

# **INDOFIL INDUSTRIES LIMITED**

## **Policy on Related Party Transactions**

### PREAMBLE

1. A related party transaction is a transfer of resources, services or obligations between a company and a related party, irrespective of the price charged.
2. A 'related party' is a person or entity that is related to the company. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party, directly or indirectly, in making financial and/or operating decisions and include the parties referred under section 2(76) (read with Section 188) of the Companies Act, 2013.

### POLICY GUIDELINES

1. There are some ongoing agreements, contracts and transactions with various related parties which have been perused and approved by the Board from time to time. Although such agreements, contracts and transactions are in the ordinary course of business and on arm's length basis, yet any modification or fresh arrangement with related parties as listed herein above shall be approved by the audit committee from time to time and the requirement of Section 188 of the Companies Act, 2013 shall be complied with.  
(General Circular No 30/2014 dated 17<sup>th</sup> July, 2014 issued by Ministry of Corporate Affairs has clarified that Contracts entered into by Companies, after making compliances under Section 297 of the Companies Act, 1956 which already came into effect before the commencement of Section 188 of the Companies Act, 2013, will not require fresh approval under the said Section 188 till the expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1<sup>st</sup> April, 2014, the requirements under section 188 will have to be complied with.)
2. All the Related Party Transactions shall be first reviewed by the Audit Committee.
3. If the Related Party Transaction is in the ordinary course of business and at arm's length, the Audit Committee shall give its prior approval for such Related Party Transactions entered by the Company. In such case Board's approval shall not be required.
4. However, if the Related Party Transaction is not in the ordinary course of business or not at arm's length or both, the Audit Committee shall give its prior approval in the first place and recommend the same for the prior approval of the Board of Directors. After the approval of the Board, the Transaction shall be put up for the prior approval of non related party shareholders of the Company, by way of special resolution.

5. While approving the Related Party Transactions, the Board will go through all the material details like (i) whether the transaction is fair to the Company, (ii) whether the Audit Committee has been made available all of the material facts regarding the transaction or parties involved, (iii) whether the transaction is generally available to an unrelated third-party under the same or similar circumstances and cost, and (iv) the extent of the Related Person's interest in the transaction.
6. The agenda of the Audit Committee / Board meeting, at which any resolution pertaining to transactions with related parties is proposed to be moved, shall disclose:
  - a) the name of the related party and nature of relationship;
  - b) the nature, duration of the contract and particulars of the contract or arrangement;
  - c) the material terms of the contract or arrangement including the value, if any;
  - d) any advance paid or received for the contract or arrangement, if any;
  - e) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
  - f) whether all factors relevant to the contract have been considered and if not, the details of factors not considered with the rationale for not considering those factors; and
  - g) any other information relevant or important for the Audit Committee / Board to take a decision on the proposed transaction.
7. Where any director is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.
8. The explanatory statement to be annexed to the notice of a general meeting convened for the purpose of seeking approval of shareholders for entering into related party transactions shall contain the following particulars namely:-
  - a) name of the related party ;
  - b) name of the director or key managerial personnel who is related, if any;
  - c) nature of relationship;
  - d) nature, material terms, monetary value and particulars of the contract or arrangement;
  - e) any other information relevant or important for the members to take a decision on the proposed resolution.