



## **Related Party Transactions Policy**



### **POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS**



## **Related Party Transactions Policy**

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## **Related Party Transactions Policy**

### **I. TITLE**

This policy on the materiality of related party transactions and on dealing with related party transactions shall be called the Granules India Limited – Related Party Transactions Policy (hereinafter referred to as the “RPT Policy”).

### **II. SCOPE**

Regulation 23 of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the Company to formulate a policy on materiality of Related Party Transactions and on dealing with Related Party Transactions.

This policy has been framed in line with Regulation 23 of the Listing Regulations, provisions of the Companies Act, 2013 and the Rules made thereunder to ensure that all transactions by and between a Related Party (as defined below) and Granules India Limited and its affiliates are properly identified and reviewed to ensure that related party transactions (as defined below) are properly approved and disclosed in accordance with the applicable law & Regulations.

This policy has been last amended by the Board of Directors in their meeting held on 14<sup>th</sup> March 2022.

### **III. APPLICABILITY**

This Policy shall apply to all Related transactions undertaken by the Company or its affiliates with the related parties in accordance with the clauses contained herein.

### **IV. DEFINITIONS**

The terms defined in this RPT Policy shall have the meanings herein specified and terms not defined shall have the meanings as defined in the Companies Act, 2013 and Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of the Listing Regulations including any statutory modifications or reenactments thereof.

“**Act**” means the Companies Act, 2013 including any statutory modification or re-enactment thereof.

“**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.

“**Associate Company**” in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.



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**“Audit Committee or Committee”** means “Audit Committee” constituted by the Board of Directors of the Company under provisions of regulation 18 of the Listing Regulations and section 177 of the Companies Act, 2013.

**“Board”** means the Board of Directors of the Company.

**“Company”** means Granules India Limited, a Company incorporated under the Companies Act, 1956 and having its registered office at 2<sup>nd</sup> floor, 3<sup>rd</sup> Block, My Home Hub, Madhapur, Hyderabad, Telangana– 500 081.

**“Holding Company”** means a Company within the meaning of section 2(46) of the Companies Act, 2013.

**“Key Managerial Personnel (KMP)”** in relation to a company, means

- (i) Managing Director
- (ii) Chief Executive Officer
- (iii) Whole-time Directors.
- (iv) Company Secretary; and
- (v) Chief Financial Officer

**“Listing Regulation”** means the SEBI (Listing Obligation & Disclosure requirements), 2015 including any statutory modification or re-enactment thereof.

**“Material Modification”** means any variation having an impact on the monetary limits already approved by the Audit Committee/Board/Shareholders, as the case may be, exceeding 5 (Five) % of transactions, in each case, over and above the approved limits in relation to a related party transaction.

**“Material Related Party Transactions”** 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 rupees one thousand crores or 10% of the annual consolidated turnover of the Company as per the last audited financial statements, whichever is lower.

In case of brand usage or royalty, 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 five percent of the annual consolidated turnover of the company as per the last audited financial statements.

**“Office or place of profit”** means any office or place—

(i) where such office or place is held by a Director if the Director holding it receives from the Company anything by way of remuneration over and above the remuneration to which he is entitled as Director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

(ii) where such office or place is held by an individual other than a Director or by any firm, private Company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the Company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.

**“Policy”** means policy on materiality of related party transactions and on dealing with related party transactions (Related Party Transactions Policy).

**“Relative”** means relative as defined under section 2(77) of the Act and includes anyone who is related to another, if—

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other in the following manner:
  - (1) Father (including step-father);
  - (2) Mother (including stepmother).
  - (3) Son (including step-son).
  - (4) Son’s wife;
  - (5) Daughter;
  - (6) Daughter’s husband.
  - (7) Brother (including step-brother).
  - (8) Sister (including stepsister)

**“Related Party”** in relation to the Company means a party related with the Company in any of the ways as are laid down in section 2(76) of the Act or Regulation 2(zb) of Listing Regulations, as amended from time to time, and presently includes the following:

- (i) a Director or his relative;
- (ii) key managerial personnel or his relative;
- (iii) a firm, in which a Director, manager or his relative is a partner;
- (iv) a private company in which a director or manager or his relative is a member or Director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid-up share capital;

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- (vi) any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager;
- (vii) any person on whose advice, directions or instructions a Director or Manager is accustomed to act, except advice, directions or instructions given in a professional capacity;
- (viii) any Body Corporate which is—
  - (a) a holding, subsidiary or an associate Company; or
  - (b) a subsidiary of a holding Company to which the Company is also a subsidiary; or
  - (c) an investing Company or the venture of the Company
- (ix) Director other than Independent Director or key managerial personnel of the holding Company or his relative;
- x) an entity is a related party under the applicable accounting standards;
- xi) any person or entity forming a part of the promoter or promoter group of the Company;
- xii) any person or any entity, holding equity shares of 20% (10% or more with effect from April 01, 2023) in the Company either directly or on a beneficial interest basis as provided under section 89 of the Act, at any time, during the immediately preceding financial year.

**“Related Party Transactions” (RPT)** 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:

Related party transactions also cover a transaction involving a transfer of resources, services or obligations regardless of whether a price is charged or not between:

- (i) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or
- (ii) 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.

Provided that the following shall not be considered as a related party transaction:

(a) 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;

(b) the following corporate actions by the Company:

- 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.

**Note:** A transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract.

**“Turnover or Net Worth”** means turnover or net-worth calculated based on the audited financial statement of the preceding financial year.

## **V. REVIEW & APPROVAL**

The below-mentioned process is applicable to all related party transactions and any subsequent material modifications thereto.

**i) All Related Party Transactions including transactions in the ordinary course of business and at arm’s length basis** –Prior approval of the Audit Committee shall be obtained.

**ii) If Related Party Transaction is not at arm’s length and/or not in the ordinary course of business** – Prior approval of the Audit Committee and consent of the Board of Directors given by a resolution at a meeting of the Board shall be obtained.

**iii) If Related Party Transaction is material and/or not at arm’s length basis and/or not in the ordinary course of business and exceeds the below-mentioned limits for the specified Related party Transactions** – Prior approval of the Audit Committee, consent of the Board of Directors given by a resolution at a meeting of the Board and prior approval of the Shareholders by passing a resolution shall be obtained for all material transactions and the transactions mentioned below:

- sale, purchase or supply of any goods or materials directly or through the appointment of an agent exceeding ten percent (10%) of the turnover of the Company.
- selling or otherwise disposing of or buying property of any kind, directly or through the appointment of an agent exceeding ten percent (10%) of the net worth of the Company.
- leasing of property of any kind exceeding ten percent (10%) of turnover of the company.
- availing or rendering of any services directly or through the appointment of an agent, exceeding ten percent (10%) of the turnover of the Company.

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appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding two and a half lakh rupees.

- remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding one percent of the net worth of the Company.

iv) **Related Party Transactions wherein subsidiary of the Company is a party to the transaction-** Prior approval of the Audit Committee shall be obtained for a related party transaction to which the subsidiary of the Company is a party, but the Company is not a party if the value of such transaction whether entered individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover of the Company. However, with effect from April 1, 2023, the threshold limit is 10% of the annual standalone turnover as per the last audited financial statements of the subsidiary.

The consent of the Board and the prior approval of the Shareholders shall be obtained for all material related party transactions wherein the subsidiary (other than the Indian listed subsidiary) is a party and the Company is not a party to the transaction.

v) **Omnibus Approval by the Audit Committee:** The Audit Committee may grant omnibus approval for related party transactions which are repetitive and subject to such criteria/conditions as it may consider necessary in line with this policy and the interest of the Company. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year. The omnibus approval shall specify:

- (i) the name/s of the related party, nature of the transaction, period of transaction, the 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, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1(one) crore per transaction.

vi) **Transactions not approved under this policy:**

If a related party transaction is entered into by the Company without being approved under this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall evaluate the transaction and may decide such action as it may consider appropriate including ratification, revision or termination of the transaction.

**VI. PROCEDURE:**

(i) Before the start of each financial year, the Company shall seek required disclosures or information from Directors and/or key Managerial Personnel to identify a related party, in such form or manner as per the Act / applicable laws and draw up a list of related parties. Any changes in the list during the financial year shall be made as and when the Company receives information in this regard from the Directors and Key Managerial Personnel.



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(ii) All proposed related party transactions shall be disclosed by the management to the Audit Committee of the Board for its approval before the Company entering such transaction by providing the following information for review and approval of a proposed transaction:

- (a) type, material terms and particulars of the proposed transaction;
- (b) name of the related party and its relationship with the Company or its subsidiary, including nature of its concern or interest (financial or otherwise) ;
- (c) tenure of the proposed transaction;
- (d) value of the proposed transaction;
- (e) 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 a transaction involving a subsidiary, such percentage calculated based on the subsidiary's annual turnover on a standalone basis shall be additionally provided);
- (f) if the transaction relates to any loans, inter-corporate deposits, advances, or investments made or given by the Company or its subsidiary;
- (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;
  - (i) nature of indebtedness. ii). cost of funds; and 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 transaction.
- (g) justification as to why the transaction is in the interest of the Company;
- (h) a copy of the valuation or other external party report, if any such report has been relied upon;
- (i) percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed transaction voluntarily.
- (j) any advance paid or received for the contract or arrangement if any;
- (k) the manner of determining the pricing and other commercial terms, both included as part of the contract and not considered as part of the contract;
- (l) any other information that may be relevant

(iii) Related Party Transactions shall be reviewed by the Audit Committee to ensure a conflict of interest does not exist or that an improper valuation of such transaction is not made and that all information necessary to disclose such related party transaction is properly documented.

(iv) The Audit Committee shall have the authority to investigate into any matter in relation to the approval or any subsequent modification thereof with related parties or referred to it by the Board and for this purpose shall have the power to obtain professional advice from external sources and have full access to the information contained in the records of the company.

(v) Only those members of the Audit Committee, who are Independent Directors, shall approve proposed related party transactions.



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(vi) For the transactions for which approval of the Board is required, the Board shall consider the matter and accord its consent by passing a resolution on recommendations of the Audit Committee and subject to such conditions, as it thinks fit. The Board shall review the information mentioned in clause VI (ii) above before considering the proposed transaction.

(vii) 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.

(viii) Concerning the related party transactions mentioned in clause V(iii) above, such contracts or arrangements with the related party shall be entered into only with the prior approval of the shareholders through resolution. No related party shall vote to approve such resolution whether the entity is a related party to a particular transaction or not.

(ix) The notice being sent to the shareholders seeking approval for any proposed related party transaction shall contain the following information:

- (a) name of the related party;
- (b) name of the Director or key managerial personnel who is related, if any;
- (c) nature of the relationship;
- (d) nature, material terms, monetary value and particulars of the contract or arrangement.
- (e) a summary of the information provided by the management of the Company to the Audit Committee.
- (f) justification for why the proposed transaction is in the interest of the Company;
- (g) if the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the Company or its subsidiary;
- (h) 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.
  - i) nature of indebtedness. ii). cost of funds; and 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:
- (i) 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;
- (j) percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed, voluntarily;
- (k) any other information relevant or important for the members to decide on the proposed resolution;



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(x) The Audit Committee shall review the status of long-term i.e. more than one year or recurring related party transaction on an annual basis and at least every quarter, the details of transactions entered into by the Company pursuant to each of the omnibus approval given.

### **VII. EXEMPTIONS**

Prior approval of the Audit Committee and/or the Shareholders as the case may be is not mandatory for the transactions:-

- a. entered between the Company and its wholly-owned subsidiaries.
- b. entered between two wholly-owned subsidiaries of the Company;

### **VIII. REVIEW & AMENDMENT**

The Audit Committee shall periodically review this Policy and may recommend amendments, from time to time as it may deem appropriate, to the Board provided this Policy shall be reviewed by the Board of Directors at least once every three years.

### **IX. DISCLOSURE**

Disclosure shall be made in the Company's Annual Report of the particulars of the contract and arrangement along with the justification for entering into such contracts/arrangements with the Related Parties as part of Directors' Report. This Policy shall also be uploaded on the website of the Company at <http://www.granulesindia.com/> and shall be disclosed in the Annual Report of the Company every year.

The Company shall disclose the details of all material-related party transactions every quarter along with the compliance report on corporate governance with the stock exchanges under the Listing Regulations.

The Company shall submit to the stock exchanges disclosures of related party transactions every six months in the format specified by the SEBI from time to time within the stipulated time mentioned in the Listing Regulations and publish the same on the website of the Company.

*(This Policy was approved by the Board of Directors at its Meeting held on October 30, 2014, first modification approved at its Meeting held on June 02, 2020 and reviewed & modified on March 14, 2022.)*