

POLICY ON RELATED PARTY TRANSACTION

1. SCOPE & PURPOSE OF THE POLICY

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and/or its shareholders. Considering the requirements of approval of related party transactions as required under the Companies Act, 2013 (the “Act”) read with the rules framed thereunder and clause 49 of the Listing Agreement (as amended from time to time) Transchem Limited (“TCL” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49 (VII) (C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, TCL has framed this Policy on Related Party Transactions (“**Policy**”). This Policy has been adopted by the Board of Directors of the Company in its meeting held on 14th February, 2015 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. OBJECTIVE OF THE POLICY:

The objective of this policy is to set out (a) materiality threshold of related party transactions and (b) the manner of dealing with the transactions between the Company and its related parties based on the Act, the Rules made thereunder, Clause 49 and any other laws and regulations applicable to the Company.

3. DEFINITIONS:

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

“Ordinary Course of Business” means a transaction which is –

- Carried out in the normal course of business as envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- Pattern of frequency or
- Common commercial practice or

- Meets any other parameter or criteria as decided by the Board or Audit Committee of the Company.

“Material Related Party Transactions” will have the same meaning as defined in Clause 49 of the Listing Agreement.

“Relative” in relation to a related party shall have the same meaning as assigned in Section 2(77) of the Act.

“Related Party” will have the same meaning as defined in Section 2(76) of the Act and/or Clause 49.

“Related Party Transactions” means all transactions between the Company on one hand and one or more related party on the other hand including contracts, arrangements and transactions either single or repetitive in nature as envisaged in Section 188(1) of the Act and / or Clause 49.

“Key Managerial Personnel” (KMP) means

- (a) the Managing Director or the Chief Executive Officer or the Manager or in their absence the Whole-time-Director
- (b) the Company Secretary
- (c) the Chief Financial Officer and
- (d) any other person appointed as KMP by the Board of Directors of the Company

“Board of Directors or Board” means the collective body of Directors of the Company.

“Audit Committee” the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 177 and Clause 49 of the Listing Agreement.

“Chief Executive Officer” means an officer of the Company as defined in Section 2(18) of the Act.

“Chief Financial Officer” means an officer of the Company as defined in Section 2(19) of the Act.

“Company Secretary” means a Company Secretary as defined in Section 2(24) of the Act.

“Managing Director” means Managing Director as defined in Section 2(54) of the Act;

“Whole-time Director” means Whole-time Director as defined Section 2(94) of the Act;

“Transaction” shall be construed to include single transaction or a group of transactions in a contract;

4. MATERIALITY THRESHOLD LIMIT (MTL):

Clause 49 of the Listing Agreement requires a company to provide materiality thresholds for transactions beyond which the Shareholder’s approval will be required by way of a special resolution. TCL has fixed its materiality thresholds at Rs. 1,000,000/- per transaction for the purpose of Clause 49(VII) (C) of the Listing Agreement.

5. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

a) Identification of related parties:

All KMP of the Company and their relatives, for the purpose, be treated as related parties. The list of related parties as prescribed under Section 2(76) of the Act read with the Rules framed there under and Clause 49 of the Listing Agreement shall be updated on regular basis.

b) Identification of related party transactions:

The related party transactions shall be identified in accordance with Section 188 of the Act and Clause 49 of the Listing Agreement. The transaction shall be treated as is in the ordinary course of business and at arm’s lengths basis if the similar transaction are being carried out with other parties on the same terms and conditions.

c) Procedure for approval of related party transactions:

• Approval of the Audit Committee:

All related party transactions require prior approval of the Audit Committee.

However, the Company may obtain omnibus approval of the Audit Committee for such transactions subject to compliances with the following conditions:

- ❖ The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy and such approval shall be applicable in respect of repetitive nature;
- ❖ The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

- ❖ The omnibus approval shall provide the details of (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 or current contracted price and formula for variation in the price, if any and (iii) such other conditions as the Audit Committee may deem fit,
However, in case of related party transaction which cannot be foreseen and where the above details are not available, the Audit Committee may grant omnibus approval, provided the value does not exceed Rs.10,00,000/- per transaction.
- ❖ The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given;
- ❖ Such approval shall be valid for a period of 1 year.

While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee or Board may review the following documents / seek inter alia the following information from the management in order to determine if the transaction is in the ordinary course of business and at an arm's length or not:

- Nature of transactions i.e. details of goods/property to be acquired / transferred or services to be rendered or availed – including functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including the value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement / contract to be entered into for such transaction;
- Special terms covered /to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- Benchmarking information that may have a bearing on the arm's length basis analysis, such as –
 - Market analysis, research report, industry trends, business strategies, financial forecast, etc.;
 - Third party comparables, valuation report, price publications including stock exchange and commodity market quotation;
 - Management assessment of pricing terms and business justification for the proposed transaction;

- Comparative analysis, if any, of other such transaction entered into by the Company with other unrelated party.

Approval of the Board of Directors of the Company:

As 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 or not at arm's length basis should be placed before the Board for its approval.

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

- Transactions which may be in the ordinary course of business and also at an 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;
- Transactions in respect of which 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);
- Transactions in respect of which Audit Committee is of the view that despite being in the ordinary course of business and / or at arm's length basis, requires Board's approval;
- Transactions meeting materiality thresholds laid down in Clause 4 of the Policy which are intended to be placed before the Shareholders for approval.

Approval of the shareholders of the Company:

All the transactions with related parties meeting materiality threshold as specified in Clause 4 of the Policy are placed before the shareholders for approval.

For this purpose, all the entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

Clause 49(VII)(E) provides that the requirement of seeking shareholders' approval shall not be applicable to transactions between the Company and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified in Section 188 of the Act, which (a) are not in the ordinary course of business or not at arm's length basis; and (b) exceeds the threshold limits shall be placed before the shareholders for their approval.

6. DISCLOSURES:

The Company shall disclose, in Board's report, transactions prescribed in Section 188(1) of the Act with related parties which are not in the ordinary course of business or arm's length basis alongwith justification for entering into such transactions.

In addition to the above, the Company shall also provide details of all related party transactions meeting the materiality threshold (laid down in Clause 4 of the Policy above) on quarterly basis to Stock Exchanges on which the securities of the Company are listed.

7. 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 in accordance with this Policy, prior to its consummation; the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all the relevant facts and circumstances regarding the related party transaction and shall evaluate all the options available to the Company including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to failure of reporting of such transaction to the Audit Committee under the Policy and failure of internal control system and shall take any such action as it deems appropriate.

In case, if the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee may direct additional actions including but not limited to discontinuation of the transaction or seeking approval of the shareholders, payment of compensation by the related party for the loss suffered by the Company etc. In connection with any review /approval of a related party transaction, the Audit Committee has the authority to modify or waive any procedural requirements of this policy.