



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

I. PREFACE

This policy aims to determine the materiality of Related Party Transactions and to deal with RPTs of Gulshan Polyols Limited. This policy is prepared in accordance with Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Listing Regulations'), as amended and Section 177 and 188 of the Companies Act, 2013 (the 'Act'), read with the Rules made thereunder, as amended.

In case any provisions of the Policy are contrary to or inconsistent with the provisions of relevant/applicable Laws, the provisions of relevant/applicable Laws shall prevail.

II. OBJECTIVE

- 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.
- To ensure high standards of Corporate Governance while dealing with related parties.
- Moreover, Regulation 23(1) of Listing Regulations requires a listed company to formulate a Policy on materiality of related party transactions and on dealing with related party transactions.

III. DEFINITIONS

In this Policy, unless the context otherwise requires:

- **"Act"** means the Companies Act, 2013 including any statutory modification or reenactment thereof.
- **"Audit Committee"** or **"Committee"** means the committee of Board of Directors constituted in pursuance of Section 177 of the Act and Regulation 18 of Listing Regulations.
- **"Arm's length Basis"** Terms will be treated as on 'Arm's Length Basis' as if the commercial and key terms are comparable and are not materially different with similar transactions with non-related parties considering all the aspects of the transactions. Pricing, though being an important factor, may not be the only determinant of a transaction being at arm's length.
- **"Board"** means the Board of Directors of the **Gulshan Polyols Limited**.
- **"Company"** means **Gulshan Polyols Limited**.

- **“Independent Director”** means an Independent Director referred in section 149(6) of the Companies Act, 2013 read with Regulation 16(1)(b) of the Listing Regulations.
- **“Key Managerial Personnel”** or **“KMP”** means person(s) appointed as such in pursuance of Section 203 of the Act read with Section 2(51) of the Act.
- **“Listing Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time.
- **“Ordinary Course of Business”** means normal, regular business activities carried out by the Company in line with its Memorandum and Articles of Association. Since, the term Ordinary Course of Business is not defined under the statute, the Company would exercise judgement on this aspect using the guiding principles, such as;
 - i. transaction(s) carried out in the normal course of business envisaged in accordance with the Memorandum of Association of the Company as amended from time to time;
 - ii. any similar transaction(s), company has done in the past;
 - iii. transaction(s), carried out at regular frequency;
 - iv. transaction(s) entered into, to enable a company remain as a going concern;
 - v. bonafide transaction(s). The contract should be incidental to the business.
 - vi. meets any other parameter/criteria as decided by the Board/Audit Committee, from time to time.

The guiding principles are not exhaustive and the facts and circumstances of each case would be examined before concluding on the matter.

- **“Policy”** means Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions’, as amended from time to time
- **“Promoter”** and **“Promoter Group”** shall have the respective meanings as assigned to them in the Listing Regulations.
- **“Related Party”** in relation to the Company means a party related with the Company in any of the ways as laid down in Section 2(76) of the Act and as per Regulation 2(1)(zb) of the Listing Regulations or under applicable accounting standards, as amended from time to time.
- **“Related Party Transaction”** shall mean a transaction between the Company and a Related Party under the provisions of the Regulation 2(1)(zc) of the Listing Regulations and/or the Section 188 of the Act read with the Rules, as amended from time to time. However, it shall means any transaction between the Company and any Related Party for transfer of resources, services or obligations, regardless of whether a price is charged, these includes;
 - 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 the 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;
- G. Underwriting the subscription of any securities or derivatives thereof, of the Company;

(The points set forth above are an indicative list and not an exhaustive one).

A transaction involving a transfer of resources, services or obligations between the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand (effective from April 1, 2022); or 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 (effective from April 1, 2022), regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract. Such other transactions as specified under the provisions of the Companies Act, 2013 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Indian Accounting Standards including any amendment or modification thereof, as may be applicable.

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 Company 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"** means any person as per Section 2(77) of the Companies Act and rules prescribed thereunder and as per Regulation 2(1)(zd) of the Listing Regulations, as amended from time to time.
- **"Relevant Laws"** means the Act, the Rules and Listing Regulations.
- **"Rules"** means the Rules framed under the Act, as amended from time to time.
- **"Material Related Party Transactions" or "Material"** means a transaction with a Related Party where the transaction/transactions to be entered into individually or taken together with previous transactions with a Related Party during a financial year, exceeds Rupees One Thousand Crore or ten percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company, whichever is lower.

Notwithstanding the above, a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.

- **“Material Modifications”** means in relation to a Related Party Transaction(s) approved by the Audit Committee or a material related party transaction(s) approved by the Shareholders, as the case may be, material modifications means any variation having an impact on the monetary limits/value of the transaction by 20% of the approved limits by the Audit Committee or Shareholders, as the case may be, means which has the effect of increasing or decreasing the value of original contract/terms by 20% or more.

Unless the context otherwise provides, terms not defined herein and used in this Policy, shall bear the same meaning as prescribed under the Act, the Listing Regulations or any other relevant law.

IV. PERIODIC IDENTIFICATION OF RELATED PARTIES

- Related parties shall be identified under the Companies Act, 2013 and the Listing Regulations, as amended from time to time.
- 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 / Audit Committee may reasonably request.

V. REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

- a) All RPTs including any subsequent modification of existing RPTs thereof shall require prior approval of the Committee in the manner specified under the Listing Regulations.

Further, only members of the Committee who are Independent Directors shall approve RPTs.

- b) All material related party transactions and subsequent material modifications shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.
- c) All contract, arrangement or transaction, between a related party (as defined under the Act) and the Company, as specified under Section 188 of the Act, which are either not at arm's length basis or not in the ordinary course of business, shall require approval of;
- Board; **and**
 - Shareholders, if amount of such transactions exceeds the limits prescribed in Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014. No Related Party shall vote to approve such transaction.

d) The Committee shall grant omnibus approval for RPTs proposed to be entered into by the Company, subject to the following conditions:

(i) The proposed RPTs are repetitive in nature and the Committee is satisfied with the need of such omnibus approval and is in the interest of the Company;

(ii) Omnibus approval shall specify:

- ❖ The name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,
- ❖ The indicative base price / current contracted price and the formula for variation in the price, if any; and
- ❖ Such other conditions as the Committee may deem fit;

The Committee may grant omnibus approval upto Rupees One Crore per transaction for the RPTs which cannot be foreseen or the details prescribed in the criteria for seeking omnibus approval are not available.

(iii) Omnibus approval shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

e) Related Party Transactions of Subsidiary Company:

(i) Effective from April 1, 2022, RPTs of subsidiary company(ies) to which the Company is not a party, shall also require prior approval of the Committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds 10% of the annual consolidated turnover, as per the last audited financial statements of the Company;

(ii) Effective from April 1, 2023, RPTs of subsidiary company(ies) to which the Company is not a party, shall also require prior approval of the Committee, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds 10% of the annual standalone turnover, as per the last audited financial statements of the relevant subsidiary.

(iii) Also, material modifications in the RPTs in which the Company is not a party but a subsidiary of the Company is a party shall require prior approval of the Committee

f) All RPTs including RPTs approved through omnibus approval, shall be reviewed post facto by the Committee, quarterly. The Committee shall be informed whether the RPTs have been entered into in the ordinary course of business and on arm's length basis.

g) In the event the Audit Committee decides to put up a Related Party Transaction before the Board, or if the Board suo-moto elects to review any Related Party Transaction or if a Related Party Transaction is required to be approved by the Board in pursuance of the Act, Rules or Listing Regulations, the process set forth in this policy or in, Act, Listing Regulations and prevailing laws shall apply mutatis-mutandis for approval of such Related Party Transaction by the Board, subject to such exceptions as may be necessary or appropriate under the circumstances.

- h) The Board will consider such factors as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances.

VI. TRANSACTIONS WITH WHOLLY OWNED SUBSIDIARY

The provisions of Regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in case of transactions entered into between the Company and its wholly owned subsidiary, whose accounts are consolidated with the accounts of the Company and placed before the shareholders at the general meeting for approval subject to compliance of conditions stipulated in the provisions of Section 177 read with Section 188 of the Act.

VII. DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

- Particulars of RPTs shall be disclosed in such manner as may be prescribed under the Listing Regulations and/or the Act (including rules made thereunder), from time to time.
- This Policy shall be disclosed on the Company's website www.gulshanindia.com and a web link thereto shall be provided in the Annual Report of the Company.
- The details of material transactions with related parties will be included in the corporate governance reports which are required to be submitted to the stock exchanges on a quarterly basis, if any.
- The Company shall submit the half yearly disclosures of Related Party Transactions on a consolidated basis, in the specified format to the stock exchanges and publish the same on its website within stipulated timeline.

AMENDMENT

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. The Policy shall be reviewed by the Board at least once in every three years and updated accordingly. Any subsequent amendment/modification in the Act or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy. However, amendments in the Act or in the Listing Regulations shall be binding even if not incorporated in this Policy.

[This 'Policy on materiality of Related Party Transactions and on dealing with Related Party Transactions' is amended and effective from April 1, 2022].