

## POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

### 1. INTRODUCTION

The Board of Directors (the “Board”) of Deepak Nitrite Limited (the “Company”) has adopted the following policy and procedures with regard to Related Party Transactions as defined below. The Audit Committee will review and may amend this policy from time to time.

This policy will be applicable to the Company from the date of approval by the Board. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company and also provides for materiality of related party transactions.

### 2. PURPOSE

This policy is framed based on Listing Agreement entered by the Company with the Stock Exchanges and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

### 3. DEFINITIONS

“**Arm’s Length**” means a transaction between two related parties that is conducted if they were unrelated, so that there is no conflict of interest.

“**Audit Committee or Committee**” means “Audit Committee” constituted by the Board of Directors of the Company under provisions of Listing agreement and Companies Act, 2013, from time to time.

“**Board of Director**” or “**Board**” means the Board of Directors of Deepak Nitrite Limited, as constituted from time to time.

“**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 as amended from time to time and includes-

- i. Managing Director or Chief Executive Officer or Manager and in their absence, a whole-time Director
- ii. Company Secretary
- iii. Chief Financial Officer

“**Material Related Party Transaction**” means a Related Party Transaction entered / to be entered between the Company and a Related Party, during a financial year, either individually or taken together with previous transactions, exceeding 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

**“Policy”** means Policy on Materiality of Related Party Transaction Policy.

**“Control”** shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

**‘Related Party’**, under section 2(76) of the Companies Act, 2013 (read with relevant rules made there under) 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 is a member and 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

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the 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
  - b) subsidiary of a holding company to which it is also a subsidiary

such other person as may be prescribed under the Act.

**‘Related Party’**, under Clause 49 of the Listing Agreement is a person or entity that is related to the Company. Parties are considered to be related if one party has the ability to control other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and includes the following:

- i. A person or a close member of that person’s family is related to a company if that person:
  - a) is a related party under Section 2(76) of the Companies Act, 2013; or
  - b) has control or joint control or significant influence over the company; or
  - c) is a key management personnel of the company or of a parent of the company; or

- ii. An entity is related to a company if any of the following conditions applies:
- a) The entity is a related party under Section 2(76) of the Companies Act, 2013; or
  - b) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
  - c) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); or
  - d) Both entities are joint ventures of the same third party; or
  - e) One entity is a joint venture of a third entity and the other entity is an associate of the third entity; or
  - f) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the company. If the company is itself such a plan, the sponsoring employers are also related to the company; or
  - g) The entity is controlled or jointly controlled by a person identified in (1).
  - h) A person identified in (1)(b) has significant influence over the entity (or of a parent of the entity)

**‘Related Party’**, as per the Accounting Standard - 18 issued by the Institute of Chartered Accountants of India:

- i. Holding Companies, Subsidiaries and Fellow Subsidiaries;
- ii. Associates and Joint Ventures;
- iii. Individuals (including their relatives)-having voting power giving them control or significant influence
- iv. Key management personnel including their relatives Enterprises where controlling individual or key managerial personnel has significant influence

**‘Relative’** means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if -

- i. They are members of a Hindu undivided family;
- ii. They are husband and wife; or
- iii. Father (including step-father)
- iv. Mother (including step-mother)
- v. Son (including step-son)
- vi. Son’s wife
- vii. Daughter
- viii. Daughter’s husband
- ix. Brother (including step-brother)
- x. Sister (including step-sister)

**“Related Party Transaction”** means a single transaction or a group of transactions in the nature of contract or arrangement involving transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged and includes:

- (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:

#### **4. POLICY**

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

##### **4.1. Identification of Potential Related Party Transactions**

Each director and Key Managerial Personnel who is, directly or indirectly, concerned or interested in any way in the potential Related Party Transaction shall disclose all material information to the Committee or Board of Directors, as the case may be, concerning such transaction and nature of his or her interest in the proposed transaction. The Board shall record the disclosure of Interest and the Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this Policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.

The Audit Committee or the Board of Directors may recommend the formation of a special committee to review any Related Party Transactions.

##### **4.2. Review and Approval of Related Party Transactions**

All the Related Party Transactions shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation. Any member of the Committee who has any interest in the Related Party Transaction will abstain from discussion and voting on the approval of the Related Party Transaction.

1. The Audit Committee of the Board will review and, if appropriate, approve the Related Party Transactions. Accordingly, at first meeting of the Audit Committee in every financial year, management shall present to the Committee the following information with respect to all Related Party Transactions expected to be entered into during that calendar year:
  - a) the name of the Related Party and the basis on which such person or entity is a Related Party
  - b) the Related Party's interest in the transactions, including the Related Party's position or relationship with, or ownership of, any entity that has an interest in the transactions
  - c) the approximate rupee value of the transactions and approximate rupee value of the Related Party's interest in the transactions
  - d) a general description of the transactions, including material terms and conditions
  - e) in case of lease or other transaction providing for periodic payments or installments, the aggregate amount of all periodic payments or instalments to be made
  - f) in case of loan, aggregate amount of loan and the rate amount of interest needs to be payable on such loan
  - g) in case of guarantees issued, aggregate amount of guarantees and commission to be payable on such guarantees
  - h) in assessment of whether the transactions are on terms that are comparable to the terms available to unrelated third parties or to employees generally
  - i) any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

After reviewing such information, the members of the Audit Committee (without the participation the Committee member(s) interested in the transaction, if any) shall approve or disapprove such transactions. Approval of such transactions shall be provided only if it is determined by the Committee that such transactions are;

- a) in (or not inconsistent with) the best interests of the Company and its shareholders
- b) to be entered into by the Company (or its subsidiary or associate entity) on terms that are comparable to those that would be obtained in arm's length transactions with unrelated third parties
- c) In the ordinary course of the business of the Company. ('Ordinary course of business for this purpose will cover the businesses of NFIL group and usual transactions, customs and practices of a business and would include activities to be carried out incidental to or to facilitate the business of NFIL and is usual or customary to the Company and/or its line of business).

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.

#### **4.3. Omnibus approval for Related Party Transactions:**

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 lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.
- c. 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.  
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 ₹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 approvals after the expiry of one year.

#### **5. APPROVAL OF THE BOARD AND THE SHAREHOLDERS**

The Audit Committee shall report all 'Material Related Party Transactions' to the Board of Directors. The Company will also seek shareholders' approval for 'Material Related Party Transactions' in the subsequent annual general meeting of the year in which the Related Party Transaction is undertaken or by postal ballot process. The resolution will be a special resolution and the related parties (if any) will abstain from voting on such resolution.

In case of transactions, which are not ordinary course of business or not at arm's length, approval from the Board will be required. In case these are material transactions, shareholders' approval will be required.

Material transactions will be defined as per the following rules of the Companies Act, 2013 and SEBI guidelines:

Sr. No.	Particulars
1.	Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding <b>10% of the turnover of the Company or ₹100 crore, whichever is lower</b>
2.	Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding <b>10% of net worth or ₹ 100 crore, whichever is lower</b>
3.	Leasing of property of any kind exceeding <b>10% of the net worth or 10% of turnover or ₹100 crore, whichever is lower</b>
4.	Availing or rendering of any services directly or through appointment of agents exceeding <b>10% of turnover, or ₹50 crore, whichever is lower</b>
5.	Appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding ₹ 2,50,000/-
6.	Remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding 1% of the net worth

Under Listing Agreement, if the related party transactions (whether at arm's length or not) are material then the same needs to be approved through special resolution by the shareholders at General Meeting. The related parties shall abstain from voting on such resolutions.

## 6. EXCEPTIONS

Subject to the provisions of Companies Act, 2013 and Companies (Meetings of Board and its Powers) Rule, 2014, as amended from time to time, the transaction 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, shall be exempted from the applicability of this Policy.

Further, the following transactions will not be required to be reported to the Audit Committee under this Policy:

(a) Managerial remuneration to the Managing / Whole-time Directors as recommended by Nomination and Remuneration Committee and approved by the Board of Directors of the Company.

(b) Reimbursement or advances of business travel and expenses incurred or to be incurred directly by a director or executive officer of the Company in connection with the performance of his or her duties and approved in accordance with the Company's expense reimbursement policy.

(c) *Transactions where all shareholders receive proportional benefits:* Any transactions, arrangements or relationships where the Related Party's interest arises solely from the ownership of the Company's Shares and all holders of the Company's Shares received the same benefit on a pro rata basis.

(d) *Other Transactions:* Such other transactions as may be determined by the Committee or Board of Directors from time to time.

## 7. DISCLOSURES

This Policy shall be placed on the website of the Company [www.deepaknitrite.com](http://www.deepaknitrite.com) and web link thereto shall be provided in the Annual Report.

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