidiaries whose accounts are consolidated
3. RPTs of listed subsidiaries where Regulation 23 and Regulation 15(2) apply
4. compensation to directors or KMP in the ordinary course
5. transactions arising solely from ownership of securities

Approval by the shareholders

All material RPTs and Material Modifications shall require prior shareholder approval by resolution. Related parties shall not vote to approve such resolutions.

Shareholder approval is required for transactions not in the ordinary course or not at arm's length and exceeding the thresholds in the Act.

Exceptions

Shareholder approval is not required for:

1. RPTs between the Company and its wholly owned subsidiaries whose accounts are consolidated
2. RPTs between two wholly owned subsidiaries whose accounts are consolidated
3. RPTs of listed subsidiaries where Regulation 23 and Regulation 15(2) apply

4. compensation to directors or KMP for duties performed
5. transactions arising solely from ownership of securities where identical benefits accrue to all holders

RATIFICATION OF RELATED PARTY TRANSACTIONS

By the Audit Committee

If a transaction requiring approval was undertaken without approval:

1. the Audit Committee shall review and may ratify the transaction within three months
2. the transaction value shall not exceed Rs. 1 crore during a financial year
3. the transaction shall not be material under Regulation 23(1)
4. reasons for the delay shall be placed before the Audit Committee
5. disclosures shall be made under Regulation 23(9)

Failure to ratify shall make the transaction voidable at the option of the Audit Committee. The concerned director shall indemnify the Company for any loss.

By the Board

If a transaction under Section 188 is entered without Board or shareholder approval, it shall be ratified within three months. Failing ratification, the transaction shall be voidable at the option of the Board, and the concerned director shall indemnify the Company.

MATERIAL SUBSIDIARY

A subsidiary is material if its turnover or net worth exceeds ten percent of the consolidated turnover or net worth of the Company and its subsidiaries in the preceding accounting year.

For the purpose of Regulation 24, a material subsidiary means a subsidiary whose turnover or net worth exceeds twenty percent of the consolidated turnover or net worth.

The Company shall not:

1. reduce its shareholding in a material subsidiary below 50 percent, or
2. cease to exercise control,

without shareholder approval by special resolution, except where divestment occurs under a court-approved scheme or a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code.

Sale, disposal or lease of assets of a material subsidiary exceeding twenty percent of its assets in a financial year shall require shareholder approval by special resolution, except where carried out under a court-approved scheme or resolution plan under the Insolvency and Bankruptcy Code.

LIMITATION

In case of conflict between this Policy and the Act, the SEBI Listing Regulations or other statutory requirements, the statutory provisions shall prevail. This Policy shall stand amended automatically upon any statutory change.

DISCLOSURES

1. Every contract under Section 188(1) shall be reported in the Board's Report with justification.
2. The Company shall disclose RPTs to stock exchanges in the format prescribed by SEBI.
3. This Policy and RPT disclosures shall be made available on the Company's website.
4. A web link to this Policy shall be provided in the annual report.

AMENDMENTS AND REVIEW

The Board shall review this Policy once every three years. Amendments may be made after considering recommendations of the Audit Committee.