



आई एस ओ 9001 आई एस ओ 14001 यूनिट
AN ISO 9001 ISO 14001 UNIT



हिन्दुस्तान ऑर्गेनिक केमिकल्स लिमिटेड
(भारत सरकार का उद्यम)
HINDUSTAN ORGANIC CHEMICALS LIMITED
(A Govt. of India Enterprise)

HINDUSTAN ORGANIC CHEMICALS LIMITED

Related Party Transaction Policy (Policy on Materiality of Related Party Transactions and dealing with Related Party Transactions)

A. BACKGROUND

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.

In order to address this issue, Section 188 of the Companies Act, 2013 read with

Companies (Meetings of Board and its Powers) Rules, 2014 provides for the

detailed mechanism for dealing with Related Party Transaction"s ("RPT"s") of a

company. In addition, Section 177 of the Companies Act, 2013 read with

Companies (Meetings of Board and its Powers) Rules, 2014 provides for approval of the Audit Committee for RPT"s. The Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which is effective from 1st December, 2015 provides that the company shall formulate a policy on materiality of related party transactions and on dealing with related party transactions.

Keeping in view the above mentioned compliance requirements provided in Companies Act, 2013 read with related rules issued thereunder and Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI (LODR) 2015) including any amendment thereof, the Board of Directors of Hindustan Organic Chemicals Limited ("HOCL" or "the Company") acting upon the recommendations of the Audit Committee of the Board, has approved and adopted the following policy on Materiality of Related Party Transaction"s and dealing with Related Party Transaction"s.

All RPT"s as defined in this Policy shall be subject to review in accordance with the procedures set forth below.

B. OBJECTIVE OF THE POLICY

- (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, Regulation 23 of the SEBI Listing Regulations and any other laws and regulations as may be applicable to the Company.

It may be modified pursuant to the amendment in the Companies Act, 2013 or SEBI(LODR) Regulations, 2015 or any Rules and Regulations made therein.

C. DEFINITIONS

1 "Act" shall mean the Companies Act 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactment thereof.

2 "Company" or "HOCL" means Hindustan Organic Chemicals Limited

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 („OCB")" means a transaction which is:

carried out in the normal course of business envisaged in accordance with the Memorandum of Association („MoA") of the Company as amended from time to time, or

historical practice with a pattern of frequency, or

in connection with the normal business carried on by the Company, or

the income, if any, earned from such activity/transaction is assessed as

business income in the Company's books of accounts and hence is a

business activity, or

common commercial practice, or

meets any other parameters / criteria as decided by the Board/Audit Committee.

5 "Material Related Party Transaction" means a Material Related Party Transaction as defined under the Regulation 23(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 i.e.

A transaction with a related party shall be considered material if the transaction(s)

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.

6 Government Company(ies) - In accordance with Section 2(45) of the Companies Act, 2013 read with related rules issued thereon, Government Company means any company in which not less than fifty one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

7 "Relative" means a relative as defined in Section 2(77) of the Companies Act, 2013 and rules prescribed thereunder.

8 "Related Party", In accordance with Regulation 2(zb) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, related party means a related party defined under sub-section 76 of Section 2 of the Companies Act, 2013 or under the applicable accounting standards.

As per Section 2(76) of the Companies Act, 2013, Related Party 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 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 2% 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) 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;

(ix) A Director (other than Independent Director) or KMP of the holding company of such company or his relative.

The Accounting Standard 18, inter-alia, defines related party as "parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other

party in making financial and / or operating decisions."

Reference and reliance may be placed on the clarification issued by the Ministry of the Corporate Affairs, Government of India and SEBI and other Authorities from time to time on the interpretation of the term "Related Party".

8 "Related Party Transactions" as defined under Regulation 2(1)(zc) of the SEBI Listing Regulations means a transfer of resources, services or obligations between a listed entity and a related party, regardless of whether 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.

Section 188 of the Companies Act, 2013, encompasses all contracts or arrangement with a Related Party with respect to:

sale, purchase or supply of any goods or materials;

selling or otherwise disposing of, or buying, property of any kind;

leasing of property of any kind;

availing or rendering of any services;

appointment of any agent for purchase or sale of goods, materials, services or property;

such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and

Underwriting the subscription of any securities or derivatives thereof, of the company.

9 "Transaction" shall be construed to include single transaction or a group of transactions in a contract;

10 "Turnover" means a turnover as defined in Section 2(91) of the Companies Act, 2013 and rules prescribed thereunder.

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.

11. Material Related Party Transactions

In accordance with Regulation 23 of SEBI(LODR) 2015, a Transaction with related party shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the company.

12. Key Managerial Personnel"s (KMPs) - in relation to a company, means-

- a. the Chief Executive Officer or the managing director or the manager;
- b. the company secretary;
- c. the whole-time director;
- d. the Chief Financial Officer; and
- e. such other officer as may be prescribed under Companies Act, 2013.

13. Subsidiary Company - The terms Subsidiary Company shall have the same meaning as specified under Companies Act, 2013 read with related rules issued thereon including any statutory modification and amendment thereof as may be issued from time to time.

14. "Net worth" means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

D. PROCEDURE

1. In line with the provisions of Regulation 23 of SEBI(LODR) 2015, and the provisions of Section 177 of the Companies Act, 2013, the Audit Committee / Board (if no audit committee is existing) of the Company shall review and approve all Related Party Transactions existing on the date of this Policy or proposed to be entered into by the Company.

2. Omnibus Approval - Audit Committee / Board may grant omnibus approval for Related

Party Transactions provided it is satisfied that there is a need to grant such approval in the interest of the Company. Such approval may be granted by Audit Committee /Board for the proposed transaction subject to the following:

- (a) Transactions which are repetitive in nature;
- (b) The Audit Committee /Board shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;
- (c) The 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/ Board may deem fit.

However, in case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided for such transaction the value does not exceed Rs.1 crore per transaction;

(d) The Audit Committee /Board 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 approval shall be valid for a period of one year and shall require fresh approvals after the expiry of one year.

3. Details to be provided to the Audit Committee /Board - In accordance with Companies Act, 2013 read with related rules issued thereon including any statutory modification and amendment thereof, with respect to Related Party Transactions following information, to the extent relevant, shall be presented to the Audit Committee: /Board :

- o A general description of the transaction(s), including the nature, duration of the contract, material terms and conditions and particulars of the contract or arrangement.
- o The name of the Related Party and the basis on which such person or entity is a Related Party.
- o Name of director or KMP who is related
- o Nature of relationship
- o Any advance paid or received for the contract or arrangement, if any.
- o Period of transaction
- o Maximum amount of transaction that can be entered into
- o The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
- o The indicative base price / current contracted price and the formula for variation in the price if any. Other commercial terms, both included as part of contract and not considered as part of the contract
- o Any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).

4. The Audit Committee / Board shall also review and approve any subsequent modification of transactions of the Company with Related Parties.

5. Approval of Board / Shareholders - In accordance with the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of SEBI(LODR) 2015, the Board of Directors and shareholders of the Company shall accord prior approval for related party transactions, as under:

a. Board of Directors and Shareholders approval in terms of Companies Act, 2013 – Prior approval of the Board is required for specified transactions

which are not in ordinary course of business or not on arm's length basis.

b. Board of Director's and Shareholders approval in terms of SEBI (LODR) 2015 - In terms of Regulation 23 of SEBI(LODR) 2015, all Material Related Party Transaction shall require approval of the Shareholders of the Company by way of resolution. All entities falling under the definition of related parties shall abstain from voting at the shareholders meeting, irrespective of whether the entity is a party to the particular transaction or not.

However approval of Shareholders by way of a resolution would be required under Section 188 of the Companies Act 2013 and rules made thereunder for related party transactions if they are not in the ordinary course of business and / or are not on arms length basis and exceed the limits provided for the specified transactions as mentioned below:

Transactions covered Transaction value

Sale, purchase or supply of any goods or materials directly or through appointment of agents *

Exceeding 10% or more of turnover of the Company or Rs.100 Crore, whichever is lower

Selling or otherwise disposing of, or buying property of any kind directly or through appointment of agents * exceeding 10% or more of Net Worth of the Company or Rs. 100 Crore, whichever is lower

Transactions covered Transaction value Leasing of property of any kind* Exceeding 10% of net worth of the Company or 10% or more of turnover of the Company or Rs.100 Crore, whichever is lower

Availing or rendering of any services directly or through appointment of agents * exceeding 10% or more of Turnover of the Company or Rs. 50 Crore, whichever is lower

Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company monthly remuneration exceeding Rs. 2.5 Lakh Remuneration for underwriting the subscription of any securities or derivatives thereof, of the company* exceeding 1% of Net Worth

* The limits shall apply for these transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

c. Exemption from approval - In terms of Regulation 23(5) of SEBI(LODR) 2015, following transactions are exempted from the requirement of obtaining the Board/Shareholders approval;

i) Transactions entered into by HOCL with other government companies;

ii) Transactions entered into between HOCL and its wholly owned subsidiary (HFL) whose accounts are consolidated with HOCL .

d. In accordance with Section 188 of the Companies Act, 2013 read with related rules issued thereunder, in case of 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.

E. RATIFICATION OF THE RELATED PARTY TRANSACTIONS

Where any contract or arrangement, which is considered as a Related Party Transaction as per Companies Act, 2013, is entered into by a director or any other employee, without obtaining the consent of Audit Committee or the Board or the shareholders of the Company, as the case may be, such transaction shall be ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into.

In case such transaction is not ratified within the specified period, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

F. DISCLOSURE

(I) Every Contract or arrangement entered into with Related Parties with the approval of Board / Shareholders as per Section 188(1) of the Companies Act 2013, shall be included in the Board's Report to the shareholders in Form AOC 2 or such other form as may be amended from time to time.

(II) Further, in accordance with Section 184 of the Companies Act, 2013 and all other applicable provisions, every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

(III) Details of Material Related Party Transactions of the policy shall be disclosed quarterly along with the compliance report on corporate governance to be filed with Stock Exchanges.

(IV) The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report.

G. REGISTER OF CONTRACT OR ARRANGEMENTS WITH A RELATED PARTY

The Company shall maintain Register of Contract or arrangements with a related party with respect to which Section 188(1) of the Companies Act, 2013 applies in Form MBP 4 or such other form as may be amended from time to time.

H. MODIFICATIONS AND AMENDMENTS IN THE POLICY

The Audit Committee /Board will review and may amend this policy as may be required from time to time in accordance with the provisions of the Companies Act, 2013, rules made therein, SEBI (LODR) 2015 and any further amendments and notifications as may be made effective in this regard. Any subsequent notification, circular, guidelines or amendments under Companies Act, 2013, revised listing agreement /Regulations, accounting standards /Ind.AS and all other applicable laws, as may be issued from time to time shall be mutatis mutandis applicable without any further modification or amendment in this Policy.
