

PNEUMATIC HOLDINGS LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

I. INTRODUCTION

The Government of India, Ministry of Corporate Affairs has made the provisions of Section 188 and 189 of the Companies Act, 2013 (the "Act") relating to Transactions with related parties applicable effective April 1, 2014 as applicable to the Company.

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) has mandated to form policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Pneumatic Holdings Limited (PHL) has adopted this Policy on Materiality of Related Party Transactions and Dealings with Related Party Transactions as required under the Listing Regulations

This Policy will be applicable to the Company with effect from 1 December 2015.

This policy is applicable to any material transaction or contract between the Company and a 'Related Party'.

II. DEFINITIONS

1. "**Related Party**" shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
2. "**Related Party Transaction (RPT)**" shall have the same meaning as assigned to it in the Companies Act, 2013 and the Listing Regulations, as may be amended from time to time.
3. "**Materiality of Related Party Transactions**" means the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year with related party, and exceed/s 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.
4. "**Arm's length transaction**" shall have the same meaning as assigned to it in the Companies Act, 2013, as amended from time to time.
5. "**Senior Leadership Team**" means an employee, one level below the Executive Director, which includes but is not limited to Heads of Business Units.

III. APPROVAL REQUIREMENTS

1. All RPT shall require prior approval of Audit Committee of the Board of Directors of the Company. The approval of the Audit Committee may be granted by way of a



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Circular Resolution.

Provided that the Audit Committee may grant omnibus approval for Related Party Transactions 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 ;
 - 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,

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.

- d. Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

Provided further that a transaction with a wholly owned subsidiary of the Company shall not require prior approval of the Audit Committee.

2. All Material RPT shall require approval of shareholders of the Company by special resolution. However, a transaction with a wholly owned subsidiary of the Company shall not require prior approval of shareholders.

IV. PROCEDURE

1. Every director of the Company shall at the first meeting of the Board in which he / she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his / her concern or interest in any company or companies or bodies corporate, firms, or other association of



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individuals which shall include the shareholding along with his relatives, in excess of 2% of the paid up capital of that company where he / she is a director or where he / she is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director is a partner, owner or member, as the case may be.

2. Where any director who is not so concerned or interested at the time of entering into such contract or arrangement, he / she shall, if he / she becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he / she becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.
3. The director concerned shall not participate in the discussion on the RPT placed before the Audit Committee / Board, nor shall he / she vote on the resolution relating to the RPT.
4. Every Key Managerial Personnel shall within 30 days of his / her appointment, disclose his / her concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding along with his relatives, in excess of 2% of the paid up capital of that company where he / she is a director or where he / she is a promoter, manager, Chief Executive Officer of that body corporate; or with a firm or other entity in which, such director is a partner, owner or member, as the case may be.
5. The Company Secretary shall circulate list of identified Related Parties to the Senior Leadership Team members by the 2nd of the month following the end of a quarter and immediately after any change in the list of Related Parties already circulated.
6. Prior to entering into any type of transaction with a Related Party, such transaction will be reported to the Company Secretary by Senior Leadership Team member along with all relevant documents like comparable quotations, invoices or other certificates and other factors justifying the transaction.
7. The Company Secretary to analyze in consultation with the Management and with outside consultant as may be appropriate, to determine whether the proposed transaction or relationship constitutes a Related Party Transaction and if the same requires any compliances under this Policy.
8. Once the transaction is identified as a Related Party Transaction, all relevant details of transactions will be placed before the Audit Committee for its prior approval. The Audit Committee shall review the proposed Related Party Transaction considering such factors as it deems appropriate; including but not limited to the following:
 - a) the business reasons for entering into the proposed RPT and nature of alternative transaction if any;
 - b) the commercial reasonableness of the terms of the proposed RPT;



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- c) Significance of the RPT to the Company;
- d) whether the terms of RPT are fair to the Company and on the same basis as would apply if the transaction did not involve a Related Party;

The Audit Committee shall approve or disapprove the RPT based on its review of aforesaid factors of transaction and provisions of this Policy.

- 9. In the event a RPT has not been previously approved under this Policy, the Company Secretary to promptly notify the Audit Committee and Board of Directors. The matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all relevant facts and circumstances regarding the RPT and shall evaluate all options available to the Company, including ratification, revision or termination of the said RPT. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPT to the Committee under this Policy, and shall take any such action as it deems appropriate.

V. DISCLOSURE

All Material RPT shall be disclosed to the Stock Exchanges quarterly along with the Compliance Report on Corporate Governance.

VI. AMENDMENT

The Board reserves its right to amend or modify this policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendments to the applicable provisions of the Companies Act, 2013, including Rules thereof and / or the provisions of the Listing Regulations.

For Pneumatic Holdings Limited


Atul C. Kirloskar
Chairman



Date: 25 NOV 2015