



PRIME FOCUS LIMITED

RELATED PARTY TRANSACTION POLICY

1. PREAMBLE

This policy is framed pursuant to the requirement of sub clause VII (C) of revised Clause 49 of the Equity Listing Agreement by the Securities Exchange Board of India (SEBI) vide CIR/CFD/POLICY CELL/2/2014 dated April 17, 2014 with the objective to align with the provisions of the Companies Act, 2013, adopt the best practices on corporate governance and make the corporate governance framework more effective.

A related party transaction is a transfer of resources, services or obligations between a Company and a Related party, regardless of whether price is charged or not and includes those transactions as defined under Section 188(1) of the Companies Act, 2013 and included in the **DEFINITIONS** below. This policy is aimed to regulate the transactions between the Company and its Related Parties based on the applicable laws and regulatory provisions governing the Company's operations.

The policy is intended to ensure proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its stakeholders. The Company is required to disclose every year in the Financial Statements, certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

The Board of Directors (the "Board") of Prime Focus Limited (the "Company" or "PFL"), has adopted the following policy with regard to Related Party Transactions as defined below, effective October 1, 2014. The Audit Committee will review and may amend this policy from time to time.

2. DEFINITIONS



- **“Related Party”** as defined in Clause 49 of the Listing Agreement is as follows:

A ‘related party’ is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

1. A person or a close member of that person’s family is related to a company if that person:
 - a) is a related party under Section 2(76) of the Companies Act, 2013 such as:
 - (i) a director or his relative ;
 - (ii) a key managerial personnel or his relative;
 - (iii) a firm, in which a director, manager or his relative is a partner;
 - (iv) a private company in which a director or manager is a member or director;
 - (v) a public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid-up share capital;
 - (vi) any body corporate whose Board of Directors, managing director, or manager is accustomed to act in accordance with the advice, directions or instructions of director or manager;
 - (vii) any person under whose advice, directions or instructions a director or manager is accustomed to act;

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- (viii) any company which is-
 - a) a holding, subsidiary or an associate company of such company; or
 - b) a subsidiary of a holding company to which it is also a subsidiary;
- (ix) Director or key managerial personnel of the holding company or his relative with reference to a company; or



- b) has control or joint control or significant influence over the company; or
 - c) is a key management personnel of the company or of a parent company or
2. An entity is related to a company if any of the following conditions applies:
- a) The entity is related party under Section 2(76) of the Companies Act, 2013; or
 - b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others; or
 - c) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
 - d) Both entities are joint ventures of the same third party; or
 - e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
 - f) The entity (Trust/SPV) is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
 - g) The entity is controlled or jointly controlled by a person identified in (1);
 - h) A person identified in (1)(b) has significant influence over the entity or a parent of the entity.
- **Related Party transactions** in terms of Companies Act, 2013 means any contract or arrangement with a related party with respect to:
 - 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 and
g) underwriting the subscription of any securities or derivatives thereof of the
company

- **“Relative”** a relative as defined under the Companies Act, 2013 and includes any one who is related to another, if –
 - i. They are members of a Hindu undivided family;
 - ii. They are husband and wife; or
 - iii. Father (including step-father);
 - iv. Mother (including step-mother);
 - v. Son (including step-son);
 - vi. Son’s wife;
 - vii. Daughter;
 - viii. Daughter’s husband
 - ix. Brother (including step-brother)
 - x. Sister (including step-sister)

- **“Control”** shall have the same meaning as defined in Section 2(27) of the Companies Act, 2013 which is as follows:

“control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

- **“Key Managerial Personnel”** means key managerial personnel as defined under the Companies Act, 2013 and includes:
 1. Managing Director, or Chief Executive Officer or Manager and in their absence a Whole-Time Director;
 2. Company Secretary; and
 3. Chief Financial Officer.



- **“Material Related Party Transaction”** means a transaction with a related party if the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual turnover or twenty percent of the net worth of the company as per the last audited financial statements of the company, whichever is higher.

“Policy” means Related Party Transaction Policy.

3. **POLICY**

The Related Party Transactions Policy is formulated and aimed to identify related party transactions and the manner of dealing with such transactions.

4. **IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS AND RESTRICTIONS THERETO**

Each Director and Key Managerial Personnel shall inform the Audit Committee/Board of any potential Related Party Transaction involving him/her or his/her relative or an entity in which he /she is interested as mentioned above.

The Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during the discussion on the subject matter of the resolution relating to such contract or arrangement and shall abstain from voting.

The Company may require any additional information on any such potential Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters well in advance so that the Audit Committee/Board has adequate time to obtain any further approval/s necessary for the proposed transaction.



All Related Party Transactions shall require prior approval of Audit Committee. The Audit Committee may consider the following factors, amongst others, to the extent relevant to the Related Party Transaction:

- ✓ Whether the terms of the Related Party Transaction are fair and on arm's length basis and do not conflict with the interests of the Company and whether they would apply on a similar basis if the transaction did not involve a Related Party;
- ✓ Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and nature of alternative transactions, if any;
- ✓ Whether the Related Party Transaction affects the independence of an independent director;
- ✓ Whether the proposed transaction includes any potential risk issues to the reputation of Company and management as a result of or in connection with the proposed transaction;

Further, all Material Related Party Transactions, which term is included in "**DEFINITION**" above shall require prior approval of the shareholders through special resolution.

Section 188(1) of the Companies Act 2013 also stipulates prior approval of the Board and for transactions which meet certain criteria as prescribed therein, prior approval of Company by special resolution is required. Where any contract or arrangement is entered into by a Director or any other employee without obtaining prior consent of Board and approval of shareholders in general meeting, it shall be ratified by the Board or shareholders within three months from the date on which such transaction or arrangement was entered into.

No Member who is a Related Party to the transaction shall vote on such resolutions.



Details of all material transactions with related parties shall be disclosed quarterly along with the Compliance Report on Corporate Governance.

5. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee which shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts, circumstances and reasons pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

This Policy will be communicated to all stakeholders including Directors, Key Managerial Personnel and other concerned persons of the Company.