



## DUROPLY INDUSTRIES LIMITED

### **POLICY ON RELATED PARTY TRANSACTIONS**

**(As revised and approved by the Board of Directors on 30.05.2022)**

#### **Introduction**

This Policy applies to transactions between Duroply Industries Limited (**the "Company"**) and one or more of its Related Parties. It provides a framework for governance and reporting of related party transactions including material transactions in compliance with the provisions of section 188 of the Companies Act, 2013 (**"Act"**) read with the Rules framed there under and Regulation 23 of the SEBI(Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **Objectives**

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The Board of Directors (**the "Board"**) of the Company has adopted the Related Party Transaction Policy (**this "Policy"**) to set forth the procedures under which the transactions with related parties shall be considered for approval/ ratification.

#### **I. Definitions:**

**"Act"** means the Companies Act, 2013, (including any statutory modifications(s) or re-enactments(s) thereof, for the time being in force) read with the rules made there under, as may be amended from time to time.

**"Arm's Length transaction ('ALP')"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

Pricing may not be the only determinant of a transaction being at arm's length though it is an important factor. Therefore, the Company would apply judgment to conclude whether a transaction can be considered to be on an arm's length basis. The following has been considered to be helpful in concluding whether a transaction is on an arm's length basis:

- The transaction is as per the prevailing price list / pricing policy / market price / at the same price (or margin) at which entered into with independent third parties
- The transaction is in line with third party quotations / bids
- Taking assistance of an expert – valuation specialist

**"Audit Committee" or "Committee"** means Committee of Board of Directors of the Company constituted under Section 177 of the Companies Act, 2013 and the Listing Regulation.

**"Board"** means Board of Directors of the Company.

**"Key Managerial Personnel ('KMP')"** mean Key managerial personnel as defined under Section 2(51) of the Act –

- a. the Managing Director or Chief Executive Officer or the Manager;
- b. the Whole-time Director;
- c. the Chief Financial Officer;
- d. the Company Secretary;
- e. such other officers, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f. such other officer as may be prescribed;

**"Listing Regulations"** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments thereof.

For the purpose, **"material modifications"** as defined by the Audit Committee would refer to the following:

**"Material modifications"** will mean & include any modification to an existing RPT having variance of 20% of the existing limit or Rs.1 Crore whichever is higher, as sanctioned by the Audit Committee/Shareholders, as the case may be.

**"Material Related Party Transactions"** - 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 Rs. 1000 Crore or 10% of the annual consolidated turnover of the Company whichever is lower as per the last audited financial statements as defined under Regulation 23 of the Listing Regulations and the contracts or arrangements given under Companies Act, 2013. Provided that in case of any amendment to the Act or the Listing Regulations, definition of Material Related Party Transactions will be deemed to be changed without any further approval of Audit Committee or Board. Transaction involving payment made to related party with respect to brand usage or royalty, exceeding 5% of annual consolidated turnover of the Company as per the last audited financial statement, shall also be considered as material RPT under Listing Regulations.

**"Ordinary course of business"** - The term ordinary course of business is not defined under the Act or the Rules thereunder. Therefore, it would depend on facts and circumstances of each case. The Company would therefore exercise judgment to conclude whether a transaction can be considered to be in the ordinary course of business. Examples of transactions that the Company would consider to be in the ordinary course of business would include but not limited to –

- The transaction is approved under its Memorandum and Articles of Association.
- The Company had entered into such transactions over the years in the past for furtherance of its business.
- The transaction is carried out at sufficient frequency.
- The transaction was in furtherance of the business of the Company and is consistent with its business objective of augmenting and acquiring newer capabilities.
- The transaction is undertaken on arm's length basis.

**"Related Party"** is a party as defined in Section 2(76) of the Companies Act, 2013 read with Rules thereto and clause (zb) of Regulation 2 of the Listing Regulations as amended from time to time.

**"Related Party Transaction" or "RPT"** means transactions as given under clause (a) to (g) of subsection (1) of Section 188 of the Act and the corresponding Rules thereto and as defined in clause (zc) of Regulation 2 of the Listing Regulations. These include sale, purchase, leasing or supply of goods or property, availing/ rendering of any services, appointment of agents for any of these transactions, underwriting of securities and any transaction(s) involving transfer of resources, services or obligations between the Company or any of its subsidiaries and its related party/ies of the Company or any of its subsidiaries, regardless of whether a price is charged or not.

*Such other transaction(s) as may be notified from time to time under the Act or the Listing Regulations.*

*(The above is an indicative list and not an exhaustive one)*

*Provided that the following shall not be 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 listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:*
  - 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.*

**"Relative"** As per Section 2(77) of the Companies Act, 2013, a person shall be deemed to be the relative of another if he or she is related to another in any one of the following manner:

- a. Member of the Hindu Undivided Family
- b. Spouse
- c. Father (Provided that the term "Father" includes step - father)
- d. Mother (Provided that the term "Mother" includes step - mother)
- e. Son (Provided that the term "Son" includes step - son)
- f. Son's wife
- g. Daughter
- h. Daughter's husband
- i. Brother (Provided that the term "Brother" includes step - brother)
- j. Sister (Provided that the term "Sister" includes step - sister)

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

Words and expressions used but not defined in this Policy shall have the same meaning assigned to them in the Act, the Regulations, and the rules / regulations made thereunder, as the case may be or in any amendment thereto. This Policy shall be subject to such clarifications, informal guidance and FAQs as may be issued by MCA and SEBI from time to time.

## **POLICY and SOP**

All Related Party Transactions shall be referred to the Audit Committee for prior approval, irrespective of its materiality. The Audit Committee shall also approve any subsequent material modification of Related Party Transactions. Chief Financial Officer/Company Secretary will refer Related Party Transactions to Audit Committee for approval, as the case may be, in accordance with this Policy.

## **II. Identification of Potential Related Party Transactions**

Each Director and Key Managerial Personnel are responsible for providing notice to the Board or the Audit Committee of any potential Related Party Transaction(s) involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request.

Further, the management of the Company will be responsible to inform about the entities/companies which are related parties to the Company, based on the group structure / corporate holdings.

The Board/the Audit Committee will determine whether the transaction constitutes a Related Party Transaction requiring compliance with this Policy.

All Directors are required to declare and disclose their concerns or interests in any company or companies or bodies corporate at the first Board Meeting in every financial year and subsequently whenever there is any change in disclosures. In addition, the directors shall ensure that any business transactions entered into between the Company and themselves comply with the terms of this Policy.

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

## **III. Procedure for approval of Related Party Transactions**

### **i) Review and Approval of Related Party Transaction**

All Related Party Transaction(s) shall be subject to the prior approval of the Audit Committee whether at a meeting or by resolution by circulation or through electronic mode. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not remain present at the meeting or abstain from discussion and voting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.

### **ii) Approval by Circular Resolution of the Committee**

In the event the Company Management determines that it is impractical or undesirable to wait until a meeting of the Committee to enter into a Related Party Transaction, such transaction may be approved by the Committee by way of circular resolution in accordance with this Policy and statutory provisions for the time being in force. Any such approval must be ratified by the Committee at its next scheduled meeting.

### **iii) Approval of the Audit Committee**

A. In summary, prior approval of Audit Committee is required for the following Related Party Transactions (including subsequent material modifications thereof):

1. Where Company is a party
2. Where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with

previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the Company.

3. With effect from April 1, 2023, Where subsidiary of the Company is a party but the Company is not a party, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary;
  4. With effect from April 1, 2023, Transaction of the Company and/or its subsidiaries with unrelated parties, the purpose and effect of which is to benefit the Related parties of the Company or any of its subsidiaries.
- B. The Audit Committee will consider the following factors and information, among others, to the extent relevant to the proposed Related Party Transaction(s) while granting its approval:-
- Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
  - Nature, material terms and conditions and particulars of the proposed transaction;
  - Tenure of the proposed transaction (particular tenure shall be specified)
  - Value of the proposed transaction
  - Whether the transaction is at arm's length;
  - The percentage of the listed entity's annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary's annual turnover on a standalone basis shall be additionally provided)
  - If the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary:
    1. details of the source of funds in connection with the proposed transaction;
    2. where any financial indebtedness is incurred to make or give loans, inter-corporate deposits, advances or investments,
      - nature of indebtedness
      - cost of funds; and
      - tenure;
    3. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
    4. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.

- Justification as to why the RPT is in the interest of the listed entity;
  - A copy of the valuation or other external party report, if any such report has been relied upon;
  - Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
  - Any other information relevant or important for the Audit Committee/ Board to take a decision on the proposed transaction.
- C. Any member of the Audit Committee who has a potential interest in any related party transaction will abstain from discussion and voting on the approval of the related party transaction.
- D. With effect from January 1, 2022, only those members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.

**Omnibus Approval**

- The Audit Committee may specify the criteria for granting the omnibus approval after obtaining due approval from the Board, including the following:
  - a) Repetitiveness of the transactions (in past or in future)
  - b) Justification for the need of omnibus approval.
  - c) Such other information as may be prescribed under the Act and the Listing Regulations.
- The Audit Committee may grant omnibus approval for such related party transactions which are unforeseen and repetitive in nature provided, the validity of such transaction is up to one year and the value does not exceed Rs.1 Crore per transaction. While granting the approval, in addition to the criteria given hereinbefore, the Audit Committee shall satisfy itself of the need for the omnibus approval and that the same is in the interest of the Company. The omnibus approval shall specify the following:
  - a. the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
  - b. the indicative base price/current contracted price and the formula for variation in the price if any; and
  - c. such other conditions as the Audit Committee may deem fit.
- The Audit Committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the Company pursuant to each of the omnibus approval given

If the Audit Committee determines that a Related Party Transaction should be referred to the Board, or if the Board in any case elects to review any such matter or it is mandatory under any law for the Board to approve the Related Party Transaction, 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.

While assessing a proposal put up before the Audit Committee/the Board for approval, the Audit Committee/ the Board may review the following documents/seek the following information from the management in order to determine if the transaction is in the ordinary course of business and at arm's length or not:

- a. Nature of the transaction i.e. details of goods or property to be acquired/transferred or services to be rendered/availed – including description of functions to be performed, risks to be assumed and assets to be employed under the proposed transactions;
- b. Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- c. Key covenants (non-commercial) as per the draft of the proposed agreement/contract to be entered into for such transaction;
- d. Special terms covered/to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;
- e. Benchmarking information that may have a bearing on the arm's length basis analysis, such as:
  - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
  - third party comparables, valuation reports, price publications including stock exchange and commodity market quotations;
  - management assessment of pricing terms and business justification for the proposed transaction;
  - Comparative analysis, if any, of other such transaction entered into by the company.

iv) Approval of the Board of Directors of the Company

As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and are not at arm's length basis, are placed before the Board for its approval.

In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

- Transactions which may be in the ordinary course of business and at arm's length basis, but which are as per the policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
- Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
- Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
- If prior approval of the Board has not been taken, then such transaction needs to be ratified within 3 months of the date of entering into contract/ arrangement.

v) Approval of the Shareholders of the Company

- **All Material Related Party Transactions (including subsequent material modifications thereof)** shall require prior approval of the Shareholders of the Company through ordinary resolution and the Related Parties shall not vote to approve such resolutions, irrespective of whether they are a related party to the particular transaction or not.
- **Related Party Transactions which are not in ordinary course of Business or not at Arm's Length basis and which exceeds the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014** shall require the prior approval of the shareholders through ordinary resolutions and the Related Parties shall abstain from voting on such resolution.
- The Notice and the Explanatory Statement sent to the shareholders seeking approval for proposed Related Party Transaction shall contain such information as may be prescribed under the Act and the Listing Regulations.

vi) Related Party Transactions not previously approved

In the event the Company becomes aware of a Related Party Transaction that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or the Board or the Shareholders as may be required in accordance with this Policy for review and ratification.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances respecting such transaction and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

#### **IV. Limitation**

In the event of any conflict between the provisions of the Policy and of the Listing Regulations/Companies Act, 2013 or any other statutory enactments, rules, the provisions of such Listing Regulations/Companies Act, 2013 or statutory enactments, rules shall prevail over this policy.

#### **V. Register and Disclosures**

##### **Registers**

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 covered under Section 188 of the Companies Act, 2013 and such register is placed before the meeting of the Board of directors and taken note of.

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.



## Disclosures

The Company shall make the following disclosures:

- a. This Policy will be uploaded on the website of the Company and a reference thereto will be made in the Financial Statements and the Board's Report to the Shareholders.
- b. Adequate disclosures shall be made in the Financial Statements as per applicable accounting standards and also to the concerned Stock Exchanges as per applicable provisions of the Listing Regulations.

## VI. Dissemination of Policy

This Policy or the important provisions of this policy shall be disseminated to all the functional and operational heads and other concerned persons of the Company.

## VII. Applicability & Amendment

Any Changes to the policy on account of regulatory requirements will be reviewed and approved by the Audit Committee or the Board or Chief Financial Officer of the Company subject to approval of Audit Committee. The Audit Committee/ the Board will give suitable directions/ guidelines to implement the same. The Policy shall be reviewed by the Audit Committee and the Board every three years.

In the event, any provisions contained in this Policy is inconsistent with the provisions contained in the Listing Regulations, the Companies Act, 2013 or Accounting Standards, etc. or any amendments thereto, (Regulatory Acts), the provisions contained in the Regulatory Acts will prevail.

Version	Change	Section	Approval Date
1.0	New Release	Entire Document	February 06, 2015
2.0	Amendment	Major Sections	February 12, 2019
3.0	Amendment	Major Sections	May 30, 2022

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