

## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. INTRODUCTION**

This policy on Related Party Transactions (hereinafter referred to as “Policy”) of **The Fertilisers and Chemicals Travancore Limited** (hereinafter referred to as “the Company”) and the amendment to this Policy, if any, by the Board of Directors of the Company or any committee thereof shall be effective from the date on which it is notified from time to time.

The Company always been committed to best corporate governance practices and this Policy is prepared for ensuring compliance with the provisions of the Companies Act, 2013 (the “Act”) and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other regulatory provisions, as may be applicable.

### **2. OBJECTIVE**

The Policy is framed to ensure due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is defined and followed for approval / ratification and reporting of transactions, if any, as applicable, between the Company and any of its Related Parties. The provisions of this Policy are designed to govern the transparency of approval process and disclosures requirements to accord fairness in the treatment of related party transactions.

### **3. DEFINITIONS AND INTERPRETATIONS**

“**Act**” means the Companies Act, 2013, to the extent notified and the Companies Act, 1956, to the extent in force and rules made there under as amended from time to time.

“**Associate Company**”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation.—For the purposes of this clause- (a) the expression "significant influence" means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement; (b) the expression "joint venture" means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

“**Audit Committee**” means a committee of the board of directors of the Company constituted under provisions of the Act and Listing Regulations.

“**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

“**Board**” shall mean Board of Directors of the Company.

“**Control**” as defined under the Act includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person

or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

**“Holding Company”** shall have the meaning as specified under section 2(46) of the Companies Act, 2013.

**“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**“In the Ordinary Course of Business”** means all such acts and transactions undertaken by the Company, including, but not limited to sale or purchase of goods, property or services, leases, transfers, providing of guarantees or collaterals, in the normal routine in managing trade or business and is permitted by the objects clause of the Memorandum of Association of the Company. The Company should take into account the frequency of the activity and its continuity carried out in a normal organised manner for determining what is in the ordinary course of business.

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

- (a) the Chairman and Managing Director;
- (b) the Company Secretary (CS);
- (c) the Whole- time Director (WTD);
- (d) the Chief Financial Officer (CFO);
- (e) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (f) such other officer as may be prescribed.

**“Related Party”** with reference to a Company, shall have the same meaning as defined in section 2(76) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Indian Accounting Standard (AS) 24.

**“Related Party Transactions”** means

- (i) for the purpose of the Act, specified transactions mentioned in the section 188 (1) sub clause (a) to (g).
- (ii) for the purpose of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, A related party transaction is a transfer of resources, services or obligations between a company and a Related Party, regardless of whether a price is charged

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

**“Subsidiary Company”** shall have the same meaning as specified under section 2(87) of the Companies Act, 2013.

**“Wholly Owned Subsidiary”** When a company holds 100% of shares of another company, the other company is called a Wholly Owned Subsidiary of the company who has made 100% investment in it.

**“Material Related Party Transactions”** means

- (i) A Related Party Transaction shall be considered material 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.
- (ii) 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 two percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

#### **4. IDENTIFICATION OF RELATED PARTY TRANSACTIONS**

All Related Party Transactions, which are proposed to be entered by the Company (i) other than in ordinary course of business; and / or (ii) other than on arm's length basis, whose value exceeds the threshold limits as prescribed under provisions of Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board & its Powers) Rules, 2014, as given below through an Ordinary resolution: namely,

- Sale, purchase or supply of any goods or materials, directly or through appointment of agent exceeding 10% of Annual Turnover or 100 Crores whichever is less.
- Selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent exceeding 10% of Net Worth or 100 Crores whichever is less.
- Leasing of property of any kind exceeding 10% of Net worth or Turnover or 100 Crores whichever is less
- Availing or rendering of any services, directly or through appointment of agent exceeding 10% of Net Worth or 50 Crores whichever is less
- Appointment to any office or place of profit in the company, its subsidiary company or associate company exceeding Rs. 2.5 Lakhs Per Month
- Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of Net Worth

#### **5. ASCERTAINING “ARMS’ LENGTH” IN RELATED PARTY TRANSACTIONS**

The expression “arms’ 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.

A Related Party with whom the Related Party Transaction is undertaken must have been selected using the same screening / selection criteria / underwriting standards and procedures as may be applicable in case of an unaffiliated party.

The Company shall produce evidence to the satisfaction of the Audit Committee for complying with the said procedure, as and when applicable as required.

## **6. MONITORING/COMPLIANCE**

The details of related party transactions, if any, should be duly forwarded to Dy.General Manager (Internal Audit) by the concerned executives. Dy.General Manager (Internal Audit) shall monitor the related party transactions and put up the same before the Audit Committee/Board. He shall be the Compliance Officer of all type of related party transactions under this policy.

## **7. PROCESS OF IMPLEMENTATION OF THE POLICY**

### **A. MECHANISM FOR APPROVAL FOR RELATED PARTY TRANSACTIONS**

1. As per the provisions of section 188 of the Act, all kind of transactions specified under the said section and which are not in the ordinary course of business and at arm's length basis, are placed before the Board for its approval.
2. **TRANSACTIONS WHICH ARE ON ARM'S LENGTH BASIS AND ARE IN ORDINARY COURSE OF BUSINESS**
  - (a) Prior approval of Audit Committee.
  - (b) Prior approval of shareholders by way of ordinary resolution if such Related Party Transactions are "Material Related Party Transactions" as per Listing Regulations as defined above.
3. **TRANSACTIONS WHICH ARE EITHER NOT ON ARM'S LENGTH BASIS AND / OR NOT IN ORDINARY COURSE OF BUSINESS**
  - (a) Prior approval of Audit Committee.
  - (b) Prior approval of Board of Directors.
  - (c) Prior approval of shareholders by way of ordinary resolution if such Related Party Transactions are "Material Related Party Transactions" as defined above.
4. In addition to the above , following kind of transactions with related parties are also placed before the Board for its approval;
  - Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (value threshold and/or other parameters) require board approval in addition to audit committee approval.
  - Transaction in respect of which the 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 which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
  - Transactions, which are Material Related Party Transaction as laid down in the clause 3 of this policy, which are intended to be placed before the shareholders for approval.
5. If any transaction which exceeds the threshold limit laid down in Rule 15 of Companies (Meetings of the Board & its Powers) Rules, 2014 shall placed before the shareholders for its approval.

6. OMNIBUS APPROVAL BY AUDIT COMMITTEE

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 satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- (b) Such omnibus approval shall specify:
  - 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 / 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.
- (c) 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 Rs.1 crore per transaction.
- (d) 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.
- (e) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

7. PROCEDURE TO BE FOLLOWED FOR RELATED PARTY TRANSACTIONS

- (a) The Compliance officer shall identify the related party (ies), as applicable from time to time on quarterly basis and circulate the same to all the departments of the company.

- (b) The Director/KMP/Related Party shall bring to the notice of Compliance Officer of any transactions to be entered by the related party with the company.
- (c) The concerned departments shall approach Compliance Officer before entering into any transactions with Related Party(ies) along with the details of the transactions to be entered.
- (d) After receipt of the notice, the compliance officer shall make sure that the transactions to be entered is as per the policy on Related Party Transactions approved by the Board and also verify the approval sought for such transaction by the Audit Committee /Board/ Shareholders, as applicable.
- (e) If the transaction to be entered is already approved by the Audit Committee/ Board/Shareholder, as applicable and if it is within the limit of approval then the compliance officer shall inform the respective department of the same and allow the transaction to proceed.
- (f) If the transaction proposed to be entered with related party is not already approved by the Audit Committee /Board /Shareholders then the Compliance officer shall take necessary steps for prior approval of the transactions.
- (g) Any Related Party Transactions approved by the Audit Committee/Board/Shareholders shall be informed to all the departments specifying the limit of approval.

## 8. VOTING BY RELATED PARTIES

Related parties shall abstain from voting on resolutions approving related party transactions irrespective of whether the entity is a related party to the particular transaction or not.

## 8. STANDARDS FOR REVIEW

- i) The Audit Committee while approving and the Board while approving/ratifying a Related Party Transaction shall review and consider, in accordance with the standards set forth in this Policy after full disclosure of the Related Party's interests in the transaction:
- ii) The agenda of the Board meeting at which the resolution is proposed to be considered shall disclose all details of the transactions:  
  
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.
- iii) The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 102 of the Companies Act, 2013 shall contain the all particulars

**9. RATIFICATION OF RELATED PARTY TRANSACTIONS**

- (a) Every contract or arrangement entered into with a related party shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (b) In any case where either the Audit Committee/ Board / Shareholders determines not to ratify a Related Party Transaction that has been commenced without prior approval, the Committee or Board or shareholders, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation of the transactions, or modification of the transaction to make it acceptable for ratification. 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.

**10. DISCLOSURES**

The Company is required to disclose this Policy on dealing with Related Party Transactions on its website of the Company. The Annual Report of the Company shall also contain the disclosures on related parties as required under the Listing Regulations.

Company shall submit within 30 days from the date of publication of its standalone and consolidated financial results for the half year, disclosures of related party transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results to the stock exchanges and publish the same on its website.

The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any related party.

**11. AMENDMENT**

This Policy shall stand amended in terms of the Companies Act, 2013, the rules made there under including the Companies (Meetings of Board and its Powers) Rules, 2014, and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. In the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.

**12. IMPLEMENTATION**

The Policy shall be effective from the date of approval by the Board, unless specified otherwise.

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