



## **POLICY ON RELATED PARTY TRANSACTIONS**

### **1. Introduction**

M/s Southern Petrochemical Industries Corporation Ltd. [SPIC] is currently engaged in the manufacturing and sale of Ammonia and Urea catering to the needs of farmers, primarily in South India. SPIC has been in the Corporate arena since 1969. It is presently planning and also in the process of implementing a plan to convert from Naphtha based Plant to Gas based Plant

The Board of Directors of SPIC has taken cognizance of the provisions of the Companies Act, 2013 and the Listing Agreement, and accordingly drawn a Policy which will govern the transactions with the Related Parties. The Policy will ensure that transactions with Related Parties are in the interest of its Shareholders and Stakeholders, which will not have potential or actual conflict of interest.

#### **1.1 Scope and purpose of the Policy**

The Board of Directors of the Company has adopted the following policy and procedures with regard to Related Party Transactions. The Audit Committee will review and may amend the Policy as and when required.

The objective of this Policy is to regulate transactions between the Company and its Related Parties as determined based on the Companies Act, 2013, Listing Agreement and any other laws and regulations as may be applicable to the Company.

### **2. Definitions**

- 2.1 “Act” means the Companies Act, 2013 including any amendment or modification thereof.
- 2.2 “Arm’s Length Transaction” means a transaction between two related parties that is conducted as if they were unrelated.
- 2.3 “Body Corporate” means an entity as defined in Section 2(11) of the Companies Act, 2013.
- 2.4 “Listing Agreement” means the Agreement as entered into by the Company with the Stock Exchange(s) including any amendment or modification thereof.
- 2.5 “Company” means M/s Southern Petrochemical Industries Corporation Ltd.



- 2.6 “Director” means a person as defined in Section 2(34) of the Companies Act, 2013.
- 2.7 “Employees” shall mean the employees of the Company, including but not limited to those on contractual basis.
- 2.8 “Key Managerial Personnel” shall mean persons defined in Section 2(51) of the Companies Act, 2013 and rules prescribed thereunder, Accounting Standards and Listing Agreement.
- 2.9 “Ordinary course of business” means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association.
- 2.10 “Relative” with reference to a Director or KMP means persons as defined in Section 2(77) of the Act and rules prescribed thereunder, Accounting Standards and Listing Agreement.
- 2.11 “Related Party” means an individual, entity, firm, body corporate or person as defined in Section 2(76) of the Act, Accounting Standards and Listing Agreement.
- 2.12 “Related Party Transactions” shall mean such transactions as specific under Section 188 of the Act or rules made thereunder Accounting Standards and Listing Agreement including any amendment or modification thereof, as may be applicable.
- A “transaction” with a related party shall be construed to include single transaction or a group of transactions in a contract.

- 2.13 Any other term not defined herein and referred in this Policy shall have the same meaning as defined in the Act, Accounting Standards and Listing Agreement or any other applicable law or regulation.

### **3. Related party transactions under the Policy**

- 3.1 Any transfer of resources, services or obligations between the Company and a related party, would get covered as a ‘Related Party Transaction’, whether or not, there is an element of consideration or price and as may be amended from time to time by the Act and the Listing Agreement.

### 3.2 Approval Process

The Company will enter into any Related Party Transaction only with the prior approval of the Audit Committee.

The Audit Committee may however grant omnibus approval for Related Party Transactions subject to the following conditions:

- a. Transactions of the Company with Related Party which are repetitive in nature;
- b. The omnibus approval for the transactions is in the interest of the Company;
- c. Omnibus approval shall specify the following:
  - Name(s) of the Related Party;
  - Nature of the transaction;
  - Term of transaction;
  - Amount of transaction that can be entered into;
  - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
  - Such other conditions as the Audit Committee may deem fit.

Further, in the event of exigency to enter into a transaction and it is impractical to wait until a Meeting of the Audit Committee to consummate a Related Party Transaction, the Audit Committee, under this Policy, delegates the power to any one Member of the Audit Committee along with Whole-time Director to grant approval. Such approvals must be reported to Audit Committee at its next regularly scheduled meeting.

- d. In such cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rupees One Crore per transaction;
- e. The Audit committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant each of the omnibus approval given and inform the Audit Committee / Board;
- f. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.



The Audit Committee will have the discretion to recommend / refer any matter relating to the Related Party Transaction to the Board for the approval.

### 3.3 Approval of Shareholders

- 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 Companies Act, 2013 and the Rules framed thereunder and obtain approval of the Board and its shareholders, as applicable.
- Transactions not in the ordinary course of business.
- Transactions in the ordinary course of business if not done at an arm's length
- Material Related Party Transactions as defined under clause 49 (VII) (C) of the Listing Agreement, irrespective of the fact whether the transaction, contract or arrangement is in the ordinary course of business or at arm's length or both.

## 4. **Transactions at arm's length**

The Company shall adopt generally accepted practices and principles in determining whether the transaction is at "arm's length".

## 5. **Disclosure by Directors/ KMPs**

### A. Disclosure of interests

- All Directors / KMPs are required to disclose the entities in which they or their relatives are or deemed to be interested, in the prescribed form.
- Each Director and KMP of the Company shall promptly notify the Company Secretary of any material transaction or relationship that could reasonably be expected to give rise to any conflict of interest.
- The Company shall maintain Register in the prescribed form.
- The Company shall disclose the Policy on dealing with (Related Party Transactions) on its website and a web link thereto shall be provided in the Annual Report.

B. Disclosure of Related Party Transaction entered with the Company

Each Director and KMPs of the Company is responsible for providing declaration / notice in the prescribed Form to the Company Secretary about Related Party Transaction involving the Company and him or her or an entity wherein he / she or his / her relative is interested, including any additional information about the transaction that the Company Secretary may reasonably request.

Details of all material transactions with related parties shall be disclosed, quarterly in the Compliance Report on Corporate Governance as required under Listing Agreement.

**6. Guiding Principles for approval of a Related Party Transaction by the Board / Audit Committee thereof**

To review a Related Party Transaction, the Board / Audit Committee will be provided with all the relevant information pertaining to the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and any other matter, as may be required. In determining whether approval needs to be accorded to a Related Party Transaction, the Board / Audit Committee will consider the following factors:-

- a. Whether the terms of the Related Party Transaction are fair to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- b. Whether there are any compelling business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;

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.



**7. Consequences of non- compliance of the Policy for any Related party transaction**

Non-compliance of this Policy may lead to initiation of disciplinary proceedings against the employee by the Company under the Service Rules or Employee Standing Orders. Details of such disciplinary proceedings will form part of the personal file of such employee and will be considered as a default on his or her key responsibilities.

**8. Effective Date**

This Policy shall be effective from 14<sup>th</sup> November 2014.

Transactions with Related Party for the period from 1<sup>st</sup> April 2014 till the effective date of this Policy (the said period) are existing contracts and were in the ordinary course of business and at arm's length basis. New contracts have not been entered into during the said period.

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