



Himadri

Himadri Speciality Chemical Ltd

(Formerly known as Himadri Chemicals & Industries Limited)

CIN: L27106WB1987PLC042756

POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

Pursuant to Regulation 23(1) of SEBI (LODR) Regulations 2015

(Amended by Board w.e.f 22 September 2020)



Policy on Materiality of Related Party Transactions

PREFACE

Whereas; the regulation 23(1) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, hereinafter referred as Listing Regulations, requires that the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions;

Himadri Chemicals & Industries 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 transactions with Related Parties only at arms' length basis.

All Related Party Transactions (RPT), as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below. The Board has determined that the Audit Committee (the "Committee") is best suited to review all Related Party Transactions.

DEFINITIONS

"**Related party**" means a related as defined under sub-section (76) of Section 2 of the Companies Act, 2013 or under the applicable accounting standards. Section 2(76) "related party", with reference to a company means –

- (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 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 and hold along with his relatives, more than two per cent of its' paid-up capital;
- (vi) any body corporate whose Board of Director, managing Director or manager is accustomed to act in accordance with the advice, directions, or instructions of a director or manager;
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act :

PROVIDED that nothing in sub-section (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 associates or an associate company of such company;
 - (B) A subsidiary of a holding company to which it is also a subsidiary;



- (ix) such other person as may be prescribed; Companies (Specification of Definitions details) Rules, 2014 specifies a director or key managerial personnel of holding company or his relative with reference to a company;

“Relative” means as defines under Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder. Section 2(77) of the Companies Act, 2013 defined the word “relative” with reference to any person, means any one who is related to another, if---

- (i) they are members of Hindu Undivided Family (HUF);
(ii) they are husband and wife; or
(iii) one person is related to the another in such manner as may be prescribed ;

Rule 4 of Companies (Specification of Definitions Details) Rules, 2014, a person shall be deemed to be the relative of another, if he or she is related to another in following manner, namely---

- (1) Father , includes step father;
(2) Mother, includes step mother;
(3) Son, includes step son;
(4) Sons’ wife;
(5) Daughter;
(6) Daughter’s Husband
(7) Brother, includes step bother;
(8) Sister, includes step sister;

“Related Party Transactions” means those defined in Section 188 of the Companies Act, 2013 and also as defined in Section 2 (zc) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, accordingly “related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged or not and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract;

Explanation to Regulation 23(1) of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, “Materiality of Related Party Transactions” means a transaction with a related party shall be considered material 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 consolidated turnover of the Company as per the last audited financial statements of the Company.

Threshold limit for materiality of related party transaction:*

A transaction with Related Party shall be considered material if exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.



PROCEDURES

1. In terms of Clause 23(1) of Chapter IV of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, all Related Party Transactions shall require prior approval of the Audit Committee, however, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;
 - b. The Audit Committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the entity;
 - c. Such omnibus approval shall specify (i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction that shall 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;

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.

- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the company pursuant to each of the omnibus approval given.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year,

2. All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.

Exemption: The provisions as provided hereinabove at para 1 and 2 shall not apply to 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;

3. In terms of Section 188 of the Companies Act, 2013 read with Rule 15 of the Companies (Meeting of the Board and its Powers), 2014 all related party transactions requires the approval of the Board of Directors and the Management shall place before the Board the required / necessary information, to the extent relevant, with respect to actual or potential Related Party Transactions:

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

Explanation: For the aforementioned purpose, "all 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."

Provisions of Companies Act, 2013

The Company, in terms of Section 188 of the Companies Act, 2013 read with sub rule (3) of Rule 15 of Companies (Meetings of the Board and its Powers) Rules, 2014, will require prior approval of shareholders in the following types of transactions:-

- (a) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the Company or rupees one hundred crore whichever is lower;
- (b) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, exceeding ten percent of net worth of the company or rupees one hundred crore, whichever is lower;
- (c) leasing of property of any kind exceeding ten percent of the net worth of the company or ten percent of turnover of the company or rupees one hundred crore, whichever is lower;
- (d) availing or rendering of any services, directly or through appointment of agent, exceeding ten percent of the turnover of the company or rupees fifty crore, whichever is lower;
- (e) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees;
- (f) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent of the net worth.

Explanation.- The Turnover or Net Worth referred in as above shall be computed on the basis of the Audited Financial Statement of the preceding Financial year.

5. Except as provided herein above, in terms of Section 188 of the Companies Act, 2013, the approval of the shareholder is not required if transactions entered into by the company is in its ordinary course of business and on arm's length basis.



Explanation: for the aforementioned purpose, “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”

6. Wherever the Board consent / shareholders’ approval is required, 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.

7. The Audit Committee periodically shall review this Policy and may recommend amendments to this Policy from time to time as it deem appropriate. The Audit Committee may, as it deems appropriate and reasonable, establish from time to time guidelines regarding the review of Related Party Transactions.

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 Clause 23 Chapter IV of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time and also be subject to the provisions of the Articles of Association of the Company. .

**Amended w.e.f 22.09.2020*

