



**CHEMCON SPECIALITY CHEMICALS LIMITED**

**POLICY ON RELATED PARTY TRANSACTIONS**



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## 1. PREAMBLE

The Board of Directors (the “Board”) of Chemcon Speciality Chemicals Limited (the “Company”) has adopted this policy upon recommendation of the Audit Committee with regard to Related Party Transactions (hereinafter referred as “RPT”) that the Company may enter into from time to time, in compliance with the requirements of Section 188 of the Companies Act, 2013 and Rules made there under (the “Act”) and SEBI (Listing Obligations & Disclosure Requirements) 2015 (the “Listing Regulations”).

This Policy may be reviewed and amended from time-to-time as and when necessary or required as per specific requirement of the Act and Listing Regulations. The Audit Committee/Board/General Meeting, as applicable, subject to requirements of the Act and listing regulations, shall review, approve and ratify (if permissible) the RPTs in terms of the requirements of this Policy.

## 2. OBJECTIVE

The objective of this Policy is to set out:

- a. The materiality thresholds for related party transactions and;
- b. The manner of dealing with the transactions between the Company and its related parties based on the Act, The Listing Regulations and any other laws and regulations as may be applicable to the Company.

## 3. DEFINITIONS

- a. “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.
- b. “Audit Committee” or “Committee” means the Committee of Board of Directors of the Company constituted under provisions of Companies Act, 2013.
- c. “Board” means the Board of Directors of the Company as defined under the Companies Act, 2013.
- d. “Compliance Officer” means Company Secretary of the Company.
- e. “Key Managerial Personnel” means Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013.
- f. “Material modifications” shall mean those modification, amendment or waivers or supplement or consent that have a material impact on the cost or price or timing of a contract.



- g. "Material Related Party Transactions" shall have the same meaning as defined in Regulation 23 of the Listing Regulations.
- h. "Related Party" means a related party as defined under:
- Section 2(76) of the Act; or
  - Applicable Accounting Standards for the time being in force.
- Provided that:
- a) any person or entity forming a part of the promoter or promoter group of the Company; or
- b) any person or any entity, holding equity shares:
- i. of twenty per cent or more; or
  - ii. of ten per cent or more, with effect from April 1, 2023;
- in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.
- i. "Related Party Transactions" shall have the meaning as defined under Regulation 2(1)(zc) of the Listing Regulations or as envisaged in Section 188(1) of the Act.
- j. "Relative" in relation to a related party shall have the same meaning as defined under Section 2(77) of the Act and rules made thereunder.
- k. 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.

#### 4. INTERPRETATION

In case of any dispute or difference upon the meaning/interpretation of any provision in the Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

#### 5. APPROVAL OF RELATED PARTY TRANSACTIONS

##### A. Approval of Audit Committee:

- All related party transactions and subsequent material modifications shall require prior approval of the audit committee of the Company.



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

Provided further that:

- a. 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 ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.
  - b. with effect from April 1, 2023, 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 ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
  - c. 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 regulation 15(2) of listing regulations are applicable to such listed subsidiary.
- Audit committee shall also approve any subsequent modification of transactions of the company with related parties.

#### **B. Omnibus approval by Audit Committee:**

Audit committee may grant omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely-

- a. The omnibus approval shall be in respect of transactions which are repetitive in nature;
- b. In terms of Rule 6A(1) of the Companies (Meeting of Board and its Power) Rules, 2014 and Regulation 23(3)(a) of Listing Regulations, the committee has, after obtaining approval of the Board of Directors, approved below criteria for granting the omnibus approval:

i.	maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year	INR Twenty Crore
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ii.	The maximum value per transaction which can be allowed	INR One Crore
iii.	Extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval	<p>the omnibus approval shall specify:</p> <p>i. the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,</p> <p>ii. the indicative base price / current contracted price and the formula for variation in the price if any; and</p> <p>iii. such other conditions as the audit committee may deem fit:</p> <p>Provided that where 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 rupees one crore per transaction.</p>
iv.	Review of related party transaction entered into by the company pursuant to each of the omnibus approval made	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 approvals given.
v.	transactions which cannot be subject to the omnibus approval by the Audit Committee	Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company

- c. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the Company;
- d. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

### C. Approval of Board of Directors:

- In terms of Section 188 of the Companies Act, 2013 and rule 15 of the Companies (Meeting of Board and its Powers) Rule, 2014, except with the consent of the Board of Directors given by a resolution at a meeting of the Board, no company shall enter into 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.
- Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

**Exception:** However, any of the aforesaid transactions shall not require prior approval of the Board of Directors provided the transaction is in the ordinary course of business and on an arm's length basis.

- The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose-
- a. the name of the related party and nature of relationship;
  - b. the nature, duration of the contract and particulars of the contract or arrangement;
  - c. the material terms of the contract or arrangement including the value, if any;
  - d. any advance paid or received for the contract or arrangement, if any;
  - e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - f. 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
  - g. any other information relevant or important for the Board to take a decision on the proposed transaction.

#### **D. Approval of Shareholders:**

- In terms of Regulation 23(4) of the listing regulations, all material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not:



Provided that prior approval of the shareholders of a 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 these regulations are applicable to such listed subsidiary.

- In terms of Section 188 of the Companies Act, 2013 and rule 15 of the Companies (Meeting of Board and its Powers) Rule, 2014, except with the prior approval of the company by a resolution, the company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-
  - a. As contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188, with criteria as mention below-
    - i. sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
    - ii. selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to ten percent or more of net worth of the company, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
    - iii. leasing of property any kind amounting to ten per cent or more of the turnover of the company, as mentioned in clause (c) of sub-section (1) of section 188;
    - iv. availing or rendering of any services, directly or through appointment of agent, amounting to ten percent or more of the turnover of the company as mentioned in clause (d) and clause (e) respectively of sub-section (1) of section 188.

The limits specified in above clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

- b. is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and a half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188.
- c. is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth as as mentioned in clause (g) of sub-section (1) of section 188
- No member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party.





- The turnover or net worth referred in the above shall be computed on the basis of the audited financial statement of the preceding financial year.
- In case of wholly owned subsidiary, the resolution is passed by the holding company shall be sufficient for the purpose of entering into the transaction between the wholly owned subsidiary and the holding company.
- The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:-
  - a. name of the related party;
  - b. name of the director or key managerial personnel who is related, if any;
  - c. nature of relationship;
  - d. nature, material terms, monetary value and particulars of the contract or arrangements;
  - e. any other information relevant or important for the members to take a decision on the proposed resolution.
- **Exceptions:**
  - a. Any of the aforesaid transactions shall not require prior approval of the members provided the transaction is in the ordinary course of business and on an arm's length basis.
  - b. The requirement of passing the resolution shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

## 6. INFORMATION TO BE REVIEWED BY THE AUDIT COMMITTEE FOR APPROVAL OF RPTS IN TERMS OF SEBI CIRCULAR SEBI/HO/CFD/CMD1/CIR/P/2021/662 DATED NOVEMBER 22, 2021

The Company shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;



- e. The percentage of the Company'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 standalone basis shall be additionally provided);
  - f. If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - i. 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 utilized by the ultimate beneficiary of such funds pursuant to the RPT.
  - g. Justification as to why the RPT is in the interest of the Company;
  - h. A copy of the valuation or other external party report, if any such report has been relied upon;
  - i. 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.
- The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

## **7. INFORMATION TO BE PROVIDED TO SHAREHOLDERS FOR CONSIDERATION OF RPTS IN TERMS OF SEBI CIRCULAR SEBI/HO/CFD/CMD1/CIR/P/2021/662 DATED NOVEMBER 22, 2021**

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the Company to the audit committee as specified above;
- b. Justification for why the proposed transaction is in the interest of the Company;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified



under (f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)

- d. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

## **8. CONTRACT OR ARRANGEMENT ENTERED INTO WITHOUT OBTAINING THE CONSENT OF THE BOARD OR APPROVAL OF MEMBERS**

Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting and if it is not ratified by the 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.

## **9. EXEMPTION FROM OBTAINING APPROVAL FOR RELATED PARTY TRANSACTION**

As per Regulation 23(5) of the listing regulations and section 188(1) of the Act, the approval for related party transactions shall not be required for:

- a. transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- b. transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

## **10. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY**

In the event the Company becomes aware of a Related Party Transaction that has not been approved by the Committee, the matter shall be reviewed subsequently by the Committee. The Committee shall consider all the relevant facts and circumstances regarding the Related Party Transaction and shall examine the facts and circumstances pertaining to the failure of reporting of such Related Party Transaction to the Committee and shall take any such action



it deems appropriate.

## 11. DISCLOSURE

The Company shall submit to the stock exchanges, disclosures of related party transactions in the format as specified by the SEBI from time to time, and publish the same on its website every six months within fifteen days from the date of publication of its standalone and consolidated financial results.

With effect from April 1, 2023, the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results.

## 12. REVIEW

The Board of Directors of the Company shall review and update the Policy once every three years or within such period as mandated by listing regulations.

## 13. DISSEMINATION OF THE POLICY

The approved Policy shall be uploaded under a separate section on the website of the Company at [www.cscpl.com/policies.php](http://www.cscpl.com/policies.php).