



POLICY ON RELATED PARTY TRANSACTIONS

1) SCOPE AND PURPOSE OF THE POLICY

Related Party transactions can present a potential or actual conflict of interest which may be against the best interest of the Company and its Shareholders. Considering the requirements for approval of Related Party Transactions as prescribed under the Companies Act, 2013 (“**Act**”) read with the Rules framed thereunder and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, [**SEBI (LODR), Regulations, 2015**] **Dhanuka Agritech Limited (“DAL” or “the Company”)** has formulated guidelines for identification of Related Parties and the proper conduct and documentation of all the Related Party Transactions.

Further, Regulation 23 of SEBI (LODR) Regulations, 2015 requires a Company to formulate a policy on materiality of Related Party Transactions and dealing with Related Party Transactions.

In light of the above, DAL has framed this Policy on Related Party Transactions (“**Policy**”). This Policy has been adopted by the Board of Directors of the Company based on the recommendations of the Audit Committee. Going forward, the Audit Committee would review and amend the Policy, as and when required, subject to the approval of the Board.

2) OBJECTIVE OF THE POLICY

The objective of this Policy is to set out

- a. the materiality thresholds for Related Party transactions and;
- b. the manner of dealing with the transactions between the Company and its Related Parties based on the Act, Regulation 23 of the SEBI (LODR) Regulations, 2015 and any other Laws and Regulations, as may be applicable to the Company.

3) APPLICABILITY

The Policy will be applicable to the Company with respect to all prospective Related Party Transactions.

All existing material Related Party contracts or arrangements which came into effect before the commencement of the Section 188 of the Act will not require fresh approval till the expiry of the original term of such contracts. However, if any modification in such contract is made on or after April 01, 2014, approval would need to be obtained as provided in this Policy.

Revised Related Party Transaction Policy shall be effective from April 01, 2019.



4) DEFINITIONS

- 4.1 “Act” means Companies Act, 2013 and Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.
- 4.2 “Audit Committee” shall mean the Audit Committee constituted by the Board of the Company from time to time, in accordance with the provisions of the Act and Listing Regulations.
- 4.3 “Arm’s length basis” means a transaction between two Related Parties that is conducted as if they are unrelated, so that there is no conflict of interest.
- 4.4 “Board of Directors” or “Board” shall mean the collective body of the Directors of the Company as constituted from time to time, in line with the provisions of the Act and Listing Regulations.
- 4.5 “Key Managerial Personnel” in relation to the Company shall be as defined under Section 2(51) of the Companies Act, 2013, as amended from time to time.
- 4.6 “Material Related Party Transaction” is a transaction with a Related Party, which either individually or taken together with previous transactions with a Related Party 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.
- However, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a Financial Year, exceeds two percent of the Annual Consolidated Turnover of the Company as per the last Audited Financial Statements of the Company.
- 4.7 “Ordinary Course of Business” would include usual transactions, customs and practices undertaken by the Company to conduct its business and day to day operations and activities and all such activities which the Company can undertake as per its Memorandum and Articles of Association and activities incidental thereto.
- 4.8 “Related Party” means a Related Party as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI (LODR) Regulations, 2015.
- 4.9 “Policy” means this Policy on Related Party Transactions, including amendments, if any, from time to time.
- 4.10 “Related Party Transaction” (RPT) means –



- for the purpose of the Act, specified transaction of the Company with the Related Parties mentioned in clause (a) to (g) of Section 188(1) and clause (iv) of Section 177(4) of the Act;
- For the purpose of Regulation 2(1)(zc) of the SEBI (LODR) Regulations, 2015, transfer of resources, services or obligations between the Company and a Related Party, regardless of whether a price is charged. A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions in a contract. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognized Stock Exchange(s).

4.11 "Relative" means relative as defined under Section 2(77) of the Act and Rules prescribed there under. Provided that this definition shall not be applicable for the units issued by mutual funds which are listed on recognized Stock Exchange(s).

5) MATERIALITY THRESHOLDS:

In accordance with Regulation 23 of the SEBI (LODR) Regulations, 2015, the Company has formulated this Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions including clear threshold limits duly approved by the Board of Directors. This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly.

The Listing Regulations requires a Company to provide materiality thresholds for transactions beyond which the Shareholders' approval will be required by way of a resolution. Dhanuka has fixed its materiality threshold at ten percent of the annual consolidated turnover of the Company as per the last Audited Financial Statements of the Company, for the purpose of Regulation 23 of the SEBI (LODR) Regulations, 2015.

However, a transaction involving payments made to a Related Party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds two percent of the Annual Consolidated Turnover of the Company as per the last Audited Financial Statements of the Company.

6) MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS:

All Related Party Transactions must be reported to the Audit Committee and approved or referred for approval by the Audit Committee based on this Policy.

6.1 Identification of 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/ her or his/ her relative, including any additional



information about the transaction that the Board or the Audit Committee may request. The Board shall record the Disclosure of Interest and the 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 has adequate time to obtain and review information about the proposed transaction.

- The Company Secretary shall at all times maintain a database of the Company's Related Parties containing the names of individuals and Companies, identified on the basis of the definition set forth in the Key Definition Section above, along with their personal/ Company details, including any revisions therein.
- The Related Party List shall be updated whenever necessary and shall be reviewed at least once a year.
- The Company Secretary shall be responsible for collation of information, coordination and sending the Related Party List to the concerned persons.

6.1 Prior Approval of the Audit Committee

All Related Party Transactions require prior approval of the Audit Committee whether at Meeting or by Circulation.

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.

➤ **Procedure for Approval**

The Audit Committee will be provided with all relevant material information of Related Party Transactions, 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.

The Audit Committee may accordingly approve or modify such transactions, in accordance with this Policy and/ or recommend the same to the Board for approval.

The Independent Directors shall ensure that adequate deliberations are held before approving Related Party Transactions which are not in the Ordinary Course of Business or not on Arm's Length or Material Specific Transactions and assure themselves that the same are in the interest of the Company and its Shareholders.



➤ **Omnibus Approval**

The Company may obtain omnibus approval for certain transactions, subject to compliances with the following conditions:

- The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- The omnibus approval shall provide –
 - (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 (for ex: +/- 5%) and
 - (iii) such other conditions, as the Audit Committee may deem fit.

However, in case of Related Party Transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction;

- The Audit Committee shall review the details of Related Party Transactions on quarterly basis entered into by the Company pursuant to each of the omnibus approval given;
- Such omnibus approval shall be valid for the period for which it is approved and shall require fresh approvals after the expiry of that period.

The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:

- i. Repetitiveness of the transactions (in past or in future);
- ii. Justification for the need of Omnibus Approval

The requirement for seeking Audit Committee approval shall not be applicable to transactions between Dhanuka and its Wholly-owned Subsidiary/ies whose accounts are consolidated with Dhanuka.

- iii. Transactions which are not at arm's length or not in the ordinary course of business;
- iv. Transactions which are not repetitive in nature;
- v. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy;
- vi. Transactions in respect of selling or disposing of the undertaking of the Company;
- vii. Financial Transactions e.g. Loan to related parties, Inter Corporate Deposits, subscriptions to bond, debenture or preference shares issued by



- the related parties, corporate guarantee given/received from related parties;
- viii. Any other transaction the Audit Committee may deem not fit for Omnibus Approval.

➤ **Approval of the Board of Directors of the Company**

As per the provisions of Section 188 of the Companies Act, 2013, all kinds of transactions specified under the said Section and which are not in the ordinary course of business and at arm's length basis shall be placed before the Board for its approval.

Threshold limits as prescribed from time to time under the Companies Act, 2013 is as follows:

Nature of Transaction	Monetary Threshold Limit
Sale, purchase or supply of goods or materials (directly or through appointment of agent)	Exceeding 10% of the turnover of the Company or Rs.100 crores, whichever is lower*
Selling or otherwise disposing of, or buying property of any kind (directly or through an agent)	Exceeding 10% of the net worth of the Company or Rs.100 crores, whichever is lower*
Leasing of property of any kind	Exceeding 10% of the net worth of the Company or 10% of the turnover of the Company or Rs.100 crores, whichever is lower*
Availing or rendering of any services (directly or through an agent)	Exceeding 10% of the turnover of the Company or Rs.50 crores, whichever is lower*
Appointment to any office or place of profit in the Company, subsidiary Company or associate Company	Remuneration exceeding Rs.2.5 lakhs per month
Underwriting the subscription of any securities or derivatives thereof of the Company	Remuneration exceeding 1% of the net worth of the Company

* Applies to transaction or transactions to be entered into either individually or taken together with the previous transactions during a Financial Year.

The turnover or net worth referred to above shall be computed on the basis of the audited financial statements of the preceding Financial Year

In addition to the above, the following kinds of transactions with Related Parties will also be 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), will 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 the Audit Committee's view requires Board approval.
 - Transactions meeting the materiality thresholds laid down in Clause 5 of the Policy, which are intended to be placed before the Shareholders for approval.

The Agenda of the Board Meeting at which the Resolution is proposed to be moved for approval of the Related Party Transaction shall disclose the following details:

- i. the name of the Related Party and the nature of relationship;
- ii. the nature, duration 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 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.

While assessing a proposal put up before the Audit Committee/ Board for approval, the Audit Committee/ 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:

- Name/s of the Related Party/ Relatives;
- 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 transaction;
- Key terms (such as price and other commercial compensation contemplated under the arrangement) of the proposed transaction, including value and quantum;
- Key covenants (non-commercial) as per the draft of the proposed agreement/ contract to be entered into for such transaction;
- Special terms covered / to be covered in separate letters or undertakings or any other special or sub arrangement forming part of a composite transaction;



- Benchmarking information that may have a bearing on the arm's length basis analysis like Market Analysis, Research Report, Industry Trends, Business Strategies etc.

➤ **Approval of the Shareholders of the Company**

All the transactions with Related Parties meeting the materiality thresholds, laid down in Clause 5 of the Policy, are placed before the Shareholders for approval.

For this purpose, 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.

The requirement for seeking Shareholders' approval shall not be applicable to transactions between DAL and its wholly owned subsidiary/ies whose accounts are consolidated with the Company.

In addition to the above, all kinds of transactions specified under Section 188 of the Act which

- a. are not in the ordinary course of business and at arm's length basis; and
- b. exceed the thresholds laid down in Companies (Meetings of Board and its Powers) Rules, 2014 are placed before the Shareholders for its approval.

7) RELATED PARTY TRANSACTIONS NOT APPROVED UNDER THIS POLICY:

In the event the Company becomes aware of a transaction with a Related Party that has not been approved in accordance with this Policy prior to its consummation, the matter shall be reviewed by the Audit Committee. The Audit 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 Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party transaction to the Audit Committee under this Policy and failure of the internal control systems, and shall take any such action it deems appropriate.

In any case, where the Audit Committee determines not to ratify a Related Party transaction that has been commenced without approval, the Audit Committee, as appropriate, may direct additional actions including, but not limited to, discontinuation of the transaction or seeking the approval of the Shareholders, payment of compensation for the loss suffered by the Related Party etc. In connection with any review/approval of a Related Party transaction, the Audit Committee has authority to modify or waive any procedural requirements of this Policy.



8) AMENDMENT IN LAW:

In any subsequent amendment/ modification in the Listing Agreement and/or applicable laws in this regard shall automatically apply to this Policy.

9) DISCLOSURES:

DAL shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with Related Parties, which are not in ordinary course of business or arm's length basis along with the justification for entering into such transaction.

In addition to the above, DAL shall also provide details of all Related Party transactions meeting the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the Stock Exchanges where it is listed.

This Policy shall be uploaded on the website of Dhanuka at www.Dhanuka.com and a web link thereto shall be provided in the Annual Report of the Dhanuka.
