



POLICY ON MATERIALITY OF AND DEALING WITH RELATED PARTY TRANSACTIONS

CORPORATE POLICIES



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PREAMBLE

The Board of Directors (“the Board”) of the Company understands the importance of stakeholders’ confidence and trust in the Company. Considering the requirements of Companies Act, 2013 read with Rules drafted thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI (LODR) Regulations”) there is a need for proper identification, conduct and documentation of the Related Party Transactions (“RPT”).

In order to ensure transparency in Related Party Transactions and avoidance of conflict of interest with the stakeholders, the Board of Directors has adopted following policy with respect to the RPT of the company viz “Policy on Materiality of and Dealing with Related Party Transactions” (the “Policy”).

OBJECTIVES OF THE POLICY

The changes carried out through Companies Act, 2013 and SEBI (LODR) Regulations, pose many requirements on the Company. One such requirement is that the Company is required to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

The objectives of this Policy is to set out:

- a) Identification of the Related Parties
- b) The materiality threshold for related party transactions
- c) The manner of dealing with the transaction between the Company and its related parties based on the Act, SEBI (LODR) Regulations and any other laws and regulations as maybe applicable to the Company.

All Related Party Transactions should be referred to the Audit Committee of the Company for prior approval with effect from 01 October 2014. The Audit Committee shall also approve any subsequent modifications of RPT. The Audit Committee may also grant omnibus approval for certain category of transactions, which shall be valid for period not exceeding one year, and shall require fresh approval thereafter. The onus will be on corporate accounts to refer RPT or potential RPT to the Audit Committee.

The Related Party Transactions as detailed in Section 188 of the Companies Act, 2013 shall further require Board/ Shareholder approval, as applicable.

DEFINITIONS

“Act” means the Companies Act, 2013, Rules framed thereunder and any amendments thereto;

“Arm’s Length Transaction (‘ALP’) means a transaction between two related parties that is conducted as if they are unrelated, so that there is no conflict of interest.

“Audit Committee” shall mean a committee of Board of Directors of the Company constituted by the Board of Directors of the Company in accordance with Section 177 of the Act and Regulation 18 of SEBI (LODR) Regulations.

“Company” the words “This Company”, “The Company”, “Company” wherever occur in the policy shall mean “IOL Chemicals and Pharmaceuticals Limited”.

“Compliance Officer” means “Company Secretary” of the Company.

“Key Managerial Personnel” (KMP) means:

- a) the Chief Executive Officer or the Managing Director or the Manager and in their absence the Whole Time Director;
- b) the Company Secretary;
- c) the Chief Financial Officer; and
- d) any other person appointed as the KMP by the Board of Directors of the Company;

“Material Related Party Transaction”, means a transaction/contracts with a related party where the transaction(s) to be entered into individually or taken together with previous transactions with a related party during a financial year, exceeds ten percent of the annual consolidated turnover of the Company as per last audited financial statements of the Company.

Notwithstanding the above, 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.

“Materiality Threshold” means limits for related party transactions beyond which the shareholders’ approval will be required as specified in Companies Act, 2013 and rules thereof and amendments thereto.

“Policy” means this policy, as amended from time to time.

“Related Party” will have the same meaning as defined under Section 2(76) of the Act and/ or the SEBI (LODR) Regulations and any amendments thereto, if any.

“Relative” in relation to a related party shall have the same meaning assigned to in Section 2(77) of the Act and any amendments thereto.

“Related Party Transaction” means all transaction(s) between the Company on one hand and one or more related party (ies) on the other hand including contracts, arrangements and transactions as envisaged in Section 188(1) of the Act and/or Regulation 2(zc) and Regulation 23 of SEBI (LODR) Regulations.

INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013, SEBI (LODR) Regulations and/or any other SEBI Regulation(s) as amended from time to time. 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.

GUIDELINES

Procedure for approval of related party transactions

Approval of the Audit Committee

The related party transaction(s), whether fresh or modification in the existing transactions thereof, shall require prior approval of the Audit Committee of the Company as required under Companies Act, 2013/ SEBI (LODR) Regulations as amended from time to time.

The Audit Committee shall consider the following while determining the related party transactions:

- Nature of relationship with related party;
- Nature, duration of contract, material terms, monetary values and particulars of the contract or arrangement;
- Maximum amount of transaction that can be entered into;
- Any advance paid or received for the contract or arrangement
- Method and manner of determining the pricing and other commercial terms;
- Whether the transaction is at arm’s length; and
- Any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.

However, the Audit Committee may grant 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, subject to compliance with the following conditions:

- a) The Audit Committee shall lay down the criteria for granting the omnibus approval.
- 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 RPT 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) Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- e) Audit Committee shall review on a quarterly basis, the details of RPT entered into by the Company pursuant to each of the omnibus approval given.
- f) No prior approval of Audit Committee is required to be obtained by the Company, if the RPT is proposed to entered into with its wholly owned subsidiary(ies).

Any changes in the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee and the Board. The Audit Committee / Board will give suitable directions / guidelines to implement the same.

Approval of the Board of Directors of the Company

The following related party transactions shall further require approval of the Board, either prior to the transaction or approval/ratification within three (3) months from the date of transaction.

- 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:

Approvals of the Shareholders of the Company

If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length price and exceeds certain thresholds prescribed under the Companies Act, 2013, it shall require shareholders' approval by a special resolution. In such a case, any member of the Company who is a Related Party, shall not vote on resolution passed for approving such Related Party Transaction.

The Board of Directors of the Company shall review the Policy once in three years and may amend the same from time to time.

Handling the RPT not approved under this policy

In the event any employee, officer or Director of the Company became aware of any transaction with related party being in deviation from the policy, such person shall promptly notify to the Compliance Officer regarding such transaction. The Compliance Officer shall ensure that such transactions are brought to the notice of the Audit Committee, as early as possible but not later than the first Audit Committee meeting held after the date of such intimation.

The Audit Committee, shall evaluate such transaction and decide the action to be taken as it may consider appropriate including ratification, revision or termination of the RPT.

Disclosures

The Company shall make the necessary disclosures of related party transactions in the Board' Report as required under the Act. The details of all material transactions with related parties shall be disclosed on a quarterly basis along with the Compliance Report on Corporate Governance filed with the Stock Exchanges under Listing Regulations.



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