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# 1 PREAMBLE

This policy on related party transactions (“Related Party Transactions Policy” or “RPT Policy”) has been formulated, on the recommendation of the Audit Committee, in pursuance of Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and other applicable provisions (including any statutory enactments / amendments thereof) and approved by the Board of Directors vide its Board meeting held on 10<sup>th</sup> August 2021

The RPT Policy is to ensure the proper approval, regulation and reporting of transactions between the Company and its related parties.



## 2 DEFINITIONS

“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.

“Audit Committee” means Committee of Board of Directors of the Company under Section 177 of the Companies Act, 2013 and the SEBI Listing Regulations..

“Board” means Board of Directors of the Company

“Company” means Paradeep Phosphates Limited

“Key Managerial Personnel” means the Managing Director, the Company Secretary, the Chief Financial Officer and such other officers/employees of the Company as defined in section 2(51) of the Companies Act, 2013 and Regulation 2(1)(bb) of the SEBI (Issue of Capital and Disclosure Requirements), 2018.

“Related Party” means an entity which:

- i. is a related party under Section 2(76) of the Companies Act, 2013; or
- ii. is a related party under the applicable Accounting Standards.

“Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or

(b) any person or any entity, holding equity shares:

- i. of 20% or more; or
- ii. of 10% or more, with effect from April 1, 2023;

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party.”

“Related Party Transaction” means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
- (ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

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.

(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:

“Material Related Party Transaction” means

- i. a transaction with a Related Party if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower.
- ii. a transaction involving payments made to a related party with respect to brand usage or royalty if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% of the annual consolidated turnover of the Company as per the last audited financial statements.

“Material Modifications” means

- i. Modification to an existing RPT having variance of 20% of the existing sanctioned limit.
- ii. Modification resulting into not meeting arm’s length testing



### 3 TRANSACTIONS COVERED UNDER THE POLICY

Transactions covered under this Policy mean means transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged, which shall be construed to include single transaction or a group of transactions in a contract under the relevant provisions of the Companies Act, 2013 or the SEBI Listing Regulations or any other related law, regulation, standard and:

- 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 thereof, of the Company.
- h. transfer of resources, services or obligations between:
  - (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
  - (ii) a listed entity 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 listed entity or any of its subsidiaries, with effect from April 1, 2023;

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:

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.

## **4 DEALING WITH RELATED PARTY TRANSACTIONS**

The Board shall fulfill the function of monitoring and managing potential conflicts of interest of management, Board and shareholders, including misuse of corporate assets and abuse in related party transactions.

The Company shall comply with applicable provisions of the Companies Act, 2013, Rules made there under, the Listing Agreement and other applicable law in force from time to time in dealing with the Related Party Transactions.



## 5 IDENTIFICATION AND APPROVAL PROCESS

### 5.1 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. The Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. Also, provide declarations if there has been a change in the details from the last declaration made under this RPT Policy.

The Chief Financial Officer and the Managing Director are jointly responsible in identifying the potential related party transactions and provide necessary information in advance to the Company Secretary for initiating the process to obtain the necessary approvals of the Audit Committee/Board/Shareholders. Further, the Chief Financial Officer and the Managing Director are responsible for providing additional information about transaction that the Board / Audit Committee may request, for being placed before the Audit Committee / Board.

### 5.2 Approval of Audit Committee

All Related Party Transactions and subsequent material modifications shall require prior approval of the Audit Committee of the Company. Provided that only those members of the audit committee, who are independent directors, shall approve related party transactions.

#### **Prior Approval of Audit Committee of Listed Company where subsidiary of the listed Company is party but the Company is not party**

- a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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.
- with effect from April 1, 2023, a related party transaction to which the subsidiary of a Company is a party but the Company is not a party, shall require prior approval of the audit committee of the Company 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;
- prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is



## Policy on Transactions with Related Party

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not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- a. the name of the related party and nature of relationship;
- b. the nature, duration of the contract and particulars of the contract or arrangement;
- c. the material terms of the contract or arrangement including the value, if any;
- d. any advance paid or received for the contract or arrangement, if any;
- e. the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract;
- f. 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;
- g. the persons/authority approving the transaction; and
- h. any other information relevant or important for the Committee to take a decision on the proposed transaction.

Subject to the provisions of the applicable laws the Audit Committee will have the discretion to approve/modify/recommend/refer the proposed related party transaction for the approval of Board or shareholders.

And, in the event such transaction, contract or arrangement is not in the ordinary course of business or at arm's length, the Company shall comply with the provisions of the Companies Act 2013 and the Rules framed thereunder and obtain approval of the Board or its shareholders, as applicable, for such contract or arrangement.

Subject to the provisions of applicable laws from time to time, in exceptional cases, where a prior approval is not taken due to an inadvertent omission or due to unforeseen circumstances, the Committee may ratify the transactions in accordance with this Policy.

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:

- a. The Audit Committee shall, in line with this RPT Policy, grant the omnibus approval on Related Party Transactions of the Company in respect of transactions which are repetitive in nature.
- b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
- c. 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.

- d. 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.
- e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
- f. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the Company

### 5.3 **Approval of Board of Directors**

All Related Party Transactions, which are not in ordinary course of business / not at arm's length, shall require prior approval of the Board of Directors. Where any director of the Company is interested in any contract or arrangement with a related party, such director shall not be present at the meeting during discussions on the subject matter of the resolution relating to such contract or arrangement.

### 5.4 **Approval of the Shareholders**

Related Party Transactions not in ordinary course of business or not at arm's length, shall require prior approval of the shareholders through an Ordinary resolution if they exceed the threshold limits prescribed under Section 188 of the Companies Act, 2013 read with Rules made thereunder. No Related Party shall vote to approve such resolutions.

All Material Related Party Transactions and subsequent material modifications, irrespective of whether they are in the ordinary course of business and at arm's length, shall require prior approval of the shareholders through an Ordinary resolution and No Related Party shall vote to approve such resolutions, whether the entity is a party to the particular transaction or not.

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

Provided further that the approval of shareholders shall not be required in respect of a resolution plan approved under section 31 of the Insolvency Code, subject to the event being disclosed to the recognized stock exchanges within 1 day of the resolution plan being approved.

The requirement of approval of Shareholders is not applicable for the transactions entered into with wholly owned subsidiaries whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval, transactions 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 and 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.

In case of wholly owned subsidiary, the resolution passed by the Company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and the Company.

The provisions of sub regulations (2),(3),(4) shall not apply to transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

#### **5.5 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 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 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 already commenced without prior approval of the Audit Committee, the Committee, as appropriate, 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.



## **6 REPORTING OF RELATED PARTY TRANSACTIONS**

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

The transactions entered into with a related party pursuant to omnibus approval shall be reported to the Audit Committee on quarterly basis.

The related party transactions on a consolidated basis shall be disclosed to the stock exchanges in the format as specified by the Board from time to time, and publish the same on its website:

Provided further that the Company shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:

Provided further that the Company shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results with effect from April 1, 2023.”

Particulars of contracts / arrangements entered into by the Company with related parties referred to in Section 188(1) of the Companies Act, 2013, including arm’s length transactions shall be disclosed on an annual basis as part of Annual Report.



## **7 AMENDMENTS & GOVERNING LAW**

The Board of Directors, on its own and / or as per the recommendations of the Audit Committee may amend this Policy as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, which make the provisions laid down under this Policy inconsistent with such amendment(s), clarification(s), circular(s) etc. then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy 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 Regulation 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") or such other Rules / Regulations, as may be notified by SEBI from time to time.