

INDO RAMA SYNTHETICS (INDIA) LIMITED
(CIN: L17124MH1986PLC166615)**POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS**

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

PREAMBLE

The Company is committed to uphold the highest ethical and legal conduct in fulfilling its Responsibilities and recognizes that related party transactions can present a risk of actual or apparent conflicts of interest of the Directors, Senior Management, etc., with the interest of the Company.

The Board of Directors (the "Board") of Indo Rama Synthetics (India) Limited (the "Company" or "IRSL"), has adopted the Related Party Transactions Policy (the "Policy") with regard to identification of related parties and review, approval and conduct of transactions entered into with the Related Party in compliance with the requirements of the Companies Act 2013 and Rules made thereunder and any subsequent amendments thereto (the "Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), including any amendments thereto, and any subsequent amendments thereto and applicable accounting standards, in order to ensure the transparency and procedural fairness of such transactions.

OBJECTIVE

This policy is intended to ensure the proper approval and reporting of transactions as applicable, between the Company and any of its related party in the best interest of the Company and its Stakeholders and to set out the materiality thresholds for related party transactions.

**Policy on Materiality of
Related Party Transactions**

Provisions of this policy are designed to govern the transparency of approval process and disclosures requirements to ensure fairness in the conduct of related party transactions, in terms of the applicable laws. This Policy shall supplement the Company's other policies in force that may be applicable to or involve transactions with related parties. Further, the Board of Directors may review and amend this policy from time to time as may be required based on the recommendations of the Audit Committee as constituted by the Board of Directors of the Company ("the Audit Committee").

The Audit Committee shall review, approve and ratify Related Party Transactions (RPTs) based on this Policy in terms of the requirements under the provisions of the Act, the Listing Regulations and applicable Accounting Standards.

Any exceptions to the Policy on Related Party Transactions must be consistent with the Act and the Rules promulgated thereunder, the Listing Regulations and applicable accounting standards and must be approved in the manner as may be decided by the Board of Directors.

DEFINITIONS

- 1) **"Act"** means Companies Act, 2013 read with Rules thereto, as amended from time to time;
- 2) **"Board"** means the Board of Directors of Indo Rama Synthetics (India) Limited;
- 3) **"Related Party"** shall have the meaning as defined in Section 2(76) of the Companies Act, 2013 and Regulation 2(1)(zb) of the Securities and Exchange Board of India (Listing Obligations and is closure Requirements) Regulations, 2015 as be amended from time to time and applicable accounting standards;
- 4) **"Relative"** with reference to a Director or KMP of the Company mean persons as defined in Section 2(77) of the Act and rules prescribed thereunder;

**Policy on Materiality of
Related Party Transactions**

5) **“Related Party Transactions”** have the meaning as defined under Regulation 2(1) (zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as means transfer of resources, services or obligations between a listed entity 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 transactions in contract, and shall, inter alia, include the following -

- (a) sale, purchase or supply of any goods or materials;
- (b) selling or otherwise disposing of, or buying, property of any kind;
- (c) leasing of property of any kind;
- (d) availing or rendering of any services;
- (e) appointment of any agent for purchase or sale of goods, materials, services or property;
- (f) such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- (g) underwriting the subscription of any securities or derivatives thereof, of the Company;

6) **“Material Related Party Transactions”** means a transaction with a Related Party if the transaction or 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;

Further, 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;

7) **“Transactions on arm’s length basis”** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest;

**Policy on Materiality of
Related Party Transactions**

- 8) **“Key Managerial Personnel”** or **“KMP”** includes,
- i) the Chief Executive Officer or the Managing Director or the Manager;
 - ii) the Company Secretary;
 - iii) the Whole-time Director;
 - iv) the Chief Financial Officer;
 - v) 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
 - vi) such other officer as may be prescribed.
- 9) **“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 - (i) “significant influence” means control of at least twenty percent of total voting power, or control of or participation in business decisions under an agreement.

(ii) “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.

Any other term not defined herein shall have the same meaning as defined in the Act, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

TRANSACTIONS COVERED BY THIS POLICY

Transactions covered by this policy include any contract or arrangement with a related party with respect to transactions defined hereunder as “Related Party Transactions”.

Provided that any transactions entered into by the Company with a Related Party in its ordinary course of business and at arm’s length basis shall not require any approval of the Board of Directors of the Company except prior approval of the Audit Committee. However, the Material Related Party Transactions shall be approved by the Audit Committee/Board of Directors/Shareholders in terms of the provisions of the Listing Regulations and other applicable laws.

DETAILS REQUIRED FOR ASCERTAINING RELATED PARTY

The following details shall be required:

- 1) Declaration/Disclosure of interest by all the Directors and KMPs in form MBP-1;
- 2) Declaration of relatives by all Directors and KMPs;
- 3) Declaration about a firm in which a Director/ Manager or his relative is a Partner;
- 4) Declaration about a private Company in which a Director or Manager or his relative is a member or Director;
- 5) Declaration regarding a public company in which a Director or manager is a Director and holds along with the relatives more than 2% of its paid-up share capital;
- 6) Notices from Directors of any change in particulars of Directorship or in other positions during the year;
- 7) Details of 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 of the Company;
- 8) Details of any person on whose advice, directions or instructions a director or manager is accustomed to act;
Provided that nothing in Point no. 7 and 8 shall apply to the advice, directions or instructions given in a professional capacity.
- 9) Details of any Company which is
 - (a) a Holding, Subsidiary or an Associate Company of such Company; or
 - (b) a Subsidiary of a Holding Company to which it is also a Subsidiary.

Details from Serial Nos. 1 to 8 shall be provided at the beginning of every year and whenever there is any change in the disclosure(s) so made.

IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTIONS

The Responsible Person (Company Secretary/ Chief Financial Officer) shall at all times maintain a database of Company's Related Parties containing the names of individuals and Companies, firms etc. identified on the basis of the definition set forth in Definition Clause 3 and 4 above, along with their personal/company details including any revisions therein.

**Policy on Materiality of
Related Party Transactions**

The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year, as on 1st April every year.

RESPONSIBLE PERSON shall collate the information, coordinate and send the Related Party List to the concerned employees which may include CMD, CEO, Business Heads, Branch Heads, the Finance & Accounts Department and Statutory Auditors and who he believes might be in the position to conduct or know of the possible conduct of Related Party Transactions.

Functional/Departmental heads shall submit to the CFO and Company Secretary, the details of proposed transaction with details/draft contract/ draft agreement or other supporting documents justifying that the transactions are at arms' length basis and in an ordinary course of business at prevailing market rate. Based on this note, Company Secretary will take it up for necessary approvals from the Audit Committee at its next meeting and convey back the decision to the originator.

For the purpose of implementing the provisions under this Policy, the Board and the Audit Committee of Directors of the Company shall receive timely, full and sufficient information about the Transactions covered under this Policy.

In determining, whether to approve or not a Related Party Transaction, the Board will take into account, among other factors, recommendations of the Audit Committee, whether the said Transaction is in the interest of the Company and its stakeholders and there is no actual or potential conflict of interests between the related parties.

PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION**Approval of the Audit Committee**

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;

**Policy on Materiality of
Related Party Transactions**

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; and
- h) Any other conditions as the Audit Committee may deem fit.

THRESHOLD LIMITS

Pursuant to the Listing Regulations, the threshold limits for RPTs for granting omnibus approval for each financial year may be revised by the Board from time to time.

Any member of the Audit committee, who has a potential conflict of interest in any Related Party Transactions shall abstain from discussion and voting on the subject matter of the resolution relating to such Transaction.

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, shall be placed before the Board for its approval.

All the Material Related Party Transactions shall be considered and approved by the Board before placing them before shareholders for their approval except for those transactions that do

**Policy on Materiality of
Related Party Transactions**

not require approval under Section 177 and 188 of the Act and are 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.

Where any Director is interested in any Related Party Transactions, such Director will abstain from discussion and voting on the subject matter of the resolution relating to such Transactions.

APPROVAL OF THE SHAREHOLDERS OF THE COMPANY

All the transactions with related parties exceeding the materiality thresholds, set forth in Definition Clause 6 above, shall be placed before the shareholders for approval.

For this purpose, all entities falling under the definition of Related Party 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 and the Material Related Party Transactions shall be placed before the shareholders for its approval. Any Shareholder of the Company who is a Related Party with reference only to the contract or arrangement for which the said resolution is being passed shall abstain from voting on such resolutions in terms of the provisions of the Act.

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.

In the case of a Wholly Owned Subsidiary, the Resolution passed by the Holding Company shall be sufficient for the purpose of entering into the transactions between Wholly Owned Subsidiary and Holding Company within the limits approved by the Shareholders.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED

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/Board. The Audit Committee/Board shall consider all the relevant facts and circumstances regarding the related party transactions, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transactions. The Audit Committee/Board shall also examine the facts and circumstances pertaining to the failure of reporting such related party transactions under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate in terms of the provisions of Section 188 of the Act and other applicable laws.

In any case, where the Audit Committee/Board determines not to ratify a related party transaction that has been commenced without approval, the Audit Committee/Board, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transactions or seeking the approval of the shareholders, payment of compensation by the defaulting person to the related party or the Company as the case may be, etc.

DISCLOSURES

- 1) Details of all material related party transactions are to be disclosed quarterly along with the compliance report on Corporate Governance;
- 2) The Company shall disclose the details of the Related Party Transactions as required to be disclosed under the provisions of the Act and the Material Related Party Transactions in the Board's Report to the shareholders along with the justification for entering into such contract or arrangement;
- 3) The Company shall disclose this policy relating to Related Party Transactions on its website and a web link thereto shall be provided in the Company's Annual Report; and
- 4) The Company shall keep one or more registers giving separately the particulars of all contracts or arrangements with any Related Party.

**Policy on Materiality of
Related Party Transactions****POLICY REVIEW**

In any circumstance where the provisions of this Policy differ from any existing or newly enacted law, rule, regulation or standard governing the Company, the relevant law, rule, regulation or standard will take precedence over this Policy until such time as this Policy is changed to conform to the said law, rule, regulation or standard. In case of any clarification required with respect to this Policy, kindly contact the Company Secretary of the Company.

Note: This Policy modified and approved by the meeting of Board of Directors held on 14th February, 2020.
