



Permanent Magnets Ltd.

Policy on Related Party Transactions

Permanent Magnets Limited

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1. OBJECTIVE:

The objective of this Policy is to regulate transactions between Permanent Magnets Limited (“the Company”) and its Related Parties based on the laws and regulations applicable to the Company in this regard and to ensure proper approval and reporting of transactions between the Company and its Related Party.

Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the rules framed there under and Regulation 23 of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 w.e.f 1st December, 2015, the Company has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2. DEFINITIONS:

Following are the key definitions with respect to Related Party and Related Party Transactions as per the Companies Act 2013:

- i. **“The Act”** means the Companies Act, 2013, together with the rules notified there under including any statutory modifications or re-enactments thereof for the time being in force (hereinafter referred to as “Act”).
- ii. **“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.
- iii. **“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 purposes of this definition, ‘significant influence’ means control of at least 20% of the total share capital, or of business decisions under an agreement.

- iv. **“Audit Committee”** means Committee of Board of Directors of the Company constituted under the provisions of the Act and as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- v. **“Board of Directors” or “Board”**, in relation to a Company, means the collective body of the directors of the Company.
- vi. **“Body Corporate” or “Corporation”** includes a Company incorporated outside

India, but does not include;

- A co-operative society registered under any law relating to co-operative societies; and
- Any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf.

vii. **“Key Managerial Personnel” or “KMP”** shall be as defined in Section 2(51) of the Companies Act, 2013.

viii. **“Material Related Party Transaction”** shall be a transaction with a related party as specified under SEBI (LODR) Regulations 2015 and as amended from time to time. Accordingly, 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 Rs. 1,000 Crore or 10% 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 related party with respect to brand usage or royalty shall be considered material, if the transactions to be entered into individually or taken together with the previous transactions during a financial year exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statement of the Company.

ix. **“Relative”**, with reference to any person, means anyone who is related to another in any of the following manner:

- they are members of a Hindu Undivided Family
- they are husband and wife
- Father (including step-father)
- Mother (including step-mother)
- Son (including step-son)
- Son’s wife
- Daughter
- Daughter’s husband
- Brother (including step-brother)
- Sister (including step-sister)

x. **“Related Party”** with reference to a company means: □

- a director or his relative;
- a key managerial personnel or his relative;
- a firm, in which a director, manager or his relative is a partner;
- a private company in which a director or manager or his relative is a member or director;
- a public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid up share capital;
- 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;
(Not applicable to the advice, directions or instructions given in a

- professional capacity)
- any person whose advice, directions or instructions a director or manager is accustomed to act;
(Not applicable to the advice, directions or instructions given in a professional capacity)
- a company which is
 - a holding, subsidiary or an associate company of such company
 - or;
 - a subsidiary of a holding company to which it is also a subsidiary
- a Director (other than an independent director) or KMP of holding company or his relative with reference to a company, shall be deemed to be a related party

xi. **“Related Party Transaction”** shall be as per Regulation 2(1)(zc) of SEBI (LODR) Regulations, 2015. Accordingly, a related party transaction is a transaction involving transfer of resources, services, or obligations between

- a. listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- b. listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, regardless of whether a price is charged.

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract. Provided that the following shall not be a related party transaction:

- a. the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- b. the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - i. payment of dividend.
 - ii. subdivision or consolidation of securities.
 - iii. Issuance of securities by way of a rights issue or a bonus issue; and
 - iv. buy-back of securities.
- c. acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all public.
- d. acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time.
- e. retail purchases from any listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors:

Further, remuneration and sitting fees paid by Company or its subsidiaries to its directors, 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 in terms of the provisions of Regulation 23 of the Listing Regulations.

xii. **“Material Modifications”** in relation to the Related Party Transaction(s) shall mean any change / variation / modification in an existing related party transaction / contract / arrangement, the financial effect of which is an increase in the per annum value of the relevant related party transaction / contract / arrangement by 10% or rupees fifty crore, whichever is higher.

xiii. **“Industry Standards”** shall mean the Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” as notified by SEBI vide its circular dated February 14, 2025.

3. FACTORS TO BE CONSIDERED WHILE GRANTING APPROVAL TO RELATED PARTY TRANSACTIONS

The Audit Committee/Board will consider the following factors, among others, to the extent relevant to the RPT while granting the approval-

- i. Whether the terms of the RPT are fair and on arm’s length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- ii. Whether there are any compelling business reasons for the Company to enter into the RPT and the nature of alternative transactions, if any;
- iii. Whether the RPT would affect the independence of an Independent Director;
- iv. Whether the transaction qualifies to be a transaction in ordinary course of business;
- v. Whether the transaction is in the interest of the Company;
- vi. Whether the RPT would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the terms and size of the transaction, the purpose and timing of the transaction, the direct or indirect nature of the transaction, Key Managerial Personnel’s or other Related Party’s interest in the transaction.

4. POLICY:

All Related Party Transactions must be reported to the Audit Committee and referred for approval of the Committee or the Board or the Shareholders as required under this Policy.

■ MATERIALITY THRESHOLDS

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In any event, if a Related Party Transaction (“RPT”) exceeds the materiality threshold, prior approval of the shareholders of the Company will be required through an ordinary resolution. Prior approval of shareholders is also required in case of any subsequent material modifications to these already approved Related Party Transactions. None of the related parties (“RPs”) of the Company shall vote to approve on such resolution irrespective of whether the entity is a related party to the particular transaction or not. Company has fixed the following materiality thresholds for the purpose of Regulation 23 of the SEBI Listing Regulations:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- Other transactions with a Related Party – lower of Rs. 1,000 crore or 10% of the consolidated annual turnover of the Company as per its last audited consolidated financial statements

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Audit Committee and the Board, once in every three years and updated accordingly.

■ MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

Transactions requiring approval of Audit Committee:

The RPT would be approved by only the Independent members of Audit Committee as per Regulation 23(2) of SEBI (LODR) Regulation, 2013.

All Related Party Transactions and their subsequent material modifications shall require prior approval of the Audit Committee whether at a meeting or by resolution by circulation or any other manner as provided by the Companies Act, 2013 along with Rules made thereunder, or by Secretarial Standards, or as per Regulation 23(2) of SEBI (LODR) Regulations, 2013.

Prior approval of the Audit Committee shall also be required for the following Related Party Transactions:

- (i) a 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, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

In case any member of the Committee is interested in the transaction proposed for approval, the interested member shall abstain from voting and only the dis-interested members shall vote on the resolution.

(a) 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 in terms of the limit of materiality as stated above.

(b) 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 provisions of sub-regulation (9) of this regulation;

(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 authorized by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it.

(i) The Committee may grant an omnibus approval for RPT proposed to be entered into by the Company or its subsidiary which are repetitive in nature and subject to such criteria/conditions as mentioned under the Companies Act, 2013 and Rules made thereunder and under Regulation 23(3) of Listing Regulations and such other conditions as it may consider necessary in the interest of the Company. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

(ii) The omnibus approval shall mention important relevant information such as names of related parties, nature and period of transaction, maximum amount of transactions that can be entered into and indicative base price or current contracted price along with formula for variation in the price and such other conditions as the Audit committee may deem fit.

Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- i. Type, material terms and particulars of the proposed transaction;
 - ii Name of the related party and its relationship with the company or its subsidiary, including nature of its concern or interest (financial or otherwise);
 - iii. Tenure of the proposed transaction (particular tenure shall be specified);
 - iv. Value of the proposed transaction;
 - v. 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 RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
 - vi. If the 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, inter-corporate 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; and
 - (d) the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
 - vii. Justification as to why the RPT is in the interest of the listed entity;
 - viii. A copy of the valuation or other external party report, if any such report has been relied upon;
 - ix. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
 - x. Any other information that may be relevant
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- The basic criteria for providing omnibus approval shall be that the proposed transactions are repetitive in nature and are in the interest of the Company.
 - In case the need for Related Party Transaction cannot be foreseen, audit committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees one crore per transaction.
 - Any member of the Audit Committee having potential interest in any RPT shall recuse himself and abstain from discussing and voting on the approval of the concerned RPT.
 - The Audit committee shall review on a quarterly basis, the details of RPT entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given. In connection with any review of RPT, the committee has authority to modify or waive any requirement of this policy. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
 - Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
 - Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

- The Audit Committee shall recommend the RPT for approval of Board of Directors/ Shareholders as may be required.

Transactions requiring approval of Board:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- i. Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- ii. Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- iii. Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- iv. Transactions meeting the materiality thresholds laid down in the Policy, which are intended to be placed before the shareholders for approval.

Transactions requiring approval of Shareholders of the Company:

All the transactions with related parties exceeding the materiality thresholds, laid down in the Policy, are placed before the shareholders for approval. For this purpose, none of the related parties of the Company shall vote to approve on such shareholders' resolution irrespective of whether the entity is a related party to the particular transaction or not. In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval. However, the requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable for the following cases:

- i. transactions in respect of a resolution plan approved under section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.
- ii. Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.
- iii. Related Party Transactions of unlisted subsidiaries of the listed subsidiary of

the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.

iv. transactions entered into 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.

v. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

■ **APPROVAL & REVIEW MECHANISM:**

- i. While seeking the approval of the Audit Committee, Board or the Shareholders, all the information that is relevant and necessary to the Related Party Transaction and as prescribed under the Laws shall be duly provided to the Audit Committee, Board or Shareholders as the case may be.
- ii. In case of Related Party Transactions which are repetitive in nature, the Audit Committee may grant an omnibus approval for a period not exceeding one year for the transactions proposed to be entered into by the Company in the manner and to the extent prescribed under the laws. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- iii. Any Director or Key Managerial Personnel who is interested in any Related Party Transaction shall not be present at the meeting of the Board or Audit Committee during discussions on the subject matter of the resolution relating to such transaction.
- iv. The Audit Committee shall review, on a quarterly basis, the details of all Related Party Transactions entered into by the Company.

5. DISCLOSURE:

- i. The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- ii. The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.
- iii. The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by

SEBI from time to time, in the Statement to the notice being sent to shareholders seeking their approval for proposed RPTs as applicable.

- iv. The Company shall provide disclosure of the Related Party Transactions to stock exchanges where the Company's securities are listed, in the format as specified by the SEBI/stock exchanges from time to time and within statutory timelines. The Company shall simultaneously upload the disclosure at its website.

6. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.

7. ADMINISTRATIVE MEASURES:

Management shall institute appropriate administrative measures to ensure that all related party transactions are in compliance, and are reviewed in accordance with, this policy. All persons dealing with Related Parties will, irrespective of the level, be responsible for compliance with the policy. All Functional Heads will certify compliance with this policy, on a periodic basis, to the Audit Committee through Secretarial team.

This revised policy shall be effective from May 23, 2025.