

## POLICY ON RELATED PARTY TRANSACTIONS

### OBJECTIVE

Mangalore Chemicals & Fertilizers Limited (the “Company”) has adopted this Policy on Related Party Transactions, as required by Regulation 23 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

### Definitions

As per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015:

A. 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

B. 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.

C. The company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions.

Provided that 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 percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

D. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions 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 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 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.

- d. 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 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

- E. All material Related Party Transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions, whether the entity is a related party to the particular transaction or not.

The provisions of (D) and (E) above shall not be applicable to the 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.

## **REVIEW / APPROVAL OF RELATED PARTY TRANSACTIONS**

All Related Party Transactions shall require prior approval of the Audit Committee

All Related Party Transactions that exceeds the prescribed sum/amount as specified under the provisions of the Companies Act, 2013 shall require prior approval of the Board and shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

To review a Related Party Transaction, the Audit Committee will be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

## **GENERAL CRITERIA FOR APPROVING RELATED PARTY TRANSACTIONS**

In determining whether to approve, ratify, disapprove or reject a Related Party Transaction, the Audit Committee, as appropriate, shall take into account the following factors:

- The nature, duration of the contract and particulars of the contract/arrangement.
- The material terms of the contract/arrangement including the value, if any;
- Any advance paid or received for the contract/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;
- Any other information relevant on the proposed transactions.

## **DISCLOSURE OF RELATED PARTY TRANSACTIONS**

Each Director and Key Managerial Personnel (KMP) shall promptly disclose to the Audit Committee / Board the name of the related party and nature of relationship at the first meeting of the Audit Committee / Board during the financial year.

## **EXEMPTION**

Any transaction entered into by the company in its ordinary course of business other than transactions which are not on an arm's length basis shall be exempted from Related Party Transactions.

## **AMENDMENT**

The Audit Committee or the Board of Directors reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.