

**Chembond Chemicals Limited**  
**Policy on Related Party Transactions**  
As per clause 49 of the Listing Agreement

---

**A. Preamble :-**

Security Exchange Board of India (SEBI), vide Circular Dated 17<sup>th</sup> April 2014, revised clause 49 of Listing Agreement, duly amended from time to time, ("LA") entered into by the company with the stock Exchanges and further amended that clause vide circular dated 15<sup>th</sup> September, 2014. The Amended clause 49 requires all listed companies to formulate a policy on materiality of Related Party Transactions, on dealing with Related Party Transactions and to determine material subsidiary. This policy has been framed for complying with above requirements.

The Board of Directors of Chembond Chemicals Limited (the "Company") has adopted the "Chembond Chemicals Limited's Policy on Related Party Transactions" (or "Policy") pertaining to the transactions to be entered into with related parties. The policy deals with criterion for determining material subsidiary, determining material non-listed Indian subsidiary, determining materiality of related party transactions and dealings with related party transactions.

**B. Definitions or Terms :-**

- a. "Audit Committee" or "AC" means a Committee of the Board of Directors of the Company constituted under Sec. 177 of the Companies Act, 2013 (CA13) or any previous Companies Act then in force and as per clause 49 of LA.
- b. "Board" means the Board of Directors of the Company.
- c. "Related Party Transaction" or "RPT" shall have the meaning assigned to it under cl. 49 of LA.

Subject to any amendment, definition of RPT under clause 49 is as follows:

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

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

- d. "Related Party" shall have the meaning assigned to it under clause 49 of LA.

Subject to any amendment, definition of RPT under clause 49 is as follows:

"For the purpose of Clause 49 (VII), an entity shall be considered as related to the company if:

- (i) such entity is a related party under Section 2(76) of the Companies Act, 2013;
- or
- (ii) such entity is a related party under the applicable accounting standards."

*Related Party* as per Sec. 2(76) of CA13 (subject to any amendment) 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 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) 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) such other person as may be prescribed; (a director, other than Independent Director, or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party)

e. "*Relative*" shall have the meaning as defined under Sec. 2(77) of CA13. As per Sec. 2(77) (subject to any amendment), "*Relative*", with reference to any person, means any one who is related to another, if –

- i. they are members of a Hindu undivided family;
- ii. they are husband and wife;

- 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).
- f. *"Key Managerial Personnel"* or *"KMP"* shall have same meaning as defined under Sec. 2(51) of CA13 which lists out following personnel as KMP: -
- the Chief Executive Officer or Managing Director or Manager;
  - the Company Secretary;
  - the Whole-time Director;
  - the Chief Financial Officer
- g. *"Material Related Party Transaction"*: A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten (10) percent of the annual consolidated turnover as per the last audited financial statements of the company.

**C. Policy and Procedure :-**

1. As regards dealing with RPTs, provisions of CA13 including rules framed thereunder and LA shall be adhered to and this policy shall be subject to the provisions of said CA13 and LA.
2. As per Clause 49(VII)(D), all RPTs shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for RPTs 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 on Related Party Transactions of the company 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 & 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 Rs.1 Crore per transaction.
- d. Audit Committee shall review, atleast on a quarterly basis, the details of RPTs 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.

As per Clause 49(VII)(E), all Material RPTs shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

Provided that sub-clause 49 (VII)(D) and (E) shall not be applicable in the following cases:

- (i) transactions entered into between two government companies;
- (ii) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

*Explanation (i):* "Government company" shall have the same meaning as defined in Sec. 2(45) of the CA13."

*Explanation (ii):* All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

3. In the event the transaction, contract or arrangement with the Related Party is either not in the ordinary course of business or is not at arm's length or both, the Company shall comply with the provisions of the CA13 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable. Hence, In terms of CA13 and LA, following types of transactions shall require approval from shareholders: -
  - Transactions not in the ordinary course of business
  - Transactions in the ordinary course of business if not done at an arm's length
  - Material Transactions as defined under clause 49 (VII) (C) of LA
4. Every director shall, at the beginning of the financial year, provide information by way of a written notice to the Company regarding his concern or interest in the entity with specific concern to parties which may be considered as related parties with respect to the Company and shall also provide the list of relatives which are regarded as related party as per this policy.
5. Directors are also required to provide the information regarding their engagement with other entity during the financial year which may be regarded as related party according to this policy.
6. Each director and KMP is responsible for providing notice to the Company of any potential RPT in his knowledge where he may be considered interested. Audit Committee will determine whether a transaction does, in fact, constitute a RPT requiring compliance with this policy. The Directors and KMPs shall endeavor to ensure that their notice of any potential RPT is delivered in advance so that the Audit Committee finds adequate time to obtain and review information about the proposed transaction.
7. Each Director who is a Related Party with respect to a particular RPT shall disclose all material information to the Committee concerning such RPT and his or her interest in such transaction.
8. As per clause 49(III)(E), Audit Committee shall, *inter alia*, mandatorily review significant related party transactions (as defined by the Committee). As per clause 49(V)(C), management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.  
  
For this purpose, "significant transaction or arrangement" shall mean any individual transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case

may be, of the material unlisted subsidiary for the immediately preceding accounting year.

9. Management shall present AC/Board the relevant information about RPT which shall, inter alia, include:
  - a. Name of the party to transaction,
  - b. Type of transaction,
  - c. Interested related party
  - d. Amount of transaction
  - e. Any other conformation which may be necessary for proper understanding or which AC/Board asks for.
10. The Audit Committee may recommend amendments to this Policy from time to time as may be considered appropriate.

**D. Policy on determining Material Subsidiary :-**

1. Material Subsidiary:

In terms of clause 49(V)(D), subject to any amendment from time to time, a subsidiary shall be considered as material :-

- if the investment of the company in the subsidiary exceeds twenty per cent of its consolidated net worth as per the audited Balance Sheet of the previous financial year
- or
- if the subsidiary has generated twenty per cent of the consolidated income of the company during the previous financial year.

2. Material Non-listed Indian Subsidiary:

In terms of Explanation (i) to clause 49(V) of LA, the term "material non-listed Indian subsidiary" shall mean an unlisted subsidiary, incorporated in India, whose income or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated income or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

14<sup>th</sup> February, 2015  
Mumbai

For Chembond Chemicals Limited

Sameer V. Shah  
Chairman & Managing Director