



PRIVI SPECIALITY CHEMICALS LIMITED

(CIN: L15140MH1985PLC286828)

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POLICY ON RELATED PARTY TRANSACTIONS

**(Amended by the Board at its meeting held on Thursday,
February 02, 2023)**

- 1. Adopted by the Board at its meeting held on Thursday, November 05, 2020**
- 2. Revised version 1.1 adopted by the Board at its meeting held on Thursday, February 02, 2023.**

POLICY ON RELATED PARTY TRANSACTIONS

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

1. PURPOSE OF THE POLICY:

This policy on Related Party Transactions is framed 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 (“Regulation 23”), **Privi Speciality Chemicals Limited (Company)** has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Regulation 23(1) of the SEBI Listing Regulations requires the 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. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

2. OBJECTIVE OF THE POLICY:

The objective of this Policy is to regulate transactions with related parties and ensure transparency between them. It sets out the materiality thresholds for related party transactions and the manner of dealing with such transactions in accordance with the provisions of the Act and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3. DEFINITIONS:

“**Act**” means the Companies Act, 2013 and rules made there under and include any amendment(s)/ modification(s) thereof.

“**Regulation 23**” means the Regulation no. 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“**Arms Length Transaction**” means transaction between two related or affiliated parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

“**Ordinary course of business**” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the company can undertake as per Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

“**Company**” means **Privi Speciality Chemicals Limited**.

“Audit Committee/Committee” means Committee of Board of Directors of the Company constituted as per the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act, 2013.

“Key Managerial Personnel” (as defined in Section 2(51) of the Companies Act, 2013), in relation to the Company, means –

- i. Chief Executive Officer or the Managing Director or the Manager
- ii. Whole Time Director
- iii. Company Secretary
- iv. Chief Financial Officer and
- v. Such other officer as may be prescribed by the Government.

“Policy” means Related Party Transaction Policy.

“Material Related Party Transaction(s)” means transaction/transactions with the related party 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.”

“Material Modification” means any modification in the value of transaction having variance of 20% of the existing limit approved by the Audit Committee/Board/Shareholders.

Provided that change in the value of RPT on account of following shall not be considered as Material Modification:

Change in the existing RPT due to the reasons beyond the control of the Related Parties

Change due to revision / imposition of statutory levies like taxes, duties etc.

“Related Party” with reference to a Company, shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the Listing Regulations.

Section 2(76) of the Companies Act, 2013, as referred above, defines Related Party as —

- 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 or his relative is a member or director;
- v. A public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- vi. Any body 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. [Except advice, directions or instructions given in a professional capacity]
[Nothing in sub-clauses (vi) and (vii) shall apply to advice, directions or instructions given in a professional capacity]
- viii. Any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of

a holding company to which it is also a subsidiary or an investing Company or the Venturer of the Company (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).

- ix. A director other than an Independent Director or Key Managerial Personnel of the holding Company or his relative with reference to a Company.

"Relative" as per section 2(77) of the Companies Act, 2013, with reference to any person, means anyone who is related to another, if

(i) They are members of a Hindu undivided family;

(ii) They are husband and wife;

(iii) one person is related to the other in such manner as may be prescribed

As per Rule 4 of Companies (Specification of definitions details) Rules, 2014 includes a person who shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely: -

(i) Father (including step-father)

(ii) Mother (including step-mother)

(iii) Son (including step-son)

(iv) Son's wife

(v) Daughter

(vi) Daughter's husband

(vii) Brother (including step-brother)

(viii) Sister (including step-sister)

"Related Party Transaction"

a. for the purpose of Regulation 2(1)(zc) of the Listing Regulations

➤ transfer of resources, services or obligations between

i. a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

ii. a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, (w.e.f April 1, 2023), 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 transactions in a contract.

b. for the purpose of the Act, specified transaction of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188 and clause (iv) of sub-section 4 of Section 177 of the Act contracts or arrangements entered into with related party for:

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. Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - vii. Underwriting the subscription of any securities or derivatives thereof, of the Company.
- c. In addition to the above, an entity will be considered as a related party if it satisfies the conditions laid down as per Ind AS 24

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(s).

4. MATERIALITY THRESHOLDS:

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. The Company has fixed its materiality threshold at 10% of the annual consolidated turnover of the company as per last audited financial statements of the company for the purpose of Regulation 23(4) of the SEBI Listing Regulations.

5. PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION:

5.1 Identification of Related Parties and Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/ Audit Committee may reasonably request. The Audit Committee would determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy

The list of identified Related Parties will be tagged and updated in the accounting system regularly and also periodically sent out to those officials of the Company that might be in the position to conduct or know of the possible conduct of Related Party Transactions.

The Audit Committee, in consultation with the Company Secretary, will review and determine whether any Transaction with such Party(s) will constitute a Related Party Transaction requiring compliance with this RPT policy. Any member of the Audit Committee or Board who is directly or indirectly interested in any Related Party Transaction shall recuse himself and shall not be present in the meeting during discussions on related party transactions and shall not be entitled to vote on for such item under consideration by Audit Committee

and Board, as the case may be

5.2 Approval of the Audit Committee:

- A.** All Related Party Transactions, any modifications to transactions with Related Parties as per the provisions of the Act, and subsequent material modifications to transactions with Related Parties as defined under Listing Regulations shall require prior approval of the Audit Committee, whether at a meeting or by circular. All Related Party Transactions to which subsidiary of the Company is a party to but Company is not a party, the value of which exceeds the thresholds as prescribed under Regulation 23 (2) of the Listing Regulations shall require prior approval of the Audit Committee

Above prior approval of the Audit Committee shall not be required in cases where the subsidiary is a listed entity and Regulations 23 and 15(2) of the Listing Regulations are applicable to such listed subsidiary.

Any member of the Audit Committee who has a potential interest in any Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

In case of a transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

- B.** All related party transactions require prior approval of the Audit Committee. However, the Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliances with the following conditions:
- a. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval which shall include the following namely:
 - I. Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
 - II. The maximum value per transaction which can be allowed;
 - III. extent and manner of disclosures to be made to the audit committee at the time of seeking omnibus approval
 - IV. review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each omnibus approval made;
 - V. transactions which cannot be subject to the omnibus approval by the Audit Committee
 - b. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:
 - i. repetitiveness of the transactions (in past or in future);
 - ii. justification for the need of omnibus approval
 - c. The Audit Committee shall satisfy itself regarding the need for such omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

- d. The omnibus approval shall provide details of (i) the name/s of the related party, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into, (ii) basis of arriving at 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 transactions 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 1 crore per transaction.

- e. The Audit Committee shall review, at least on a quarterly basis, the aggregated value and other details of related party transactions transacted into by the company pursuant to the omnibus approval given;
- f. Such omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after expiry of such financial year.
- g. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- h. Any other conditions as the Audit Committee may deem fit

C. In compliance to the approval of the Board of Directors, the Audit Committee of the Company has specified following criteria for granting omnibus approval:

- a. The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year will be 25% of the annual consolidated turnover of the company as per last its audited financial statements.
- b. While assessing a proposal put up before the Audit Committee / Board for approval, the Audit Committee / Board may review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
 - i. Name of the related party
 - ii. Nature of the transaction i.e. details of goods or property to be acquired / transferred or services to be rendered / availed (including transfer of resources) – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transaction;
 - iii. Key terms (such as period of transaction, maximum Amount, price and other commercial terms contemplated under the arrangement) of the proposed transaction, including value and quantum;
 - iv. Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
 - v. Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
 - vi. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:

1. market analysis & report, research report, industry trends, business strategies, financial forecasts, etc.;
 2. third party comparable, valuation reports, price publications including stock exchange and commodity market quotations;
 3. management assessment of pricing terms and business justification for the proposed transaction;
 4. comparative analysis, if any, of other such transaction entered into by the company
- c. The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered by the company pursuant to each omnibus approval given
- d. Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:
1. Transactions which are not at arm's length or not in the ordinary course of business
 2. Transactions which are not repetitive in nature
 3. Transactions exceeding materiality thresholds as laid down in Clause 4 of the Policy
 4. Transactions in respect of selling or disposing of the undertaking of the company
 5. Financial Transactions E.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by the related parties, corporate guarantee given/received from related parties
 6. Any other transaction the Audit Committee may deem not fit for omnibus approval

5.3 Approval of the Board of Directors of the Company:

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business or not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- a. 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 (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- b. Transactions 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;
- c. Transactions which are in the ordinary course of business and at arm's length basis, but which as per Audit Committee requires Board approval
- d. Transactions meeting the materiality thresholds laid down in Clause 4 of the Policy, which are intended to be placed before the shareholders for approval.

5.4 Approval of the Shareholders of the Company:

All the transactions with related parties exceeding the materiality thresholds laid down in Clause 4 of the Policy and all related party transactions and subsequent Material Modification thereto shall require prior approval of the Shareholders through a resolution.

For this 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.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not at Arm's Length or not in the ordinary course of business; and (b) exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the shareholders for its approval.

However, the requirement of shareholders' approval shall not be applicable for 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.

6. DISCLOSURES:

The Related Party Transactions entered into with the related party/ies shall be disclosed in the Director's Report / Annual Report as per the disclosure requirement(s) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

As per Regulation 23(9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 disclosures of Related Party Transactions shall be submitted to Stock Exchanges in the manner and format specified by the SEBI from time to time and publish the same on Company's website.

Material Transactions exceeding the threshold limits as prescribed under Rule 15 sub rule (3) of Companies (Meeting of Board and its Powers) Second Amendment Rules, 2014 shall be disclosed under "Details of material contracts or arrangements or transactions at arms' length" in Form no. AOC-2 as a part of the Directors Report, as prescribed under companies Act, 2013.

As per Regulation 46(2)(g) of Listing Regulations this policy shall also be uploaded on the website of the Company at www.privi.com and a weblink thereto shall be provided in the Annual Report of the Company

7. RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY / RATIFICATION:

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such related party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the shareholders, payment of compensation by the defaulting person (as may be decided by the Audit Committee) to the related party or the Company as the case may be, etc. In connection with any review/approval of a related party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.

8. REVIEW OF THE POLICY / AMENDMENTS:

The Audit Committee shall periodically review, propose modifications / amendments, if deemed necessary, to this policy which shall be subject to the approval of the Board of Directors.

In the event of any conflict between the provisions of this policy, Act or SEBI Listing Regulations or any other statutory enactments / rules / laws, the provisions of such Act/Regulations or any other statutory enactments / rules / laws would prevail over this policy.

9. COMPLIANCE RESPONSIBILITY:

Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.