POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

PREFACE

PNGS Gargi Fashion Jewellery Limited has always been committed to good corporate governance practices, including in matters relating to Related Party Transactions. An endeavor is consistently made to have only arms' length transactions with Related Parties.

Related party transactions may involve potential or actual conflicts of interest that could adversely affect the interests of the Company and its shareholders. Considering provisions of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, the Company has decided to formulate and adopt policy on Related Party Transactions ("Policy").

Section 188 of the Companies Act, 2013 read with the Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 provides that, a Company can enter into contract or arrangement with a related party with the prior approval of Audit Committee or Board or Shareholders as the case may be. Further, Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement), 2015, requires every listed company to formulate a Policy on materiality of relate party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board.

Accordingly, the Company has formulated this policy on materiality of Related Party Transactions and on dealing with related party transactions to ensure that the transactions with related parties are undertaken in compliance with the legal requirements and necessary structure for reporting is in place. This policy is in accordance with recommendations of the Audit Committee.

OBJECTIVE OF THE POLICY

The objective of the Policy is to set out-

1. Process/ guideline for identification of relate party and related party transaction
2. To determine the materiality thresholds for such transactions in line with applicable laws, rules and regulations.
3. To determining the process for reviewing, approving and disclosing related party transactions in accordance with the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 and other applicable laws and rules.

DEFINITIONS

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;
2. "Arm's Length Transaction" means a transaction between two related parties that is conducted as if they were unrelated parties, so that there is no conflict of interest;
3. "Audit Committee" shall mean the Audit Committee constituted by the Board from time to time, in accordance

with the provisions of the Act and SEBI listing regulations;

4. "Board" means Boad of Directors of the Company;
5. "Key Managerial Personnel/ KMP" shall have the meaning as defined under regulation 2(1)(o) of the SEBI Listing Regulations read with 2(51) of the Companies Act, 2013, each as amended from time to time and includes any person so authorized and designated by the Board of Directors of the Company of KMP.
6. "Company/ Listed Entity" shall mean PNGS Gargi Fashion Jewellery Limited;
7. "Material Related Party transaction" means a transaction with a related party where any transaction(s) to be entered into individually or taken together with previous transactions during a financial year exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statement, whichever is lower.
   A transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction to be entered individually or taken together with previous transactions during a financial year exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statement of the Company;
8. "Material Modification" means any subsequent change to existing RPT, having variance of 10% of the existing limit;
9. "Ordinary Course of Business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum and Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines;
10. "Relative" means any person as per section 2(77) of the Act and rules prescribed there under and as per Regulation 2(1)(zd) of the Regulations a amended from time to time;
11. A **'related party'** is a person or entity that is related to the company. Parties / Entities are considered to be related if 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;
12. "Related Party Transaction" means a transfer of resources, services or obligations between a Company and a related party, regardless 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, and includes transactions as defined as a "related party transaction" under the relevant provisions of the Companies Act, 2013.

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 Requirement) Regulations, 2015 or any other applicable law or regulation and as amended from time to time.

IDENTIFACTION OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS:

1. Identification of Related Parties:

Every Director and Key Managerial Personnel (KMP) of the Company shall provide required information about her/his relatives and all firms, entities, body corporates, in which such promoter/ director or KMP is interested, whether directly or indirectly to the Company or its subsidiaries every such director and KMP shall also provide any additional information about the transaction, that the Board may reasonably request.

On the basis of above information, a consolidated list of Related Parties shall be prepared in accordance with

the provisions of the Act and LODR.

2. Identification of Related Party Transactions:

The Company has established criteria for identifying related party transactions in accordance with Section 188 of Companies Act, 2013and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company obtains disclosure of interest from directors in Form MBP-1 as and when required and prepares list of related parties to identify related party transactions. The Company has set up guidelines to evaluate whether a transaction is in ordinary course of business and on an arm's length basis.

3. Identification of material related party transactions and approval of shareholders:

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 (RP's can cast only negative vote to reject the resolution seeking approval of material RPT(s)).

If any related party transaction is not in the ordinary course of business and not at arm's length price and exceeds the threshold limits as prescribed in the act and rules, shall require shareholder's approval by resolution. However, the shareholders approval is not required for the transactions entered into by the Company with its wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting.

PROCEDURE

1. All Related Party Transactions (RPTs) of the company as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 will be approved by the audit committee of the Board from time to time.

2. Each Director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction.

3. Management shall present to the Audit Committee the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:

    a. A general description of the transaction(s), including the name of the related party and nature of relationship, duration of the contract and particulars of the contract or arrangement, maximum amount of transaction that can be entered into, the material terms and conditions.

    b. The Related Party's interest in the transaction(s), including the Related Party's position or

relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).

c. The manner of determining the pricing and other commercial terms, the indicative base price / current contracted price and the formula for variation in the price if any.

d. any advance paid or received for the contract or arrangement, if any and the approximate value of the transaction(s) and the approximate value of the Related Party's interest in the transaction(s)

e. In the case of a lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or installments expected to be made in the financial year.

f. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.

g. Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors and any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

h. Consent of the Board and the Shareholders is required to be taken before entering related party transactions which are not in the ordinary course of business and not on an arm's length basis and are beyond such limits as specified under the Companies Act, 2013 and rules made thereto.

4. Where Board consent / shareholders' approval is required as per para 3 above, a) the agenda of the Board meeting at which the resolution is proposed to be moved and b) explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.

5. Where RPTs require approval of the Board and the shareholders through resolution as per para 4 above, (a) any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement and b) all entities falling definition of Related Party(ies) shall abstain from voting on such resolution of the shareholders.

6. Prior approval of shareholders is required to be taken before entering Material related party transactions, and effecting material modification at a later stage, irrespective of whether the transaction is in the ordinary course of business or not and all related parties shall not vote to approve such resolution, whether the entity is a related party to the particular transaction or not, as per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

7. If any contract or arrangement is entered by a Director or any employee without the consent of the Board or without Special Resolution in General Meeting due to some urgency, it shall be ratified by the Board or General Meeting by means of Special Resolution within 3 months from the date on which such Contract

or arrangement was entered into else it shall be Voidable at the option of the Board or as the case may be, of the shareholders.

8. In case the market price of any transactions/arrangements are not available or cannot be ascertained and could not be executed with outsiders due to secrecy of the nature of products or formula, such transactions shall be done as far as possible to the nearing market price and after citing justification to the Audit committee for such transaction and necessity.

9. If a Related Party Transaction will be ongoing/ proposed to be entered into by the company, the Committee may grant omnibus approval for ongoing dealings/ proposed related party transactions. 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.

   If 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 two crore per transaction. The Audit Committee shall lay down the criteria /guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the company. Such approval shall be applicable in respect of transactions which are repetitive in nature and only for one year.

10. Related party transaction entered into by the Company, which is not under omnibus approval of otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

    The approval of the Audit Committee of the Company shall not be required for the transactions entered into between the Company and its wholly owned subsidiary or between two wholly owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders of the Company at the general meeting for approval.

11. The Committee shall periodically review and assess ongoing relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.

12. The Audit Committee periodically shall review this Policy once in every three years and may recommend amendments to this Policy from time to time as it deems appropriate.

13. This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time.

RESPONSIBILITY OF COMPLIANCES

Compliance officer of the Company shall be liable for the compliances under this policy and shall have right to ask any information to management in this regard.

DISCLOSURE OF THE POLICY

The Company shall display this policy on its website. Disclosure with regard to the RPTs must also be made in accordance with the provisions of the Act.

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