



**PUNJAB CHEMICALS  
AND CROP PROTECTION LTD.**

# **POLICY ON RELATED PARTY TRANSACTION**

## POLICY ON RELATED PARTY TRANSACTION

### INTRODUCTION:

Related party transactions can present a potential or actual conflict of interest which may be against the best interest of the 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 Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated April 17, 2014 and September 15, 2014), Punjab Chemicals and Crop Protection Limited (PCCPL) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Clause 49(VII)(C) of the Listing Agreement requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions.

In light of the above, PCCPL has formulated this Policy on Related Party Transaction (“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 would review and amend the Policy, as and when required, subject to the approval of the Board.

### OBJECTIVE:

The 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, Clause 49 of the Listing Agreement and any other laws and regulations as may be applicable to the Company.

### DEFINITIONS:

1. “Act” means the Companies Act, 2013.
2. “Clause 49” means the Clause no. 49 of the Listing Agreement entered into by the Company with the stock exchanges.

3. **“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.
4. **“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 principles for determining ordinary course of business in accordance with statutory requirements and other industry practices and guidelines.
5. **“Relative”** with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder.
6. **“Related Party”** have the meaning as defined in Section 2(76) of Companies Act, 2013 and Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges, as amended from time to time.
7. **“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 –
  - 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 the 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;
  - g. Underwriting the subscription of any securities or derivatives thereof, of the Company

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

8. **“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.
9. **“Key Managerial Personnel”** or **“KMP”** shall have the meaning as defined in Companies Act 2013.

**POLICY:**

The Audit Committee shall review and approve all Related Party Transactions based on this Policy.

All proposed Related Party Transactions must be reported to the Audit Committee for prior approval by the Committee in accordance with this Policy. In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Committee may grant standing pre - approval / omnibus approval, details whereof are given in a separate section of this Policy.

In exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

**IDENTIFICATION OF RELATED PARTY TRANSACTIONS:**

Every Director and Key Managerial Personnel will be responsible for providing a declaration in the format as per Annexure 1 containing the following information to the Company Secretary on an annual basis:

1. Names of his / her Relatives;
2. Partnership firms in which he / she or his / her Relative is a partner;
3. Private Companies in which he / she is a member or Director;
4. Public Companies in which he / she is a Director and holds along with his/her Relatives more than 2% of paid up share capital;
5. Any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with his / her advice, directions or instructions; and
6. Persons on whose advice, directions or instructions, he / she is accustomed to act (other than advice, directions or instructions obtained from a person in professional capacity).

Every Director and the Key Managerial Personnel will also be responsible to update the Company Secretary of any changes in the above relationships, directorships, holdings, interests and / or controls immediately on him / her becoming aware of such changes.

The Company Secretary shall be responsible to maintain an updated database of information pertaining to Related Parties reflecting details of -

1. All Directors and Key Managerial Personnel;

2. All individuals, partnership firms, companies and other persons as declared and updated by Directors and Key Managerial Personnel;
3. Company's holding company, subsidiary companies and associate companies;
4. Subsidiaries of holding company;
5. Director or Key Managerial Personnel of the holding company or their Relatives;
6. All Company's Group entities; and
7. Any other entity which is a Related Party as defined under Section 2(76) of the Companies Act, 2013 read with Clause 49 of the Listing Agreement or the relevant Accounting Standard.

The database shall be updated whenever necessary and shall be reviewed at least once a year jointly by the Company Secretary and Chief Financial Officer. The functional / business heads / Chief Financial Officer / Company Secretary / shall have access to the updated database.

Every Director, Key Managerial Personnel, Functional / Business heads / Chief Financial Officer will be responsible for providing prior Notice to the Company Secretary of any potential Related Party Transaction. They will also be responsible for providing additional information about the transaction that the Board / Committee may request, for being placed before the Committee and the Board.

The Company Secretary, in consultation with any professional or officer of the Company, may refer any potential related party transaction to any external legal/transfer pricing expert and the outcome or opinion of such exercise shall be brought to the notice of the Audit Committee. Based on this Notice, the Company Secretary will take it up for necessary approvals under this Policy.

#### **REVIEW AND APPROVAL OF RELATED PARTY TRANSACTION:**

All Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

#### **CONSIDERATION BY THE COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS:**

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party. The Committee shall take into consideration that subsequent events (i.e., events after the initial transactions have commenced) like evolving business strategies / short term commercial decisions to improve / sustain market share, changing market dynamics, local competitive scenario, economic / regulatory conditions affecting the global / domestic industry, may impact profitability but may not have a bearing on the otherwise arm's length nature of the transaction.

**APPROVAL BY CIRCULAR RESOLUTION OF THE COMMITTEE:**

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

**APPROVAL BY THE BOARD:**

If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for Board to approve the Related Party Transaction, then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

**STANDING PRE-APPROVAL / OMNIBUS APPROVAL BY THE COMMITTEE:**

In the case of frequent / regular / repetitive transactions which are in the normal course of business of the Company, the Audit Committee may grant standing pre-approval / omnibus approval. While granting the approval the Audit Committee shall satisfy itself of the need for the omnibus approval and that same is in the interest of the Company. The omnibus approval shall specify the following:

- a. Name of the related party
- b. Nature of the transaction
- c. Period of the transaction
- d. Maximum amount of the transactions that can be entered into
- e. Indicative base price / current contracted price and formula for variation in price, if any
- f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied / amended. Any proposed variations / amendments to these factors shall require a prior approval of the Committee.

Further, where the need of the related party transaction cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the value per transaction not exceeding Rs.1,00,00,000/- (Rupees One Crore only). The details of such transaction shall be reported at the next meeting of the Audit Committee for ratification. Further, the Committee shall on an annual basis review and assess such transactions including the limits to ensure that they are in compliance with this Policy.

The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

**APPROVAL OF MATERIAL RELATED PARTY TRANSACTIONS:**

All Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

**TRANSACTIONS NOT IN ORDINARY COURSE OF BUSINESS OR NOT AT ARM'S LENGTH:**

All Related Party Transactions in excess of the limits prescribed under the Companies Act, 2013, which are not in the Ordinary Course of Business or not at Arms' Length shall also require the prior approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolution.

**RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:**

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

**DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS**

Every Related Party Transaction entered into by the Company shall be referred to in the Board's report to the shareholders along with justification for entering into such transaction. The Company Secretary and the Chief Financial Officer shall be, responsible for such disclosure. The Company Secretary shall also make necessary entries in the Register of Contracts required to be maintained under the Companies Act, 2013.

**SCOPE LIMITATION:**

In the event of any conflict between the provisions of this Policy and of the Listing Agreement / Companies Act, 2013 or any other statutory enactments,

rules, the provisions of such Listing Agreement / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

**DISSEMINATION OF POLICY:**

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the annual report of the Company.

**AMENDMENT:**

The Board shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy, in compliance with the amending laws, rules, regulations and Listing Agreement.

**INTERPRETATION:**

- a) Any words used in this policy but not defined herein shall have the same meaning ascribed to it in the Companies Act, 2013 or Rules made thereunder, SEBI Act or Rules and Regulations made thereunder, Listing Agreement, Accounting Standards or any other relevant legislation / law applicable to the Company.
- b) In case of any dispute or difference upon the meaning/interpretation of any word or provision in this Policy, the same shall be referred to the Audit Committee and the decision of the Audit Committee in such a case shall be final. In interpreting such term / provision, the Audit Committee may seek the help of any of the officers of the Company or an outside expert as it deems fit.

**ANNEXURE 1****NOTICE OF INTEREST BY DIRECTOR / KEY MANAGERIAL PERSONNEL**

To,  
 The Company Secretary  
 Punjab Chemicals and Crop Protection Limited  
 SCO: 183, First Floor,  
 Sector 26, Madhya Marg  
 Chandigarh-160019.

Dear Sir,

I, \_\_\_\_\_, son/daughter/ spouse of \_\_\_\_\_ resident of \_\_\_\_\_, holding \_\_\_\_\_ equity shares of Rs. 10/- each (\_\_\_\_ percent of the paid-up capital) in the Company in my name, being a \_\_\_\_\_ in the Company, hereby give notice that I am interested directly/ through my Relatives (Schedule) in the following Company or Companies, body corporate, firms or other association of individuals:

**(A) COMPANIES****1. Private Companies in which I am a Director or Member.**

Sl. No.	Name of the Company	Nature of Concern (Director or Member)	No. of shares	%age to paid-up capital

**2. Public Companies of which I am a Director or holds more than 2% of the paid-up capital of the respective Companies singly or along with the relatives.**

Sl. No.	Name of the Company	Nature of Concern (Director or Member)	No. of shares	% to paid-up capital

**(B) PARTNERSHIP FIRMS****1. Firms in which I am a Partner**

Sl No.	Name of the Firm	Name of the other Partners

**2. Firms in which any of my relatives is a partner**

Name of the Relatives	Relation	Name of the Firms	Name of the other partners in each of the Firms

**C. List of Relatives under Clause 77 of Section 2 of the Companies act, 2013**

As per the Format enclosed.

**D. Bodies Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with any advice, directions or instructions:**

S.No.	Name of the Body Corporate

**E. I am accustomed to act on the advice, directions or instructions of the following persons (other than advice, directions or instructions obtained in professional capacity).**

S.No.	Name of the person	Relation

Signature:

Place:

Date:

## LIST OF RELATIVES

[Pursuant to Clause 77 of Section 2 of the Companies act, 2013]

S.No	Relationship	Full Name	Shareholding in Company
1.	Spouse		
2.	Father (including Step-Father)		
3.	Mother (including Step-Mother)		
4.	Son (including Step-son)		
5.	Son's Wife		
6.	Daughter		
7.	Daughter's Husband		
8.	Brother (Including Step-Brother)		
9.	Sister (Including Step-Sister)		
10.	Members of HUF		