



# Alkyl Amines Chemicals Limited

## Policy on materiality of related party transactions and on dealing with related party transactions

### REVISION HISTORY

Version	Description	Effective date	Approved on
V.0	Policy on materiality of related party transactions and on dealing with related party transactions	October 1, 2014	January 28, 2015
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## 1. Introduction

The Securities and Exchange Board of India has amended Clause 49 of the Listing Agreement vide its circular bearing no. CIR/CFD/Policy Cell/2/2014 dated April 17, 2014 and also vide circular bearing no. CIR/CFD/Policy Cell/7/2014 dated September 15, 2014 and in compliance with Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 as amended from time to time, which are applicable to all listed entity with effect from December 1, 2015. These amendments *inter alia* require each company to formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

In addition, set of policies and procedures dealing with Related Party Transactions do require to comply with the relevant provisions of the Companies Act, 2013 (the Act) and the accounting standard (AS)-18 / Indian Accounting Standard (Ind AS)-24.

Accordingly, the Board of Directors (the Board) of Alkyl Amines Chemicals Limited (the Company) has adopted the following policy and procedures with regard to Related Party Transactions.

## 2. Scope

This policy is applicable to all the transactions that the Company may propose to enter into on or after October 1, 2014 with its Related Parties.

All material related party contracts or arrangements entered into prior to October 1, 2014 and likely to continue beyond March 31, 2015 would be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014. This Policy does not deal with such material related party contracts or arrangements.

## 3. Objective

As a part of the business activity, the Company deals with entities which are related parties. This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations to ensure fair practices. The purpose of this policy is to lay down the guiding principles, mechanism and approvals of different bodies and reporting framework. Such transactions are appropriate only if they are in the best interest of both the Company and its shareholders and the related party.

## 4. Definitions

**4.1 "Audit Committee"** means the Committee of Board of Directors of the Company constituted under provisions of SEBI (LODR) Regulations, 2015 as amended from time to time, and the Act for such purpose.

**4.2 "Arm's Length Transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is a fair consideration for both the parties and there is no conflict of interest.

**4.3 “Board of Directors” or Board”** means the Board of Directors of the Company, as constituted from time to time.

**4.4 “Company”** shall mean Alkyl Amines Chemicals limited.

**4.5 “Key Managerial Personnel”** shall mean key managerial as declared by the Board and shall include the following:

- (i) the Chief Executive Officer or the managing director or the manager;
- (ii) the company secretary;
- (iii) the whole-time director;
- (iv) the Chief Financial Officer;
- (v) such other officer as may be prescribed under Companies Act, 2013 or SEBI (LODR) Regulations, 2015, from time to time.

**4.6 “Material Related Party Transaction”** means 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 Rs. 1000 crores or 10% of the annual consolidated turnover of the Company as per its last audited financial statements “whichever is lower”, or such other amount / criteria as may be prescribed under Companies Act, 2013 / SEBI (LODR) Regulations, 2015 from time to time.

**4.7 “Related Party”** is a person or an entity which is:

- (i) a related party under Section 2(76) of the Companies Act, 2013;
- (ii) a related party under the applicable Accounting Standards;

“Provided that:

- (a) any person or entity forming a part of the promoter or promoter group of the Company; or
- (b) any person or any entity, holding equity shares:
  - (i) of 20% or more; or
  - (ii) of 10% or more, with effect from April 1, 2023;

in the Company either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediately preceding financial year; shall be deemed to be a related party:”

**4.8 “Related party transaction (RPT)”** means a transaction involving a transfer of resources, services or obligations between:

- (i) a Company or any of its subsidiary(s) on one hand and a related party of the Company or any of its subsidiary (s) on the other hand; or
- (ii) a Company or any of its subsidiary (s) 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 subsidiary (s), 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 the following shall not be a related party transaction:

- (a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (b) the following corporate actions by the Company which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
  - i. payment of dividend;
  - ii. subdivision or consolidation of securities;
  - iii. issuance of securities by way of a rights issue or a bonus issue; and
  - iv. buy-back of securities.

**4.9 “Relative”** means relative as defined under the Act which is as follows:

“Relative”, with reference to any person, means anyone who is related to another, if—

- 1. they are members of a Hindu Undivided Family;
- 2. they are husband and wife; or
- 3. one person is related to the other in such manner as follows:
  - a. Father (including step-father)
  - b. Mother ( including step-mother)
  - c. Son ( including step-son)
  - d. Son’s wife
  - e. Daughter
  - f. Daughter’s husband
  - g. Brother ( including step-brother)
  - h. Sister (including step-sister)

**4.10 “Specified Related Party Transaction”** means contract or arrangement with a related party with respect to:

- 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.

**4.11** *Words and expressions used and not defined in this Policy but defined in the SEBI (LODR) Regulations, 2015, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Act or the Accounting Standards issued under section 133 of the Act shall have the meanings respectively assigned to them in those Acts / Accounting Standards. In the event, such words or expressions are defined at more than one place, and then the meaning stricter of all should be assigned to them.*

## **5. Identification of Related Party Transactions**

**5.1** Before entering into any transaction with any party, it will be verified by the Dealing Department i.e., the marketing department, the purchase department or any other department of the Company, who is dealing with the related party, whether the said party is covered under definition of Related Party.

**5.2** For this purpose, in the first week of April every year, Secretarial Department of the Company will prepare, out of the general disclosure of interest received from Directors, list of Related Parties and furnish to Systems Department of the Company. Systems Department of the Company will make a provision in the SAP system by way of suitable coding to identify the Related Parties.

**5.3** If it is found out by the Dealing Department of the Company from the SAP system that the Party concerned is a Related Party, the matter will be referred to the Secretarial Department of the Company for taking appropriate action as detailed in the process flow statement shown at the end of this Policy

## **6. Authorisation Hierarchy**

### **6.1 What requires Audit committee approval**

**6.1.1** All Related Party Transactions and subsequent material modification shall be reported to the Audit Committee for its approval in accordance with this Policy.

Audit Committee may decide whether a particular subsequent transaction with related party is considered as a material modification of such transaction or not. Audit Committee may also consider such other amount / criteria / parameter as may be prescribed in Companies Act, 2013 / SEBI (LODR) Regulations, 2015, from time to time.

**6.1.2** The following will / is require approval of the Audit Committee:

- A. One time approval of all existing related party contracts or arrangements that are subsisting as on April 1, 2014.
- B. All RPT's and subsequent material modification will be submitted to the Audit Committee for prior approval irrespective whether such transactions are in the ordinary course of business or at arm's length or not. Such prior approval will be required for every entity and every transaction.

Provided that:

- (a) a RPT to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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 consolidated turnover, as per the last audited financial statements of the Company;
  - (b) with effect from April 1, 2023, a RPT to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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;
  - (c) prior approval of the audit committee of the Company shall not be required for a RPT to which the listed subsidiary is a party but the Company is not a party, if regulation 23 and regulation 15 (2) of these regulations are applicable to such listed subsidiary.
- C. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company in terms of principle laid down in this Policy and on satisfaction of following conditions:
- a) Related Party Transactions are repetitive in nature.
  - b) Such omnibus approval is in the interest of the Company.
  - c) The approval must 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 shall be specified;
- 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) The details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given by the Audit Committee shall be submitted to Audit Committee at least on a quarterly basis for their review
  - e) The validity of such approval shall not exceed a period in excess of one year and shall require fresh approvals after the expiry of one year.
- D. Any modification to existing RPTs including subsequent material modification, are to be approved by the Audit Committee.

## 6.2 What requires Board of Director's approval

6.2.1 The following Related Party Transactions will require prior approval of the Board of Directors:

- a. Specified Related Party Transaction which is not in the ordinary course of business but at arm's length.
- b. Specified Related Party Transaction which is in the ordinary course of business but not at arm's length
- c. Specified Related Party Transaction which is not in the ordinary course of business and not at arm's length basis and
- d. Material Related Party Transactions including subsequent material modification.

## 6.3 What requires Shareholder's approval

6.3.1 All Material Related Party Transactions including subsequent material modification.

6.3.2 In the event, the Specified Related Party Transaction falls within the criteria laid down as under, then such transactions shall not be entered into except with the prior approval of the shareholders by a special resolution.

The criteria laid down are as under:

- (a) contracts or arrangements with criteria as mentioned below:
  - (i) sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the turnover of the company,
  - (ii) selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to 10% or more of net worth of the company,
  - (iii) leasing of property of any kind amounting to 10% or more of the turnover of the company,
  - (iv) availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the turnover of the company,

**Explanation.**—It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction (s) to be entered into either individually or taken together with the previous transactions during a financial year.

- (b) is for appointment to any office or place of profit in the company, its subsidiary company or associate company at a remuneration exceeding **two and half lakh rupees per month; or**
- (c) is for remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding **one per cent of the net worth.**

**Explanation.-** (1) The Turnover or Net Worth referred in the above sub-rules shall be computed on the basis of Audited Financial Statement of the preceding Financial year.



**6.3.3** The following Related Party Transactions will require approval of the Shareholders:

- a. Specified Related Party Transaction which is not in the ordinary course of business but at arm's length
- b. Specified Related Party Transaction which is in the ordinary course of business but not at arm's length and it falls within the criteria laid down in aforesaid sub-rule.
- c. Specified Related Party Transaction which is not in the ordinary course of business and not at arm's length basis and it falls within the criteria laid down in aforesaid sub-rule.

#### **6.4 What does not require approvals**

**6.4.1** Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or shareholders:

- a. Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- b. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.

**6.4.2** Material Related Party 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 shall not require approval from shareholders.

#### **7. Approval Procedure**

**7.1.** The Managing Director/ Executive Directors/ Chief Financial Officer/ Company Secretary/ such other person as may be directed by the Audit Committee shall provide the details of Related Party Transactions that would require approval of the Audit Committee with their recommendations and shall confirm to the Audit Committee that such details are exhaustive and it does not exclude any contract or arrangement required to be reported. Such details inter alia shall also provide the following:

- a. Name of the Related Parties and nature of relationship
- b. List of Specified Related Party Transactions
- c. List of Material Related Party Transactions including subsequent material modifications
- d. List of Related Party Transactions which are in the ordinary course of business of the Company
- e. List of Related Party Transactions which are at Arm's Length Transaction
- f. Justification for entering which shall *inter alia* include terms of the transaction, business purpose of the transaction, benefits to the Company and to the Related Party, and any other relevant matters which shall include but would not be restricted to:

- the nature, duration of the contract and particulars of the contract or arrangement;
  - the material terms of the contract or arrangement including the value, if any;
  - any advance paid or received for the contract or arrangement, if any;
  - the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors;
  - the persons / authority approving the transaction; and
  - any other information relevant or important for the Audit Committee to take a decision on the proposed transaction.
- g. Justification that the Related Party Transactions is in ordinary course of business and is Arm's Length Transaction – wherever applicable.
- h. Such other details as may be specified / prescribed under Companies Act, 2013 or SEBI (LODR) Regulations, 2015, from time to time

## 8. Approval Criteria

- 8.1** In determining whether to approve a Related Party Transaction, the Audit Committee will consider inter alia, whether the transaction is in the ordinary course of business and /or at arm's length.
- 8.2** In deciding on the **arm's length** issue, the following factors, among others, to the extent relevant to the Related Party Transaction:
- a. Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;

Pricing may not be the only determinant of a transaction being at arm's length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following has been considered to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price(or margin) at which entered into with independent third parties
- The transaction is in line with third party quotations / bids from independent third parties
- Taking assistance of an expert – valuation specialist
- Principles under the transfer pricing guidelines (considering whether the pricing would be in line with what would have been charged to an unrelated party, without any conflict of interest)
- Transactions are on terms that are not unfavourable to the Company

- b. Whether there are any undue compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction would affect the independence of the directors / Key Managerial Personnel;
- d. Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- e. Where the ratification of the Related Party Transaction is allowed by law and is sought from the Audit Committee, the reason for not obtaining the prior approval of the Audit Committee and the relevance of business urgency and whether subsequent ratification would be detrimental to the Company.
- f. Whether the Related Party transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, executive officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board / Committee deems relevant.
- g. Such other criteria as may be specified / prescribed under Companies Act, 2013 or SEBI (LODR) Regulations, 2015, from time to time

**8.3. Whether the Related Party Transaction is in the **ordinary course of business**.**

The Audit Committee would exercise judgment to conclude whether a transaction can be considered to be in the ordinary course of business. The following factors to be relevant in deciding "ordinary course of business".

- (1) The objects of the Company permit the activities undertaken;
- (2) There is a historical practice to conduct such activities;
- (3) There is a pattern of frequency to conduct such activities over a period of time and such activities are in the regular course of business; and
- (4) These transactions are common industrial practice.

A transaction proposed to be disclosed as part of other income or other expenses, exceptional or extraordinary will generally be assessed on a case-to-case basis as to whether it could be considered to be in the ordinary course of business.

Sharing of goods or services by an entity with other group companies based on 'cost sharing' is in the ordinary course of business if the goods / services so shared are not the entity's traded goods/services.

The examples that may be considered to be outside the entity's normal course of business include:

- Complex equity transactions, such as corporate restructurings or acquisitions.

- Transactions with offshore entities in jurisdictions with weak corporate laws.
- The leasing of premises or the rendering of management services by the entity to another party if no consideration is exchanged.
- Sales transactions with unusually large discounts or returns.
- Transactions with circular arrangements, for example, sales with a commitment to repurchase.
- Transactions under contracts whose terms are changed before expiry.

**8.4.** If the Committee determines that a Related Party Transaction should be brought before the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction (e.g. cases stated in 5.2 above), then the Board shall consider and approve the Related Party Transaction at a meeting and the considerations set forth above shall apply to the Board's review and approval of the matter, with such modification as may be necessary or appropriate under the circumstances.

The Audit Committee or the Board shall, in respect of the Related Party Transactions referred to them for approval, after considering the materials placed before them, shall judge if the transaction is in the ordinary course of business of the Company or is Arm's Length Transaction. In case the Audit Committee is not able to arrive at such a decision, the same shall be referred to the Board, which shall decide if the transaction is the ordinary course of business or at arm's length basis. In case the Board is not able to arrive at such a decision, the same shall be decided by the Independent Directors, whose decision shall be final.

## **9. Prohibitions related to Related Party Transactions**

- 9.1** All Related Party Transactions shall be prohibited if the same are not in compliance of this Policy.
- 9.2** All the persons / entities falling under the definition of Related Party shall abstain from voting on such resolutions at General Meeting irrespective of whether the entity is a party to particular transaction or not.
- 9.3** In case of Board Meeting, such related director shall abstain from attending or voting in such meeting

## **10. Related Party Transactions not approved under this policy**

In the event the Company becomes aware of a transaction with a Related Party that has not been approved under 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 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.

## **11. Disclosures**

- 11.1** Each director of the Company and Key Managerial Personnel shall be responsible for providing notice to the Company Secretary of any potential Related Party Transaction involving him/ her or his / her Relative or of transaction involving the Company and other Related Parties. They shall also be responsible for providing additional information about the transaction that the Board/Audit Committee may request, for being placed before the Audit Committee / the Board / General Meeting, as the case may be.
- 11.2** 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.
- 11.3** The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee has adequate time to obtain and review information about the proposed transaction.
- 11.4** To facilitate the implementation of this Policy, the Company shall maintain a register showing names of the Related Parties and the nature of relationship. The Company Secretary shall be responsible for identifying the related parties and updating the register. For this purposes, they shall consider the declarations given by the directors in Form MBP 1 under section 184(1) of the Act and declarations given by the directors at the meeting of the Board in terms of section 184(2) of the Act. In addition, he shall examine and make necessary inquiry to identify other related parties based on investment made by the company in other entities as well as investment made in the Company by other entities / individuals.
- a. The Company will disclose to the Stock Exchanges such disclosure / transaction / information as may be specified / prescribed under SEBI (LODR) Regulations, 2015 or Companies Act, 2013, from time to time.
  - b. The Company will disclose the Policy on dealing with RPT's on its website [www.alkylamines.com](http://www.alkylamines.com) and provide a weblink thereto in the Annual Report.
  - c. Director's report will contain details of contracts or arrangements or transactions not at arm's length basis and material contracts or arrangement or transactions at arm's length basis.

## **12. Correcting erroneous transactions**

In case the Board/ Audit Committee determines not to ratify a Related Party Transaction that has been commenced without approval, the Board/ Audit Committee, as appropriate, may direct additional actions including, but not limited to, immediate discontinuation or rescission of the transaction, or modification of the transaction to make it acceptable for ratification. In connection with any review of a Related Party Transaction, the Board/ Audit Committee has authority to modify or waive any procedural requirements of this Policy. In the event the Company becomes

aware of a transaction with a Related Party that has not been approved under 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 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.

### **13. Amendments / Modifications**

In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 / SEBI (LODR) Regulations, 2015 or any other statutory enactments, rules, the provisions of such Companies Act, 2013 / SEBI (LODR) Regulations, 2015 or statutory enactments, rules shall prevail over this Policy.

Any amendment / modification in the Companies Act, 2013 / SEBI (LODR) Regulations and / or other applicable laws in this regard shall automatically apply to this Policy.

