



FINEOTEX CHEMICAL LIMITED

POLICY ON RELATED PARTY TRANSACTION

<i>Adopted on</i>	<i>30th October, 2021</i>	<i>Policy on RPT - 1</i>
<i>Revised on</i>	<i>20th May, 2023</i>	<i>Policy on RPT – 1.1</i>

POLICY ON RELATED PARTY TRANSACTIONS

1) 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 the Fineotex Chemical Limited (the “Company” or “FCL”) has formulated this Related Party Transaction policy (this “Policy”) in line with Regulation 23 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements), 2015 as amended by Securities and Exchange of India (Listing Obligation and Disclosure Requirements) (Amendment) Regulations, 2018 (“Listing Regulations”).

Also, Regulation 23 of the Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

In light of the above, this Policy has been adopted / revised 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.

In case of any inconsistency in the Policy and the Act / Listing Regulations, as may be amended from time to time, the provisions of the Act / Listing Regulations would prevail.

2) OBJECTIVES:

The Audit Committee of the Company has approved this Policy to set forth the procedures under which transactions between the Company and Related Parties shall be identified and reviewed for approval or ratification in accordance with the procedures set forth below and as prescribed under Listing Regulations and the Companies Act 2013 and the rules framed thereunder (including any statutory modification(s) or re-enactment thereof) (the “Act”). No Related Party transaction may be entered into or no existing Related Party transaction shall be modified or renewed by the Company, except in accordance with the provisions of this Policy.

3) APPLICABILITY:

The Policy on Related Party Transaction shall be governed by Section 188 of the Companies Act, 2013 read with Rules made thereunder and Regulation 23 of the Listing Regulations.

4) KEY DEFINITIONS:

“**Audit Committee**” shall mean the audit committee of the Board of Directors of the Company constituted in accordance with the requirements prescribed under the Act and Listing Regulations.

“**Arms’ 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.

“**Board of Directors**” or “**Board**”s shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and Listing Regulations.

“**Key Managerial Person**” means in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.

“**Material modification**” shall mean and include any modification to a Related Party Transaction of an amount exceeding 30% of the existing value of transaction/contract.

Provided further that in case of multiyear contracts with Related Parties, material modification shall mean and include any modification of an amount exceeding 20% of the transaction / contract value prevailing as at the end of the immediately preceding financial year.

“**Material Subsidiary**” shall mean a subsidiary, whose income or net worth exceeds 10 (ten) percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.

“**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.

“**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 as amended.

Further a related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity’).

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control of the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) 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).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:

- (a) that person's children, spouse or domestic partner, brother, sister, father and mother;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Compensation includes all employee benefits (as defined in Ind AS 19, Employee Benefits) including employee benefits to which Ind AS 102, Share based Payments, applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:

- (a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
- (b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- (c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;



- (d) termination benefits; and
- (e) share-based payment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Government refers to government, government agencies and similar bodies whether local, national or international. A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government. The terms ‘control’ and ‘investment entity’, ‘joint control’ and ‘significant influence’ are defined in Ind AS 110, Ind AS 111, Joint Arrangements, and Ind AS 28, Investments in Associates and Joint Ventures, respectively and are used in this Standard with the meanings specified in those Ind ASs.

However, the following are **not related parties**:

- (a) two entities simply because they have a director or other member of key management personnel in common or because a member of key management personnel of one entity has significant influence over the other entity.
- (b) two joint venturers simply because they share joint control of a joint venture.
- (c) (i) providers of finance,
(ii) trade unions,
(iii) public utilities, and
(iv) departments and agencies of a government that does not control, jointly control or significantly influence the reporting entity, simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision making process).
- (d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, simply by virtue of the resulting economic dependence.

**“Related Party Transaction”**

- 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; and
- for the purpose of Regulation 2(1)(zc) of the Listing Regulations, a transfer of resources, services or obligations between:
 - a. the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand;
 - b. the Company 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 Company or any of its subsidiaries with effect from 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.

Provided that this definition shall not be applicable for the units issued by Mutual Funds which are listed on Recognized Stock Exchanges.

Following shall not be considered Related Party Transaction of the Company in terms of SEBI Listing Regulations:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- (b) payment of dividend by the Company
- (c) subdivision or consolidation of securities by the Company
- (d) issuance of securities by way of a rights issue or a bonus issue and
- (e) buy-back of securities.

“Relative” means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under.

Any other term not defined herein shall have the same meaning as defined in the Act, the Listing Regulations, Securities Contract Regulation Act or any other applicable law or regulation.

5) MATERIALITY THRESHOLDS

In accordance with Regulation 23 of Listing Regulations, the Company has formulated this Policy on materiality of related party transactions and on dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

A transaction with a related party shall be considered material if the transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10 (ten) percent of the annual standalone turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower (“**Material Related Party Transaction**”).

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, exceeds 5% of the annual consolidated turnover of the Company as per the last audited financial statements.

6) IDENTIFICATION OF POTENTIAL RELATED PARTY TRANSACTION

Each Director and Key Managerial Personnel is responsible for providing advance notice to the Board or Audit Committee of any potential Related Party Transaction involving himself/herself or their relatives, including any additional information about the transaction that the Board or Audit Committee may request. 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 Notice of any potential Related Party transaction shall be intimated to the Board/ Committee, well in advance so that the Board/ Committee has adequate time to review the transaction.

7) RESTRICTIONS ON RELATED PARTY TRANSACTION

All related party transaction shall require prior approval of the Audit Committee, however the Audit Committee may grant omnibus approval for Related Party Transaction proposed to be entered into by the Company subject to the following conditions

A related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such

transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the Annual Standalone Turnover, as per the last audited financial statements of the subsidiary;

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the Company and such approval shall be applicable in respect of transactions which are repetitive in nature.

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company.

Such omnibus approval shall specify the following details:

- i. The name of the Related Party
- ii. Nature of transaction
- iii. Period of transaction
- iv. Maximum amount of transaction that can be entered into
- v. The indicative base price/ current contract price and the formula for variation in the price if any
- vi. Members of the audit committee who are independent directors, shall approve related party transactions.
- vii. 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 Rs. 1 Crore per transaction.

8) REVIEW OF RELATED PARTY TRANSACTION

Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transaction entered in to by the Company pursuant to each of the omnibus approval given. Approval given by the Audit Committee shall be valid for not exceeding one year and shall require fresh approvals after the expiry of one year.

Prior Approval of Board of Directors under Companies Act, 2013

Related Party Transaction which are either not in the ordinary course of Business or not at Arm's Length

Price shall require prior approval of the Board of Directors.

Approval of Shareholders

a) Approval of Shareholders as per the requirement of Companies Act, 2013

Related Party Transaction with are either not in the 'Ordinary Course of Business' or are not at 'arm's length price' and exceeds the threshold under section 188 of the Companies Act, 2013, shall also require prior approval of the shareholders through special resolution.

No members of the Company shall vote in a special resolution where related party contract or arrangement is being considered if such a member is a Related Party in Contract or Arrangement which is being considered.

b) Approval of Shareholders as per the requirements of Regulation 23 of LODR

All material Related Party Transaction with exceeds the threshold limit as prescribed under Regulation 23 of Listing Regulations shall require approval of Shareholders through special resolution.

All material related party transactions and subsequent material modifications as defined by the audit committee shall require prior approval of the shareholders through resolution. Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if the regulation 23 and sub-regulation (2) of regulation 15 of the listing regulations are applicable to such listed subsidiary.

All the Related parties interested in the subject matter of the resolution shall abstain from voting on such resolution.

However the above shall not be applicable to the transaction 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.

9) RELATED PARTY TRANSACTION NOT APPROVED UNDER THE POLICY

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 of 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 for the loss suffered by the related party 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.

10) DISCLOSURES

FCL shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

Further, FCL shall submit to the stock exchanges, on a half-yearly basis, within the timelines as prescribed by SEBI from time to time, the disclosures relating to Related Party Transactions in the format as specified by SEBI from time to time and publish the same on the website of the Company.

This policy shall also be uploaded on the website of the Company at www.fineotex.com and a web-link thereto shall be provided in the Annual Report of the Company.

11) REVIEW OF THE POLICY

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly based on the recommendations of the Audit Committee.