



The Dharamsi Morarji Chemical Company Limited

Policy on Related Party Transaction

(Amended and Adopted on 23.09.2021)

Related Party Transactions Policy of the Dharamsi Morarji Chemical Company Limited (DMCC/ Company)

A. Introduction

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, as amended ("SEBI Listing Regulations") requires listed companies to frame a Related Party Transactions Policy.

The Policy is intended to ensure that there is proper identification, approval and reporting process of the transactions between the Company and its related parties.

The Board of Directors (the 'Board') of the Company has adopted the following Policy and Procedures with regard to Related Party Transactions as defined below. The Audit Committee, subject to the approval of the Board, may review and if required, amend this Policy from time to time.

B. Definitions

“Company” means The Dharamsi Morarji Chemical Company Limited.

“Related Party” shall have the same meaning as defined under the Companies Act, 2013 and the Listing Regulations.

“Related Party Transaction” (“RPT”) shall be those specified under Section 188 (1) of the Companies Act, 2013 and as defined under 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.

“Materiality”: The materiality of any RPT will be ascertained as per the thresholds prescribed in **Annexure A** of this Policy.

“Net Worth” means net worth as defined in sub-section (57) of section 2 of the Companies Act, 2013.

Words and expressions used in the Policy but not defined herein shall have the meaning ascribed to them in the Companies Act, 2013 and the Rules framed there under and the Listing Regulations, as amended from time to time.

C. Related Parties vis-a-vis the Company

"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 a partner;
- iv. a private company in which a director or manager 1[or his relative] is a member or director;
- v. a public company in which a director or manager is a director 2[and holds] along with his relatives, more than two per cent of its paid-up share capital;

- vi. anybody corporate whose Board of Directors, 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;
- viii. Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;
- ix. anybody corporate which is—
 - (A) a holding, subsidiary or an associate company of such company;
 - (B) a subsidiary of a holding company to which it is also a subsidiary; or
 - (C) an investing company or the venturer of the company;

Explanation.—For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.]

- x. a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party
- xi. such other person as may be prescribed ;

D. Legal provisions

Under the Companies Act, 2013:

Audit Committee Approval

Pursuant to the provisions of Section 177 of the Companies Act, 2013, all the related party transactions and the modifications thereto, are required to be approved by the Audit Committee of the Company.

Board approval

Section 188 of the Act has listed the following transactions which require the approval of the Board of Directors at its meeting.

- i. Sale, purchase or supply of goods or materials.
- ii. Selling or otherwise disposing off or buying property of any kind.
- iii. Leasing of property of any kind
- iv. Availing or rendering of services.
- v. Appointment of any agent for purchase or sale of goods, materials, services or property.
- vi. Such related party's appointment to any office or place of profit in the Company or its subsidiary or associate company ; and
- vii. Underwriting the subscription of any securities or derivatives thereof; of the company.

The approval of the Board will be required at a meeting when the aforementioned transactions are not at arm's length or in the ordinary course of business.

The requirement of passing a resolution will not be applicable for the transactions between the Holding Company and the wholly owned subsidiary whose accounts are consolidated with such holding company and are placed before the shareholders at the general meeting for their approval. In case of the wholly owned subsidiary, the resolution passed by the

Holding company shall be sufficient for the purpose of entering into the transactions between a holding company and the wholly owned subsidiary.

Under Regulation 23 of the SEBI Listing Regulations:

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

The Audit Committee shall recommend such transactions further for the approval of the Board of Directors.

E. Mechanism to be adopted by the Company for granting approvals to the related party transactions

a) Approval of Audit Committee

Pursuant to provisions of Section 177 (4) of the Companies Act, 2013, prior approval of Audit Committee shall be obtained for related party transactions as specified in Section 188 of the Companies Act, 2013. Further, in accordance with Listing Regulations, prior approval of the Audit Committee shall be obtained for all Related Party Transactions other than those with Wholly Owned Subsidiaries (whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval).

b) Approval of the Board and Shareholders of the Company shall be obtained in respect of following Related Party Transactions:

- i. **As per Listing Regulations** - Where transactions to be entered into individually or taken together with previous transactions during the financial year exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

Further, where transaction involving payments made to a related party with respect to brand usage or royalty entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

However, RPT between Holding and wholly owned subsidiary are exempted from aforesaid approval.

- ii. **As per Companies Act, 2013** – Where RPT as specified in Section 188 of the Companies Act, 2013 are not in ordinary course of business and are not on arms' length basis, approval of Board is required. Further, prior approval of shareholders is required where such transactions exceeds the threshold limits specified in the Section 188 of Companies Act, 2013 & Rules thereunder (**Clear Threshold limits specified in Annexure A**).

c) Approval of 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, namely-

- i. 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;
- ii. the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;
- iii. the omnibus approval shall specify:
 - the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
 - the indicative base price / current contracted price and the formula for variation in the price if any; and
 - 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.

- iv. The audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.
- v. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- vi. The Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given. Further, the Board shall note the said transactions.

F. Disclosures, Reporting and Review

- a) Disclosure will be made in the Company's Annual Report of the particulars of contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties as part of the Directors' Report.
- b) This Policy will also be uploaded on the Company's website and web link there to shall be provided in the Annual Report of the Company every year.
- c) The Company will also disclose the details of all material Related Parties on a quarterly basis along with the compliance report on corporate governance filed with Stock Exchange under Regulation 27 of the Listing Regulations.
- d) The Company will also be required to disclose within 30 days of the publication of the standalone and consolidated financial results for half year, disclosures of related party transactions on a consolidated basis, in the format as prescribed in the relevant accounting standards for annual results to the Stock Exchange and publish the same on its website.

- e) Disclosures in the Annual Report of transactions of the Company with any person or entity belonging to the promoter / promoter group which holds 10 % or more shareholding in the Company, in the format prescribed in the relevant accounting standards for annual results.
- f) The Company would be required to review the Policy once in three years.

G. Voting

In case of RPT requiring Board's approval, any director who is interested in RPT will abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

In case of RPT requiring shareholder's resolution, no related party shall vote to approve such resolutions whether the entity is a related party or not.

H. Related Party transactions that shall not require approval

Following Related Party Transactions shall not require any separate approval under this Policy:

- a) Any transaction pertaining to appointment and remuneration of Directors and KMPs that require approval of the Nomination and Remuneration Committee of the Company and the Board;
- b) Transactions that have been approved by the Board under the specific provisions of the Companies Act, 2013 e.g. inter-corporate deposits, borrowings, investments etc. with or in wholly owned subsidiaries or other Related Parties;
- c) Payment of Dividend;
- d) Transactions involving corporate restructuring, such as buy-back of shares, capital reduction, merger, demerger, hive-off etc. which are approved by the Board and carried out in accordance with the specific provisions of the Companies Act, 2013 or the Listing Regulations, 2015;
- e) Contribution towards Corporate Social Responsibility (CSR) within the overall limits approved by the Board that require approval of the CSR Committee.

ANNEXURE A

THRESHOLD LIMITS FOR DETERMINING MATERIAL RELATED PARTY TRANSACTIONS

Nature of Transactions	Materiality threshold as per	Materiality threshold as per
Sale, purchase or supply of any goods or materials directly or through appointment of	Amounting to 10% or more of Turnover	Transactions to be entered individually or taken together with previous transactions during a financial year with Related Party exceeds ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company
Buying, selling or otherwise disposing of property of any kind directly or	Amounting to 10% or more of Net worth	
Leasing of property of any kind [#]	Amounting to 10% or more of the Turnover	
Availing or rendering of any services directly or	Amounting to 10% or more of the Turnover	
Appointment of related party to any office or place of profit in the company, its	Monthly remuneration exceeding Rs. 250,000	
Underwriting the subscription of any securities in or derivatives thereof of the	Exceeding 1% of net worth	
Transfer of resources, services Or obligations between the Company and a related party, regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of	Not Applicable	
a transaction involving payments made to a related party with respect to brand usage or royalty	Not Applicable	If the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the Company

[#]the threshold limits shall apply for transaction or transactions to be either entered into individually or taken together with the previous transactions during a financial year.