

TATVA CHINTAN PHARMA CHEM LIMITED

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

PREFACE

Tatva Chintan Pharma Chem Limited (hereinafter referred to as “TCPCL or the Company”) has always been committed to good Corporate Governance Practices, including in matters relating to Related Party Transactions. An endeavour is consistently made to have only arms’ length transactions with Related Parties. Related Party Transactions can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company and its shareholders’ best interests and in compliance to the provisions of the Companies Act, 2013 and Regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

All Related Party Transactions (RPT), as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below. The Board has determined that the Audit Committee (the “Committee”) is best suited to review all Related Party Transactions.

This Policy is framed based on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and primarily intended to ensure the governance and reporting of transactions between the Company and its Related Parties.

OBJECTIVE of the policy:

1. 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.
2. The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

DEFINITIONS

‘**Act**’ means Companies Act, 2013 (Act) and Rules made thereunder, including any amendments or modifications thereof.

‘**Audit Committee or Committee**’ means “Audit Committee” constituted by the Board of Directors of the Company, from time to time, under provisions of the SEBI (LODR) Regulations, 2015 and Companies Act, 2013.

‘**Board**’ means the Board of Directors of Tatva Chintan Pharma Chem Limited.

‘LODR’ means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

‘Materiality of Related Party Transactions’ means 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 exceed ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company as per the last audited financial statement of the Company.

‘Policy’ means this Policy on Materiality of related party transaction, as amended from time to time.

‘Related party’ means a related party as defined: (i) under Section 2(76) of the Companies Act, 2013; or (ii) under the applicable accounting standards.

Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20% or more of shareholding in the listed shall be deemed to be a related party.

‘Related Party Transactions (RPT)’ shall mean any transaction involving transfer of resources, services or obligations between the company and a related party, regardless of whether a price is charged, including but not limited to the following:

- (i) sale, purchase or supply of any goods or materials
- (ii) selling or otherwise disposing of, or buying, property of any kind
- (iii) leasing of property of any kind
- (iv) availing or rendering of any services
- (v) appointment of any agent for purchase or sale of goods, materials, services or property
- (vi) appointment to any office or place of profit in the company.

“Office or Place of Profit” means any office or place – 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.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

PROCEDURES

1. All Related Party Transactions (RPTs) of the company as prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 will be approved by the audit committee of the Board from time to time.
2. Each Director who is a Related Party with respect to a particular Related Party Transaction shall disclose all material information to the Committee concerning such Related Party Transaction and his or her interest in such transaction.
3. Management shall present to the Audit Committee the following information, to the extent relevant, with respect to actual or potential Related Party Transactions:
 - a. A general description of the transaction(s), including the name of the related party and nature of relationship, duration of the contract and particulars of the contract or arrangement, maximum amount of transaction that can be entered into, the material terms and conditions.
 - b. The Related Party's interest in the transaction(s), including the Related Party's position or relationship with, or ownership of, any entity that is a party to or has an interest in the transaction(s).
 - c. The manner of determining the pricing and other commercial terms, the indicative base price / current contracted price and the formula for variation in the price if any.
 - d. Any advance paid or received for the contract or arrangement, if any and the approximate value of the transaction(s) and the approximate value of the Related Party's interest in the transaction(s)
 - e. In the case of a lease or other transaction providing for periodic payments or instalments, the aggregate amount of all periodic payments or instalments expected to be made in the financial year.
 - f. In the case of indebtedness, the aggregate amount of principal to be outstanding and the rate or amount of interest to be payable on such indebtedness.
 - g. 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 any other material information regarding the transaction(s) or the Related Party's interest in the transaction(s).
4. Consent of the Board and the Shareholders would also be taken in respect of all RPTs, provided that such consent would not be required in the following cases:
 - a. The transactions are entered into by the company in its ordinary course of business and are on an arms' length basis; and
 - b. sale, purchase or supply of any goods or materials, directly or through appointment of agent, amounting to 10% or more of the Annual Turnover of the Company; or

- c. selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent, amounting to 10% or more of the Net Worth of the Company; or
- d. leasing of property of any kind amounting to 10% or more of the Annual Turnover of the Company; or
- e. availing or rendering of any services, directly or through appointment of agent, amounting to 10% or more of the Annual Turnover of the Company; or

The limits specified in sub-clause (b) to (e) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.]

- f. 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; or
- g. remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company exceeding 1% of the Net Worth.

The turnover or net worth referred in the above sub-rules shall be computed on the basis of the audited financial statement of the preceding financial year.

1. APPROVAL PROCESS

(i.) Approval of Audit Committee:

Every related party transaction shall be subject to the prior approval of the Audit Committee of the Company. Any member of the Committee who has a potential interest in any related party transaction will abstain from any discussion or voting of such proposals and shall not be counted in determining the presence of quorum when such Transaction is considered. The Audit Committee may, subject to applicable regulatory provisions including Companies Act, 2013 and the Listing regulations, however, grant omnibus approval for related party transaction proposed to be entered into by the company on such terms and conditions as it may deem appropriate. To review a related party transaction, the committee will be provided with all relevant material information including the terms of the transaction.

While considering any Related Party Transaction, the Audit Committee shall take into account all relevant facts and circumstances, including the terms and business purpose of such transaction, the benefits of the Company and to the Related Party, whether such Transaction includes any potential reputational

risks that may arise as a result of or in connection with the proposed Transaction and any other relevant matters.

Omnibus Approval may be granted by the Audit Committee if Related Party Transactions are repetitive in nature and subject to criteria/conditions as mentioned under the provisions of Section 177 of the Act and Rules made thereunder and Regulation 23 of the Listing Regulations, as amended from time to time, and such other conditions as it may consider necessary in line with this Policy and are in 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 financial year.

Audit Committee shall review, on a quarterly basis, the details of related party transactions entered into by the Company pursuant to the omnibus approval. In connection with any review of a related party transaction, the Committee has authority to modify or waive any procedural requirements of this policy.

A related party transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for ratification.

(ii.) Approval of Board of Directors:

If the Audit 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 if the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length price—the Board shall approve the related party transaction, as may be necessary.

In case of any material change in the terms of a related party transaction, subsequent to its approval by the Audit Committee or the Board, as the case may be, the revised terms shall be presented to the Audit Committee for their consideration.

Any member of the Board who has a potential conflict of interest in any Related party Transaction will not remain present at the meeting or shall abstain from discussion and voting on the approval of such Related Party Transaction and shall not be counted in determining the presence of quorum when such Transaction is considered.

(iii.) Approval of Shareholders:

All material Related Party Transactions will be placed for approval of the Shareholders of the Company through Special Resolutions and the related parties shall abstain from voting on such resolutions, as prescribed under applicable regulations.

In respect of other transactions, other than the Material Related Party Transaction, with the related parties which are not in the Ordinary Course of Business and at Arms' Length Basis, the company shall comply with the provisions of the Companies Act, 2013 and the applicable listing regulations and provisions and obtain approval of the Board and / or shareholders, as applicable for such transactions.

Transactions with the Related parties (as defined under the Companies Act, 2013) covered within the scope of Section 188 of the Act, which are either not in the 'Ordinary Course of Business' and exceeds the threshold under Section 188 of the Companies Act, 2013 and the rules made there under, shall require prior approval of the shareholders through a resolution.

The requirement of seeking approval of the Audit Committee or the shareholders, shall not apply in respect of exempted transactions as specified under Companies Act, 2013 and in applicable listing regulations and provisions.

The requirements of approval specified under this Policy shall not apply in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code, 2016 including any statutory modification(s) or re-enactment thereof, subject to the event being disclosed to the recognized stock exchanges within 1 (one) day of the resolution plan being approved.

Further if 90 (ninety)% (percent) or more members of the Company, in number, are relatives of promoters or are related parties then that such members who are related party(ies) is/are eligible to entitle to vote on such resolutions whether the Company is a related party to the particular transaction or not.

5. Where Board consent / shareholders' approval is required as per para 4 above, a) the agenda of the Board meeting at which the resolution is proposed to be moved and b) explanatory statement to be annexed to the notice of such general meeting, shall disclose all such details / information about the contract as are prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014.
6. Where RPTs require approval of the Board and the shareholders through resolution as per para 4 above, (a) any director who is interested in any contract or arrangement with a related party, shall not be present at the meeting during discussions on the subject-matter of the resolution relating to such contract or arrangement and b) all entities

falling definition of Related Party(ies) shall abstain from voting on such resolution of the shareholders.

7. If a Related Party Transaction will be ongoing/ proposed to be entered into by the company, the Committee may grant omnibus approval for ongoing dealings/ proposed related party transactions. 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. If 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 **one crores per transaction**. The Audit Committee shall lay down the criteria /guidelines for granting the omnibus approval in line with the policy on Related Party Transactions of the company. Such approval shall be applicable in respect of transactions which are repetitive in nature and only for one year.
8. The Committee shall periodically review and assess on-going relationships with the Related Party. Any material amendment, renewal or extension of a transaction, arrangement or relationship previously reviewed under this Policy shall also be subject to subsequent review under this Policy.
9. This Policy on Related Party Transactions shall be governed by the Companies Act, 2013 read with Rules made thereunder, as may be in force for the time being as well as SEBI (Listing Obligations and Disclosure Requirements) regulation 2015 or such other Rules / Regulations, as may be notified by SEBI from time to time.
10. This policy shall be reviewed by the Board at least once every three years and updated accordingly.

RPTs NOT PREVIOUSLY APPROVED

1. In the event the Company becomes aware of a RPT that has not been approved or ratified under this Policy, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy and in compliance with the applicable laws and regulations as may be amended from time to time.
2. 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.

EFFECTIVE DATE

This policy was approved by the Board of Directors on 13th March, 2021 and is effective with immediate effect.

WEBSITE

As per the provisions of the Listing Regulations, the Policy shall be disclosed on the website of the Company. Further, the Company shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under the Listing Regulations and such disclosures shall be made available on the website of the Company.

LIMITATION AND AMENDMENTS

1. The Policy is subject to review from time to time and at least once in every two years.
2. The Board of Directors may in their discretion and on recommendation of the Audit Committee, make any changes/modifications and/or amendments to this Policy from time to time.
3. Requirements with respect to quorum, notice of meeting, documentation, etc shall be in conformity with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government, unless expressly stated otherwise.

