

POLICY ON RELATED PARTY TRANSACTIONS

1 SCOPE AND PURPOSE

Pentagon Rugged Systems (India) Limited (“PRSIL” or “Company”) is governed, amongst others, by the rules and regulations framed by Securities Exchange Board of India (“SEBI”). SEBI has mandated every listed company to formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

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 (“Regulation 23”) as amended from time to time and ensure proper approval and reporting of transactions between the Company and its Related Parties.

2 OBJECTIVE OF THE POLICY

The objective of this policy is to set out the manner of dealing with the transactions between the Company and its related parties based on the Companies Act, 2013, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

3 DEFINITIONS

- 3.1 “Act” means the Companies Act, 2013, including the Rules, regulations, Schedules, clarifications and guidelines issued and amended by the Ministry of Corporate Affairs from time to time.
- 3.2 “SEBI Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- 3.3 “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.
- 3.4 “Ordinary Course of Business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities which the company can undertake as per Memorandum & Articles of Association.
- 3.5 “Related Party” have the meaning as defined in Section 2 (76) of Companies Act, 2013 and Regulation 2 (1) (zb) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- 3.6 “Key Managerial Personnel” or “KMP” shall have the meaning as defined in the Companies Act, 2013 and as amended from time to time.
- 3.7 “Relative” in relation to an individual, means persons as defined under section 2 (77) of the Companies Act, 2013, and the SEBI Listing Regulations.
- 3.8 “Related Party Transaction” as defined under the SEBI Listing Regulations means a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract including but not limited to the following: -
 - a) Sale, purchase or supply of any goods or materials;
 - b) selling or otherwise disposing of, or buying, property of any kind;
 - c) leasing of property of any kind;

- d) availing or rendering of any services;
- e) appointment of any agent for purchase or sale of goods, materials, services or property;
- f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company.
- g) underwriting the subscription of any securities or derivatives thereof, of the company.

The term shall have the meaning ascribed to it under the SEBI Listing Regulations as may be amended from time to time or relevant provisions of the Act.

- 3.9 "Subsidiary" means a Company as defined under section 2(87) of the Act.
- 3.10 "Associate" means a Company as defined under section 2(6) of the Act.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

4 RELATED PARTY TRANSACTIONS – APPROVAL MECHANISM

As per the Companies Act, 2013, any transaction entered into by the company with a related party which is in its ordinary course of business and which is on an arm's length basis does not require any approval from the Audit Committee, Board of Directors or the Shareholders.

Instances of such transaction which the Company normally undertakes on an arm's length basis in conducting its business operations and activities cover transactions such as sale or purchase of finished goods, work in progress, raw material, reimbursement of expenses, etc.

As per the SEBI Listing Regulations, all related party transactions and subsequent material modifications, as described above, required prior approval of the Audit Committee of the Company.

Provided that members of the Audit Committee, shall approve related party transactions.

Provided further that,

In case of a Related Party Transaction which cannot be foreseen, the Audit Committee may grant omnibus approval. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

5 DISCLOSURE OF INTEREST BY DIRECTORS / KMPs

Every Director and KMP shall, in adherence of the provisions of Companies Act, 2013 and the SEBI Listing Regulations in this regard, furnish necessary disclosures (annually and whenever there is a change) about his concern or interest in any company or companies or bodies corporate, firms or other association of individuals which shall include the shareholding, in the manner prescribed.

Further, it shall be the duty of members of the Board and KMP to disclose to the Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

Every Director should forthwith bring to the attention of Board any related party transaction that he or she anticipates / foresees to ensure adherence to applicable compliance norms, obtaining necessary approval in that regard.

6 REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

6.1 Approval of Related Party Transactions

In determining whether to approve a Related Party Transaction, the Audit Committee shall consider such factors as it deems appropriate, including without limitation:

- a) Type, material terms and particulars of the proposed transaction;
- b) Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c) Tenure of the proposed transaction
- d) Value of the proposed transaction
- e) The percentage of the listed entity'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 stand alone basis shall be additionally provided);
- f) If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary
- l) details of the source of funds in connection with the proposed transaction;
- ii) 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;
- iii) applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
- iv) the purpose for which the funds will be utilised by the ultimate beneficiary of such funds pursuant to the RPT.
- g) Justification as to why the RPT is in the interest of the listed entity;
- h) A copy of the valuation or other external party report, if any such report has been relied upon;
- l) Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis.
- j) Any other information that may be relevant

6.2 Review of Related Party Transactions

Related Party Transactions will be brought to management's and the Board's attention on a periodical basis with intimation from Finance and Accounts department. The same shall be consolidated by the Office of the Secretary in form of a Statement of Related Party Transactions and presented to the Audit

Committee on a quarterly basis for review by the Committee and information of the Board.

The Company shall also 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 such transactions.

In addition, the Company shall specifically provide details of all related party transactions exceeding the materiality threshold on a quarterly basis to the stock exchanges.

7 GENERAL

The Board of Directors may review and amend this Policy from time to time but not later than three years from its last review or any other time frame as may be stipulated under the governing laws in force.

The Policy shall be disseminated to all commercial heads and shall be available on the intranet and website of the Company.

In the event of any conflict between the Policy and the provisions of any other statute, rule, regulation, the provisions of the statute will prevail.

Any notification / circular or other statutory guideline(s) / regulation(s) on the subject, shall automatically have the effect of amending this policy with effect from the date as mentioned in the relevant amendment / circular / notification / clarification, etc. as issued, without the need of any further approval by the Audit Committee or Board of Directors.