

POTENTIAL INVESTMENTS AND FINANCE LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

Preface

The Board of Directors (the “Board”) of Potential Investments and Finance Limited (the “Company”) has adopted the following Policy (the “Policy”) to determine Materiality of Related Party Transaction and also dealing with Related Party Transactions.

The Policy has been formulated in order to comply with the provisions of the Companies Act, 2013 and the Rules framed thereunder and Clauses of the Listing Agreement with the Stock Exchanges.

Objective of the Policy

This Policy has been framed to provide the governance framework for Related Party Transactions to be entered into by the Company with Related Parties.

Definitions

“**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.

“**Audit Committee or Committee**” means a Committee of Directors of the Company, as constituted from time to time under Section 177 of the Companies Act, 2013 and Clauses of the Equity Listing Agreement.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company, as constituted from time to time.

“**Related Party**”: an entity shall be considered as related to the Company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- (ii) such entity is a related party under the applicable Accounting Standards.

“**Related Party Transaction/s**” (RPT) is / are defined under the Listing Agreement and Section 188 of the Companies Act, 2013, Related Party Transaction/s mean/s transfer of resources, services or obligations between the Company and a Related Party regardless of whether a price is charged.

Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract.

Section 188 (1) of the Companies Act, 2013 Related Party Transaction/s mean/s contract or arrangement with Related Party with respect to:

- 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.

"Material Related Party Transaction/s" is / are defined under the Listing Agreement and Section 188 of the Companies Act, 2013 read with Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014.

Listing Agreement:

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 ten percent of the annual consolidated turnover of the Company as per the last Audited Financial Statements of the Company.

Rule 15 (3) of the Companies (Meetings of Board and its Powers) Rules, 2014

Contracts or arrangements with respect to the transaction /s with Related Party as defined under Section 188 (1) (a) to (e) of the Companies Act, 2013 shall be material if they are as per criteria mentioned below:

- i. sale, purchase or supply of any goods or material directly or through agent, exceeding ten percent of the Turnover of the Company or Rupees One Hundred Crore, whichever is lower,
- ii. as mentioned in clause a) and clause e) respectively of sub-section (1) of Section 188; selling or otherwise disposing of or buying property of any kind, directly or through agent exceeding ten percent of Net Worth of the Company or Rupees One Hundred Crore, whichever is lower, as mentioned in clause b) and clause e) respectively of sub-section (1) of Section 188;

- iii. leasing of property of any kind exceeding ten percent of the net worth of the Company or ten percent of Turnover of the Company or Rupees One Hundred Crore, whichever is lower, as mentioned in clause c) of sub-section (1) of Section 188;
- iv. availing or rendering of any services directly or through agent, exceeding ten percent of the Turnover of the Company or Rupees Fifty Crore, whichever is lower, as mentioned in clause d) and clause e) respectively of Section 188;
- v. appointment to any office or place of profit in the Company or its Subsidiary Company or Associate Company at a month remuneration exceeding Rupees Two Lac Fifty Thousand as mentioned in clause f) of sub-section (1) of Section 188; or
- vi. remuneration for underwriting subscription of any securities or derivatives thereof of the company exceeding one percent of the Net Worth as mentioned in clause g) of sub-section (1) of Section 188;

Explanation

It is clarified that the limits specified in i to iv shall apply for transaction/s to be entered into either individually or taken together with previous transactions during a Financial Year. The Turnover and Net Worth referred above shall be on the basis of the Audited Financial Statement of the preceding Financial Year.

Procedure for approval of Related Party Transactions

- a. All Related Party Transactions or any subsequent modifications of such transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company not exceeding one year subject to the following conditions:
 - The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - The Audit Committee shall satisfy itself with the need for such omnibus approval keeping in view the interest of the Company;
 - The Audit Committee shall specify in the omnibus approval (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. In case the need for Related Party Transaction cannot be foreseen and the details are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- The 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.
- b. All Related Party Transactions which are in Ordinary Course of Business and approved by the Audit Committee shall be placed before the Board to take note of the same.
- c. All Related Party Transactions which are either not (a) in the ordinary course of business or (b) on arm length's basis shall require prior approval of the Board.
- d. All Material Related Party Transactions which are exceeding the limit prescribed above shall not be entered into except with the prior approval of the Board and the Shareholders of the Company by way of Special Resolution.
- e. All Related Party Transactions or Material Related Party Transactions entered into by the Company without consent of the Board or Shareholders by a Special Resolution in General Meeting shall be ratified within a period of three months from the date of such transactions.

Communication of this Policy

A copy of this Policy shall be handed over to the Directors of the Company within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and a web link thereto shall be provided in the Annual Report of the Company.

Amendment

Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.