

1) Preamble:

Nagarjuna Agrichem Limited (NACL) recognizes that certain relationships can present potential or actual conflicts of interest and may raise questions about whether transactions associated with such relationships are consistent with Company's and its stakeholders' best interests.

The Company must specifically ensure that certain Related Party Transactions (are defined below) are managed and disclosed in accordance with the strict legal and accounting requirements to which the Company is subject. Therefore, this Policy regarding the review and approval of Related Party Transactions has been adopted by the Board of Directors' of the Company in order to set forth the procedures under which certain transactions must be viewed and approved or ratified.

The equity listing agreement with Stock Exchanges mandates formulation of a policy on transactions with Related Party Transactions. As part of its Corporate Governance practices, the Board of Directors (the "Board") of NACL has adopted the following policy and procedures with regard to Related Party Transactions.

This policy is to regulate transactions between the Company and its Related Parties based on the applicable laws and regulations applicable to the Company.

2) Legal Background:

Companies Act, 2013:

Section 188(1): Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no Company shall enter into any contract or arrangement with the 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.

Provided that no contract or arrangement, in the case of a Company having a paid-up share capital of not less than such amount, or transactions exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the Company by a special resolution;

Provided further that no member of the Company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the Company, if such member is a related party;

Provided also that nothing in this sub-section shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on arm's length basis.

Explanation. – In this sub-section, -

- a) The expression “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;
- b) the expression “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.

Section 188(2): Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.

Section 188(3): Where any contract or arrangement is entered into by a Director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any Director, or is authorised by any other Director, the Directors concerned shall indemnify the Company against any loss incurred by it.

Section 188(4): Without prejudice to anything contained in sub-section (3), it shall be open to the Company to proceed against a Director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

Section 188(5): Any Director or any other employee of a Company, who had entered into or authorised the contract or arrangement in violation of the provisions of this section shall, -

- a) in case of listed Company, be punished with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees, or with both; and
- b) in case of any other Company, be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Rule 15 of the Companies (Meetings of Board and its Powers) Rules,

2014:

A Company shall enter into any contract or arrangement with a related party subject to the following conditions, namely:

- a) The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose –
 - i) the name of the related party and nature of relationship;
 - ii) the nature, duration of the contract and particulars of the contract or arrangement;
 - iii) the material terms of the contract or arrangement including the value, if any;
 - iv) any advance paid or received for the contract or arrangement, if any;
 - v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
 - vi) 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; and
 - vii) any other information relevant or important for the Board to take a decision on the proposed transaction.
- b) Where any Director is interested in any contract or arrangement with a related party, such Director shall not be present at the meeting during discussion on the subject matter of the resolution relating to such contract or arrangement.
- c) For the purposes of first proviso to sub-section(1) of section 188, except with the prior approval of the Company by a special resolution –
 - i) a Company having a paid-up share capital of ten crores rupees or more shall not enter into any contract or arrangement with any related party; or
 - ii) a Company shall into enter into a transaction or transactions, where the transaction or transactions to be entered into –

Related Party Transactions Policy

- as contracts or arrangements with respect to clauses (a) to (e) of sub section (1) of section 188 with criteria, as mentioned below:
 - sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding twenty-five percent of the annual turnover as mentioned in clause (a) and clause(e) respectively of sub-section (1) of section 188;
 - selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent of net worth as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;
 - leasing of property of any kind exceeding ten percent of the net worth or exceeding ten percent of turnover as mentioned in clause (c) of sub-section (1) of section 188;
 - availing or rendering of any services directly or through appointment of agents exceeding ten percent of the net worth as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;
- appointment to any office or place of profit in the Company, its subsidiary Company or associate Company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub section (1) of section 188; or
- remuneration for underwriting the subscription of any securities or derivatives thereof of the Company exceeding on percent of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation –

- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited financial statement of the preceding Financial year.
- (2) In case of wholly owned subsidiary, the special resolution passed by the

holding Company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding Company.

(3) The explanatory statement to be annexed to the notice of general meeting convened pursuant to section shall contain the following particulars namely:-

- name of the related party;
- name of the Director or KMP who is related, if any;
- nature of relationship;
- nature, material terms, monetary value and particulars of the contract or arrangement;
- any other information relevant or important for the members to take a decision on the proposed resolution.

Clause 49 (VII) of the Listing Agreement:

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. For the purpose of Clause 49 (VII), 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:

- i) 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.
- ii) The Audit Committee shall satisfy itself the needs for such omnibus approval and that such approval is in the interest of the Company.
- iii) 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 kind (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 transaction subject to their value not exceeding Rs. 1 Crore per transaction.

- iv) Audit committee shall review, atleast on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- v) Such omnibus approvals shall be valid for a period of 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 special resolution and the related parties shall abstain from voting on such resolutions.

Provided that sub-clause 49 (VII) (D) and (E) shall not be applicable in the following cases:

- i) Transactions entered into between two government Companies;
- ii) 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.

Explanation (i): For the purpose of clause 49(VII), “Government Company” shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013.”

Explanation (ii): For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

3) Purpose:

This policy is framed as per the requirement of Clause 49 of the Listing Agreement entered by the Company with the Stock Exchanges and intended to ensure the proper approval and reporting of transactions between the Company and its Related Parties. Such transactions are appropriate only if they are in the best interest of the Company and its shareholders. The Company is required to disclose each year in the Financial Statements certain transactions between the Company and Related Parties as well as policies concerning transactions with Related Parties.

4) Definitions:

- a) “Act” means Companies Act, 2013.
- b) “Audit Committee or Committee” means Committee of Board of Directors of the Company constituted under the provisions of Listing Agreement and Companies Act, 2013.
- c) “Board” means Board of Directors of the Company.
- d) “Company” means Nagarjuna Agrichem Limited.

- e) “Control” includes the right to appoint majority of the Directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:
Provided that a Director or officer of the Company shall not be considered to be in control over such Company, merely by virtue of holding such position;
- f) “Independent Director” means a Director as defined under Section 149(6) of the Companies Act, 2013 and /or under clause 49 of the Listing Agreement.
- g) “Key Managerial Personnel” means key managerial personnel as defined under the Companies Act, 2013 and includes
- i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time Director;
 - ii) Company Secretary; and
 - iii) Chief Financial Officer
- h) “Material Related Party Transaction” means a transaction with a Related Party 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.
- i) “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



Related Party Transactions Policy

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.

- j) “Policy” means Related Party Transaction (RPT) Policy.
- k) “Related Party” means Related Party as defined under Section 2(76) of the Act.
- l) “Related Party Transaction” means any transaction directly or indirectly involving any Related Party which is a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged.
- m) “Relative” means relative as defined under the Companies Act, 2013 and includes anyone who is related to another, if –
 - ❖ They are members of a Hindu Undivided family;
 - ❖ They are husband and wife ; or
 - ❖ Father (including step – father)
 - ❖ Mother (including step – mother)
 - ❖ Son (including step – son)
 - ❖ Son’s wife
 - ❖ Daughter
 - ❖ Daughter’s husband
 - ❖ Brother (including step – brother)
 - ❖ Sister (including step – sister)
- n) “Transactions on arm’s length basis” means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

5) Interpretation:

The terms that have not been defined in this policy shall have the same meaning assigned to them in the Companies Act, 2013, Listing Agreement and / or any other Rules/ Regulation(s) as amended from time to time.

6) Effective Date:

The following policy has been formulated by the Audit Committee, and adopted by the Board of Directors. This policy shall be operational with effect from 01st October, 2014.

7) Policy:

All Related Party Transactions must be reported to the Audit Committee and referred for approval by the Committee in accordance with this Policy.

a) Identification of Potential Related Party Transactions:

Each Director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

b) Prohibitions Related to Related Party Transactions:

All Related Party Transactions shall require prior approval of Audit Committee. Further, all Material Related Party Transactions shall require approval of the shareholders through special resolution and the Related Parties shall abstain from voting on such resolutions.

c) Review and Approval of Related Party Transactions:

- i) Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and approval. Any member of the Committee who has a potential interest in any Related Party Transaction will rescue himself or herself, and abstain from discussion and voting on the approval of the Related Party

Transaction.

- ii) To review a Related Party Transaction, the 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. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among other, to the extent relevant to the Related Party Transaction;
- Whether the terms of the Related Party Transaction are fair and on arms length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
 - 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;
 - Whether the Related Party Transaction would affect the independence of an independent Director;
 - Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
 - Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
 - 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 Transactions Policy

Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

- iii) 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 Board to approve the Related Party Transactions, then 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.
- iv) Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee or Shareholders:
 - 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.
 - 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.

d) Authority to Audit Committee for omnibus approval:

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company subject to the following conditions:

- i) 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.

- ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- iii) 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.

- iv) 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.
- v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year"

5. Related Party Transactions not approved under this Policy:

In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The 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 Committee under this policy, and shall take any such action it deems appropriate. In any case, where the Committee determines not to ratify a Related Party Transaction that has been commenced without

approval, the Committee may direct additional actions including but not limited to immediate discontinuation or rescission of the transaction. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy. This Policy will be communicated to all operational employees and other concerned persons of the Company, by posting on the website of the Company or otherwise.

6. Registers:

- a) The Company shall keep and maintain a register, maintained physically or electronically, as may be decided by the Board of Directors, giving separately the particulars of all contracts or arrangements to which this policy applies and such register is placed/taken note of before the meeting of the Board of Directors.
- b) Every Director or key managerial personnel shall, within a period of thirty days of his appointment, or relinquishment of his office in other Companies, as the case may be, disclose to the Company the particulars relating to his/her concern or interest in the other associations which are required to be included in the register maintained.
- c) The Company shall maintain such register in the Head Office of the Company and provide extracts from such register to a member of the Company on his request, within seven days from the date on which such request is made upon the payment of necessary fee, if any applicable statutorily.
- d) The register to be kept under this section shall also be produced at the commencement of every Annual General Meeting of the Company and shall remain open and accessible during the continuance of the meeting to any person having the right to attend the meeting.
- e) The register shall be preserved permanently and shall be kept in the custody of the Company Secretary or any other person authorized by the Board for the purpose.

7. Disclosures:

- a) Details of all material transactions with related parties are to be disclosed quarterly or otherwise as required under the provisions of the Companies Act, 2013 read with Listing Agreement norms.
- b) The Company shall disclose the contract or arrangements entered into with the Related Party in the Board Report to the shareholders along with the justification for entering into such contract or arrangement, as required under the provisions of the Companies Act, 2013 read with Listing Agreement norms.
- c) The Company shall disclose this policy relating to Related Party Transactions on its website and also in the Annual Report, as required under the provisions of the Companies Act, 2013 read with Listing Agreement norms.

8. Amendment:

- a) In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations or Listing Agreement, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.
- b) This policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee.
- c) Any changes or modification(s) in the policy as recommended by the Committee would be presented for approval of the Board of Directors.

* * *