

POLICY ON RELATED PARTY TRANSACTIONS

(With Effect from 01-09-2025)

1. PREAMBLE

The Board of Directors (the “Board”) of Paul Merchants Limited (the “Company”) has adopted this Policy upon the recommendation of the Audit Committee and this Policy includes the materiality thresholds and the manner of dealing with Related Party Transactions (“Policy”) in compliance with the requirements of Section 188 of the Companies Act, 2013 (“Act”), other applicable Provisions of the Act, Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (“Listing Regulations”), SEBI prescribed Industrial Standards, as amended from time to time. Any amendment in the said Act/Rules/Listing Regulations/ Industrial Standards at any point of time in future shall be deemed to be automatically incorporated herein. Any amendment to this Policy, if any, shall be considered by the Board based on the recommendations of the Audit Committee and the Board shall review this Policy at least once every three years.

This Policy applies to transactions between the Company and one or more of its Related Parties. It provides a framework for governance and reporting of Related Party Transactions including material related party transactions.

2. OBJECTIVE

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

3. DEFINITIONS

“**Audit Committee or Committee**” means the Committee of the Board constituted from time to time under the provisions of Regulation 18 of the Listing Regulations and Section 177 of the Companies Act, 2013.

“**Board**” means the Board of Directors as defined under the Companies Act, 2013.

“Key Managerial Personnel” means Key Managerial Personnel as defined under the Companies Act, 2013.

“Material Related Party Transaction” will have the same meaning as defined in Regulation 23 of the Listing Regulations, as amended from time to time.

“RPT Industry Standards” means 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 June 26, 2025, effective from September 01, 2025, as amended from time to time.

“Material Modifications” would mean a modification in a transaction resulting in deviation of more than 50% of the approved value of a Related Party Transaction. The audit committee of the Company is also authorized to define the material modifications, as it deems fit depending upon the circumstances.

“Related Party” will have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.

“Related Party Transaction” or (“RPT”) and their exceptions shall have the same meaning as defined under Regulation 2(1)(zc) of the Listing Regulations and Section 188(1) of the Companies Act, 2013, as amended from time to time.

“Relative” means a relative as defined under the Companies Act, 2013 and includes anyone who is related in any of the following manner –

- a. Members of a Hindu undivided family;
- b. Husband or wife;
- c. Father (including step-father);
- d. Mother (including step-mother);
- e. Son (including step-son);
- f. Son’s wife;
- g. Daughter;
- h. Daughter’s husband;
- i. Brother (including step-brother); or
- j. Sister (including step-sister).

“Transaction” with a related party shall be construed to include a single transaction or a group of transactions.

“Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Associate” shall have the same meaning as defined in Reg 2(1)(b) of Listing Regulations

“**Ordinary Course of Business**” means a transaction which is:

- i) Carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MOA’) of the Company as amended from time to time,
- ii) historical practice with a pattern of frequency,
- iii) in connection with the normal business carried on by the Company
- iv) the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity,
- v) common commercial practice
- vi) meets any other parameters / criteria as decided by the Board/Audit Committee

Any other term not defined herein shall have the same meaning as defined in the Act, Listing Regulations or any other applicable law or regulation, as amended from time to time.

The terms **Director, Chief Financial Officer, Company Secretary**, shall have the same meaning as assigned under the Companies Act, 2013.

4. **POLICY**

The Audit Committee of the Board shall review and approve all Related Party Transactions and material modifications thereto based on this Policy.

All proposed Related Party Transactions and material modifications thereto must be undertaken with prior approval of the Audit Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre – approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, after considering all the relevant facts and circumstances regarding the RPTs and after evaluating all options available to the Company, including ratification, revision or termination of the related party transaction.

Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

4.1 **IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

The Company shall identify related parties as per the definition provided in the Act and Listing Regulations. Every Director will be responsible for providing a declaration in the prescribed form MBP-1 every year in the first Board meeting of the Financial year on an annual basis. Every Director will also be responsible to update the Board and the Company Secretary of any changes in the information furnished by him/her immediately on him/her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Party Transactions in the prescribed form MBP-4.

Every Director, Key Managerial Personnel, Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board. The information will be provided as per Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014 as amended from time to time. The Company Secretary and Chief Financial Officer of the Company will also arrange to obtain the same information from the Directors, Key Managerial Personnel, Chief Financial Officer of the Subsidiary Companies.

The Company Secretary in consultation with the Chief Financial Officer may refer any potential related party transaction to any external legal/ Valuation expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee.

Once the related party transactions are identified, the required information shall be placed before the audit committee, as the case may be, in the following manner, for seeking approval as well as ratification:-

- (A) For all Related Party Transactions, the Minimum information as specified in **Part A of Clause 4** of the RPT Industry Standards shall be provided to the Audit Committee for approval (including ratification):-
- (B) For following specific types of Related Party Transactions, the information as specified in **Part A+ Part B of Clause 4** of the RPT Industry Standards shall be provided to the Audit Committee for approval (including ratification):-

- B(1):** Sale, purchase or supply of goods or services or any other similar business transaction and trade advances;
- B(2):** Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary;
- B(3):** Investment made by the listed entity or its subsidiary;
- B(4):** Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary;
- B(5):** Borrowings by the listed entity or its subsidiary;
- B(6):** Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate;
- B(7):** Transactions relating to payment of royalty.

(C) For following specific types of Related Party Transactions, the information as specified in **Part A+ Part B+ Part C** of **Clause 4** of the RPT Industry Standards shall be provided to the Audit Committee and Shareholders. for approval (including ratification) only if the proposed RPT **is a material RPT:-**

- C(1).** Transactions relating to any loans and advances (other than trade advance) or inter-corporate deposits given by the listed entity or its subsidiary.
- C(2).** Investment made by the listed entity or its subsidiary.
- C(3).** Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary.
- C(4).** Borrowings by the listed entity or its subsidiary.
- C(5).** Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity or disposal of shares of subsidiary or associate.
- C(6).** Transactions relating to payment of royalty.

4.2. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION

All Related Party Transactions and subsequent material modifications shall be subject to the prior approval of the Audit Committee of the Company in accordance with

provisions of Regulation 23(2) and other applicable SEBI Regulations and provisions of Companies Act, 2013 as amended from time to time. A member of the Committee who has a potential interest in any Related Party Transaction will not remain present at the meeting or if he is present, shall abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered. Only those members of the audit committee, who are independent directors, shall approve related party transactions. Further, the relevant provisions of the Act and Listing Regulations shall be complied with by the Company in this regard at the time of discussing, reviewing and approving any Related Party Transaction in the Audit Committee, Board Meeting or the meeting of the Shareholders of the Company.

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. It is further provided that the prior approval of the audit committee of the Company shall not be required for a related party transaction to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of Listing Regulations are applicable to such listed subsidiary.

Further, prior approval of Audit Committee shall not be required for remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, provided that the same is not material in terms of the provisions Listing Regulations.

The Audit Committee, at the time of approval of RPTs, shall take into consideration the certificate to be placed before it by the Chief Executive Officer (CEO)/Managing Director/Whole-time Director/Manager and Chief Financial Officer (CFO) of the Company, confirming that the terms of RPT(s) proposed to be entered into are in the interest of the Company. This certificate shall be placed before the Committee in terms of the Industry Standards.

Other Relevant checkpoints while providing information to Audit Committee;

- 1) While providing information in the format specified in the RPT Industry Standards, where a field is not applicable, it shall be indicated as 'NA', and the reason for non-applicability shall be disclosed to the Audit Committee, unless it is self-evident.
- 2) Provide a copy of the valuation or other report of external party, if any.
- 3) If the audited financial statements of the related party are not available for immediately preceding financial year, company shall provide the financial

extracts as relevant as per Industry Standards, duly certified by the related party, as drawn from its books of accounts.

- 4) When the related party follows a different financial year, such fact shall be disclosed.
- 5) In case of multiple types of proposed transactions, details to be provided separately for each type of the proposed transaction.

Ratification of Related Party Transactions:-

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 Listing Regulations;
- (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 Listing Regulations;
- (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 authorised by any other director, the director(s) concerned shall indemnify the listed entity against any loss incurred by it."

4.2.1 CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

The Management shall provide the Audit Committee with information in respect of the proposed Related Party Transactions ("RPTs"), as prescribed under the Companies Act, 2013, the Listing Regulations, and in accordance with the Industry Standards as mentioned in para 4.1 above. The Audit Committee shall review the said disclosures and may, at its discretion, comment on information provided by the management. Such comments and the rationale for not approving a RPT shall be recorded in the minutes of the meeting of the Audit Committee. The Audit Committee may seek any additional information from the management, as it deems necessary and reasonable, to evaluate the proposed RPT.

The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

4.2.2 APPROVAL BY THE BOARD

Requisite Related Party Transactions shall be placed before the Board for its consideration & approval. The Board shall review and approve the matter after considering the same in the light of provisions of para 4.2.1, with such modification as may be necessary or appropriate under the circumstances.

4.2.3 STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE

In case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre-approval / omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiary. While granting the approval, the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended beyond the pre-approved variations. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs. 1,00,00,000/- (Rupees One Crore only) in a year. The details of such transaction shall be reported within three months from the date of transaction or in the immediate next meeting of the Audit Committee, whichever is earlier for ratification. The committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

4.2.4 APPROVAL OF SHAREHOLDERS FOR MATERIAL RELATED PARTY TRANSACTIONS

The notice issued to the shareholders for obtaining approval in respect of any Related Party Transaction shall, in addition to complying with the requirements prescribed under the Companies Act, 2013, and the rules framed thereunder, also include such disclosures and information as are specified under the RPT Industry Standards, as amended from time to time, which shall form an integral part of the explanatory statement accompanying such notice. This includes, inter alia:-

- a) Information as placed before the Audit Committee in the format as specified in the RPT Industry Standards, to the extent applicable.
- b) Justification as to why the proposed transaction is in the interest of the listed entity, basis for determination of price and other material terms and conditions of RPT.
- c) Disclose the fact that the Audit Committee has reviewed the certificates provided by the CEO/Managing Director/ Whole Time Director/ Manager and CFO of the Listed Entity as required under the RPT Industry Standards.
- d) Disclosure that the material RPT or any material modification thereto, has been approved by the Audit Committee and the Board of Directors recommends the proposed transaction to the shareholders for approval.
- e) Provide web-link and QR Code, through which shareholders can access the valuation report or other reports of external party, if any, considered by Audit Committee while approving the RPT.
- f) The Audit Committee and Board of Directors, while providing information to the shareholders, can approve redaction of commercial secrets and such other information that would affect competitive position of listed entity and affirm that, in its assessment, the redacted disclosures still provides all the necessary information to the public shareholders for informed decision making.
- g) Any other information that may be relevant.

4.2.5 THRESHOLDS FOR VARIOUS RELATED PARTY TRANSACTIONS

Following thresholds have been decided by the Board:-

Except with the prior approval of the company by a resolution, a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into:-

A. As per SEBI Listing Regulations:

1. Any transaction with a related party, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or ₹ 1,000 crore, whichever is lower.
2. Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

B. As per the Companies Act:

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

4.2.6 TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through resolution provided that all entities falling under the definition of related parties shall not vote to approve the relevant transaction irrespective of whether the entity is a party to the particular transaction or not.

4.2.7 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

Where any contract or arrangement is entered into by any related party, without obtaining the consent of the Audit Committee/ Board or approval by a resolution in the general meeting and if it is not ratified by the Audit Committee/ Board or, as the case

may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board or, as the case may be, of the shareholders and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances pertaining to such transaction(s) and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

4.3 EXCEPTIONS:

Approval of the Audit Committee / Board / shareholders of the Company, as mentioned above shall not be required for transactions entered into between:

- a. the Company and its wholly owned subsidiary(ies); or
- b. two wholly owned subsidiaries of the Company;

where accounts of such wholly owned subsidiary(ies) are consolidated with that of the Company and placed before the shareholders at the general meeting for approval

4.4 DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction in accordance with the provisions of Section 188 of the Companies Act and as per applicable Listing Regulations. The Company Secretary and the Chief Financial Officer shall be responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013. Further, the disclosures required to be made under Listing Regulations shall be made in the mode and manner as prescribed therein. The Company shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time and publish the same on its website.

Provided further that the remuneration and sitting fees paid by the Company or its subsidiary to its director, key managerial personnel or senior management, except

who is part of promoter or promoter group, shall not require disclosure provided that the same is not material in terms of the provisions Listing Regulations.”

5. **SCOPE/ LIMITATION**

In the event of any conflict between the provisions of this Policy and of the Listing Regulations/ Act or any other statutory enactments, rules, the provisions of such Listing Regulations/ Act or statutory enactments, rules shall prevail over this Policy.

6. **DISSEMINATION OF POLICY**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the website of the Company and web link thereto shall be provided in the annual report of the Company.

Reviewed by Audit Committee on 12.08.2025.

Sd/-

Chairman

13.08.2025