

# **POLICY ON RELATED PARTY TRANSACTIONS**

**Pursuant to Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

Approved by Audit Committee:

13th February, 2015

Adopted by Board of Directors:

13th February, 2015

## **1. The Policy:**

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of a company and its shareholders. Considering the requirements for approval of related party transactions as prescribed under the Companies Act, 2013 (“Act”) read with the Rules framed there under and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended by SEBI from time to time), Master Chemicals Limited (hereinafter referred to as “The Company”), has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In the light of the above, the Company has framed this Policy on Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on recommendations of the Audit Committee. Also the Audit Committee would review and amend the Policy, as and when required, subject to adoption by the Board.

The Company shall engage with Related Parties in the ordinary course of business and on an arm’s length basis to leverage scale, size and drive operational synergies to provide value added innovative products to its consumers while ensuring that transactions with Related Parties are, fully compliant with applicable Regulations. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the financial statements certain transactions between the company and related parties as well as policy concerning transactions with related parties.

## **2. Objective of the Policy:**

The Board of Directors (“the Board”) of the Company after considering the recommendation of the Audit Committee, has adopted this policy and

associated procedures with regard to Related Party Transactions in line with the requirements of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This Policy is intended to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties. This policy specifically deals with the review and approval of Material Related Party Transactions keeping in mind the potential or actual conflicts of interest that may arise because of entering into these transactions.

Hence, in a nutshell, the principal 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, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other laws and regulations as may be applicable to the Company.

### **3. Definitions and Applicability:**

**“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.

**“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and the Listing Agreement entered into by the Company with the stock exchanges pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**"Related Party Transaction"** means any transaction involving transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged, including but not limited to the following –

- I. sale, purchase or supply of any goods or materials;
- II. selling or otherwise disposing of, or buying, property of any kind;
- III. leasing of property of any kind;
- IV. availing or rendering of any services;
- V. appointment of any agent for purchase or sale of goods, materials, services or property;
- VI. appointment to any office or place of profit in the company

A "transaction" with a related party shall be construed to include single transaction or a group of transactions in a contract.

**“Material Related Party Transaction”** means a transaction with a Related Party if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% (ten

percent) of the annual consolidated turnover of the Company as per the last audited financial statements of the Company. “

#### **4. Dealing with Related Party Transactions:**

##### **I. Identification of Related Party Transactions:**

All Related Party Transactions must be brought to the notice of the Audit Committee of the Company. Any employee of the Company who is aware of any transaction that is or may be perceived to be a Related Party Transaction is required to bring the same to the attention of the Audit Committee of the Company through Company Secretary.

All Directors, Members of the Audit Committee and Key Managerial Personnel (KMPs) are responsible for informing the Company of their interest (including interest of their Relatives) in other companies, firms or concerns at the beginning of every financial year and any change in such interest during the year.

In addition, all Directors, Members of the Audit Committee and KMPs are responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/her or his or her relative, including any additional information about the transaction that the Audit Committee may request.

The Board shall record the disclosure of interest and the Audit Committee will determine whether the transaction is in the ordinary course of business and on an arm's length basis. Such notice of any potential Related Party Transaction should be given well in advance so that the Company Secretary has adequate time to obtain and review information about the proposed transaction and to refer it to the Audit Committee.

##### **II. Review and Approval of Related Party Transactions:**

All related party transactions require prior approval of Audit Committee:

Such omnibus approval will be granted to the transactions which, in addition to meeting the above criteria, also satisfy the following considerations:

- a) The transaction in question is necessary to be executed as it is in the business interest of the Company;
- b) If the transaction to be entered into with a Related Party is concerning technology transfer, intellectual property or specialized services that are proprietary in nature;

- c) The requisite information is presented to the Audit Committee's satisfaction, to confirm that the transaction is at Arm's Length and in ordinary course of business;
- d) Such omnibus approval shall specify:
  - a. the name/ s of the Related Party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - b. the indicative value and the formula for variation in the value, if any and
  - c. such other conditions as the Audit Committee may deem fit;

Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

The Audit Committee shall on quarterly basis review the details of the Related Party Transactions entered into by the Company pursuant to the omnibus approval.

In an unforeseen event where a Related Party Transaction, for which Omnibus approval has not been given by the Audit Committee, needs to be entered due to business exigencies between two Audit Committee meetings, the Audit Committee may approve such Related Party Transaction by passing a resolution by circulation, after satisfying itself that such transaction is in the interest of the Company.

Ratification, if any, of a Related Party Transaction after its commencement or completion will be approved by the Audit Committee in exceptional circumstances only.

A Related Party Transaction entered into without prior approval of the Audit Committee shall not be deemed to violate this policy, or be invalid or unenforceable, so long as the transaction is brought to the Audit Committee for ratification as promptly as reasonably practical after it is entered into and such transaction is ratified.

Any member of the Audit Committee, who has a potential interest in any Related Party Transaction, will recuse him or herself and abstain from voting on the approval or ratification of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval or ratification of the Audit Committee.

All Related Party Transactions that are not in the ordinary course of business or not on arm's length basis shall be referred to the Board of Directors for their approval.

Any member of the Board who has a potential interest in such Related Party Transaction will recuse him or herself and abstain from voting on the approval of such Related Party Transaction. Such member may, however, participate in discussions with respect to other Related Party Transactions placed for approval of the Board.

Any such Related Party Transactions shall also be placed for prior approval of shareholders if it exceeds the thresholds as prescribed under the Companies Act, 2013 and rules framed there under and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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.

#### **5. Material Related Party Transaction:**

All Material Related Party Transactions shall be placed for prior approval of shareholders through Special Resolution. However, the Material Related Party Transactions entered between the Company and its wholly owned subsidiaries, if any, shall not require prior approval of shareholders.

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 exceed ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

#### **6. Disclosure(s):**

Details of all Material Related Parties Transactions shall be disclosed, on quarterly basis, along with the compliance report on corporate governance, to the Stock Exchanges.

The Company shall disclose the policy on dealing with Related Party Transactions on its website and provide weblink in the Annual Report.

In addition to the disclosures required under Accounting Standard, Related Party Transactions that are not at arm's length basis and Material Related Party Transactions that are at arm's length or such other transactions as may be statutorily required, shall be disclosed in the Annual Report of the Company.

## **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 under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction.

In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy. This Policy will be communicated to all operational employees and other concerned persons of the Company.