

# INDIA GELATINE & CHEMICALS LIMITED

## Policy on Materiality of Related Party Transaction

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CIN – L99999GJ1973PLC002260

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## *Policy on Materiality of Related Party Transaction*

### **1. Preamble**

The Board of Directors (the “Board”) of India Gelatine & Chemicals Ltd. (the “Company” or “IGCL”), has adopted the following policy and procedures with regard to Related Party Transactions as defined below.

This policy will be applicable to the Company. This policy is to (A) regulate transactions between the Company and its Related Parties and (B) the materiality thresholds for RPTs, based on the Act, SEBI (LODR) Regulations and any other statute as may be applicable to the Company.

### **2. Purpose**

In view of the various circulars and clarifications issued by the Ministry of Corporate affairs & stock Exchange from time to time and pursuant to Regulation 23 of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 as amended from time to time, (“SEBI LODR”) including SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulation 2021.

Also, Regulation 23(1) of the SEBI LODR requires a company to formulate a policy on materiality of Related Party Transactions (“RPTs”) and dealing with RPTs. Regulation 23(2) of the SEBI LODR also requires defining material modifications of RPTs and disclose it as part of the RPT policy.

The Board of Directors has on recommendation of the Audit Committee, adopted the Policy on Materiality of Related Party Transaction and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

Going forward, the Audit Committee would review and amend the RPT Policy, as and when required, subject to the approval of the Board. In addition to the above, The Audit Committee and Board of Directors reviewed t& updated his Policy in their respective meetings held on 09.02.2023

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this Policy shall be reviewed by the Board of Directors at least once in three years.

## 3. Definitions

- “**Act**” means Companies Act, 2013
- “**Arm’s length price**”, pursuant to Income tax Act, 1961, judicial pronouncements), and other applicable provisions from time to time, means a price which is applied or proposed to be applied in a transaction between persons other than associated enterprises, in uncontrolled conditions;
- “**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.
- “**Audit Committee or Committee**” means Committee of Board of Directors of the Company constituted under provisions of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 and Companies Act, 2013.”
- “**Board**” means Board of Directors of the Company
- “**Control**” shall have the same meaning as defined in SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- “**Key Managerial Personnel**” means key managerial personnel as defined under the Companies Act, 2013 and includes:
  - i. Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
  - ii. Company Secretary; and
  - iii. Chief Financial Officer
- “**Material Related Party Transaction**” means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the

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Company as per the last audited financial statements of the Company, whichever is lower.

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 five percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company

- **“Material Modification(s)”** means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.
- **“Policy”** means Policy on Materiality of Related Party Transaction as amended from time to time.
- **“Related Party”** means a related party as defined under the Companies Act, 2013 means a related party as defined under the Act and Regulation 2(1)(zb) of the Listing Regulations, as amended from time to time.
- **"Related Party Transactions"** shall mean such transactions as specified under the Act and Regulation 2(1)(zc) of the Listing Regulations including any amendment or modification thereof, as may be applicable and shall mean a transaction involving a transfer of resources, services or obligations between:
  - a) the Company or any of its subsidiaries on the one hand and a related party of the 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.

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Following shall not be considered RPTs of the Company in terms of SEBI LODR:

- 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;
  - payment of dividend by the Company;
  - subdivision or consolidation of securities by the Company;
  - issuance of securities by way of a rights issue or a bonus issue and
  - buy-back of securities.
- “**Relative**” means a relative as defined under Section 2(77) of the Act and Regulation 2(1)(zd) of the Listing Regulations

## 4. Manner of dealing with Related Party Transactions and materiality thresholds

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

### a) Identification of Related Parties

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/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/Board has adequate time to obtain and review information about the proposed transaction.

### b) Identification of Related Party Transactions

As a policy, The Company will identify the RPTs as per the applicable laws, which require consent of the Audit Committee, Board of Directors and shareholders, as the case may be. The RPT's shall be independently reviewed, approved and included for confirmation as a part of Related Party Policy mechanism. The

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Company shall report the transactions entered into with related parties under this RPT Policy and put the same for necessary approvals required as per the applicable law.

## c) Materiality Thresholds

The Board of the Company has prescribed the below materiality thresholds for RPTs beyond which approval of the shareholders through a resolution shall be required:

### ➤ As per SEBI LODR:

- i. Any transaction with a related party, 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 or ₹ 1,000 crore, whichever is lower.
- ii. 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 5% of the annual consolidated turnover of Company as per the last audited financial statements of Company.

### ➤ As per the Act:

RPTs falling under Section 188(1) of the Act read with Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014, as amended from time to time and exceed limits provided under the said rules.

## d) Procedure for approval of Related Party transactions

### 1. Approval of the Audit Committee:

- i. Prior approval of the Audit Committee is required for:
  - a. All RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR.

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- b. A RPT to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual consolidated turnover, as per the last audited financial statements of the Company.
  - c. With effect from April 1, 2023, an RPT to which the subsidiary of a Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten percent of the annual standalone turnover, as per the last audited financial statements of the subsidiary company.
  - d. With effect from April 1, 2023, 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.
- ii. Prior approval of the Audit Committee shall not be required for:
    - a. RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI LODR are applicable to such listed subsidiary.
    - b. RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.
    - c. RPT or subsequent material modifications of RPT (other than those RPT stipulated under Section 188 of the Act) 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
    - d. RPT entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
  - iii. Members of the Audit Committee, who are independent directors, shall only approve RPTs.
  - iv. The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party. Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between

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subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI LODR including the Following:

- The Audit Committee shall lay down the criteria/Framework and Guidelines for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive in nature (either in the past or in the future);
- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company ;
- The omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transactions, in aggregate, that can be entered into in a year, maximum value per transaction which can be allowed, maximum value of transaction during the year (ii) the indicative base price / current contracted price and the formula for variation in the price if any, (iii) transactions which cannot be subject to the omnibus approval by the Audit Committee and (iv) such other conditions as the Audit Committee may deem fit.

Provided that where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction;

- The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approvals given
- Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

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- Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company.
  
- v. For each category of transaction identified as per the Clause 4(b) of this policy, the Company has framed specific Framework and Guidelines explaining the arm's length criteria to be followed by the Company while entering into transactions falling under contracts and agreements with related parties identified as per Clause 4(a) of this policy. The Company, while entering into RPTs will ensure adherence with the Framework and Guidelines and will maintain necessary documents for the same.
  
- vi. While assessing a proposal put up before the Audit Committee for approval, the Audit Committee shall review the following documents / seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:
  - ✓ Type, nature, material terms and particulars of the proposed transaction;
  - ✓ Name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - ✓ Tenure of the proposed transaction (particular tenure shall be specified);
  - ✓ Value of the proposed transaction;
  - ✓ The percentage of the Company's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for an RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided);
  - ✓ If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary:
    - details of the source of funds in connection with the proposed transaction;
    - where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
      - nature of indebtedness;

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- cost of funds; and
  - tenure;
  - applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
  - the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
- ✓ Justification as to why the RPT is in the interest of the Company;
  - ✓ A copy of the valuation or other external party report, if any such report has been relied upon
  - ✓ Any other relevant information or such information as may be prescribed under SEBI LODR
- vii. The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.
- viii. In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

## 2. Approval of the Board of Directors of the Company

- i. As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary and shall if the Audit Committee or Board so requires, seek external professional opinion to determine whether an RPT is in the ordinary course of business and/or at arms' length.
- ii. In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:
- Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;

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- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
  - Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
  - Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.
- iii. Where any director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

### 3. Approval of the Shareholders of the Company

- i. All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, are placed before the shareholders for approval.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which (a) are not in the ordinary course of business or are not at arm's length basis; and (b) exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time, shall be placed before the shareholders for approval.

- ii. The requirement for seeking Shareholders' approval shall not be applicable to transactions between the Company and its wholly-owned subsidiary(ies) whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.
- iii. Further, the requirement for seeking shareholders' approval shall not be applicable for RPTs between the two wholly owned subsidiaries of the

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Company whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval

- iv. No related party shall vote to approve such resolutions irrespective of whether the entity is a related party to the particular transaction or not
- v. The following information shall be provided to the shareholders while seeking their approval for RPTs:
  - i. A summary of the information provided by the management of the Company to the audit committee
  - ii. Reasons/justification for why the proposed transaction is in the interest of the Company;
  - iii. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary, the details specified under:
    - I. details of the source of funds in connection with the proposed transaction;
    - II. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments
      - o nature of indebtedness;
      - o cost of funds; and
      - o tenure;
    - III. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    - IV. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.
  - iv. A statement that the valuation or other external report, if any, relied upon by the Company in relation to the proposed transaction will be made available through the registered email address of the shareholders;
  - v. Any other relevant information or such information as may be prescribed under SEBI LODR.

## 5. Ordinary Course of Business

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The Framework and Guidelines shall provide for determining whether transactions are in the ordinary course of business.

## 6. Disclosures and Reporting

- a. Details of the RPTs during the quarter shall be disclosed in the Audit Committee and Board meeting.
- b. The Company shall disclose to the Stock Exchanges along with the compliance report on corporate governance on a quarterly basis, details of all material RPTs with related parties. In addition, the Company shall also submit to the stock exchanges disclosures of RPTs in the format as specified by the SEBI from time to time, and publish the same on its website in accordance with the SEBI LODR.
- c. Board's Report shall contain details of RPTs as required under applicable law.
- d. This Policy shall be communicated to all concerned employees and other persons of the Company at all locations for implementation and reporting.

## 7. Related Party Transactions not approved under this Policy

- ❖ In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.
- ❖ Further, in case any transaction (not being a specified transaction under the Act between the Company and its wholly owned subsidiary) involving any amount not exceeding ₹ 1 crore is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and which is not ratified by the Audit Committee within 3 months from the date of the transaction, such transaction will be voidable at the option of the Audit Committee, and if the transaction is with a related party to any Director or is

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- authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.
- ❖ In any case, where the Audit Committee determines not to ratify a RPT 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 RPT, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.
  - ❖ Further, if any contract / arrangement is entered into by a Director or any other employee without obtaining the consent of the Board / shareholders (by a Resolution) under Section 188(1) of the Act, and if it is not ratified by the Board / shareholders, as the case may be, within 3 months from the date on which such contract / arrangement was entered into, such contract / arrangement shall be voidable at the option of the Board / shareholders, as the case may be, and if the contract / arrangement is with a related party to any Director, or is authorised by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.
  - ❖ Without prejudice to anything contained in Section 188(3) of the Act, it shall be open to the Company to proceed against a Director or any other employee who has entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract / arrangement.

## 8. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.