

RESONANCE SPECIALTIES LIMITED

**REVISED POLICY ON RELATED PARTY
TRANSACTIONS**

Adopted on: August 14, 2014
Revised on: February 14, 2019

REVISED 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 SEBI (Listing Obligation and Disclosure Requirement) Regulations 2015 (Listing Regulations), Resonance Specialties Limited (“RSL” or “the Company”) has formulated guidelines for identification of related parties and the proper conduct and documentation of all related party transactions.

Also, Regulation 23 of the Listing Regulations requires a company to formulate a policy on materiality of related party transactions and dealing with related party transactions including clear threshold limits duly approved by the Board of Directors.

In light of the above, RSL has framed this Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions (“Policy”). This Policy has been adopted by the Board of Directors of the Company based on 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. ABOUT THE COMPANY

Resonance Specialties Limited is a pioneer in Pyridine chemistry and one of the few manufacturers of the product in the world. The company, formerly known as Armour Polymers Limited, was the first in India to manufacture Pyridines. Resonance is also one of the largest manufacturers of Lutidines in the world. Despite the fact that these technologies are available only with a select few companies worldwide, Resonance was able to innovate and commercialise production with its own technology. The company produces a range of value added products and continues to be the largest manufacturer and exporter of products like Alpha Picolinic acid and Dipicolinic acid. Resonance has exclusive supply arrangements with global industry leaders.

3. 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 the Listing Regulations and any other laws and regulations as may be applicable to the Company.

4. DEFINITIONS

“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.

“Arms 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.

“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.

“Key Managerial Personnel” in relation to the Company shall be as defined under Section 2(51) of the Act, as amended from time to time.

“Ordinary Course of Business (‘OCB’)” means a transaction which is:

- carried out in the normal course of business envisaged in accordance with the Memorandum of Association (‘MoA’) of the Company as amended from time to time, or
- historical practice with a pattern of frequency, or
- in connection with the normal business carried on by the Company, or
- the income, if any, earned from such activity/transaction is assessed as business income in the Company’s books of accounts and hence is a business activity, or

- common commercial practice, or
- meets any other parameters / criteria as decided by the Board/Audit Committee.

“Related Party” with reference to a Company, shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1) (zb) of the Listing Regulations.

“Related Party Transaction” (RPT) means –

- for the purpose of the Act, specified transaction of the Company with Related Parties mentioned in clause (a) to (g) of sub-section 1 of Section 188 and clause (iv) of sub-section 4 of Section 177 of the Act; and
- for the purpose of Regulation 2(1)(zc) of the Listing Regulations, a transfer of resources, services or obligations between a listed entity and a related party, 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 this definition shall not be applicable for the units issued by Mutual Funds which are listed on Recognized Stock Exchanges.

“Relative” means relative as defined under sub-section (77) of Section 2 of the Act and Rules prescribed there under.

5. MATERIALITY THRESHOLDS

In accordance with Regulation 23 of Listing Regulations, 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.

A transaction with a related party shall be considered material if the transactions to be entered individually or taken together with previous transactions during a financial year, exceeds 10% of the annual consolidated

turnover of the listed entity as per the last audited financial statements of the listed entity (“**Material Related Party Transaction**”).

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, exceeds 2% of the annual consolidated turnover of the Company as per the last audited financial statements.

6. MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

All Related Party Transactions must be reported to the Audit Committee for its approval in accordance with this Policy.

a) Identification of related parties

- Each Director and Key Managerial Personnel is responsible for providing notice to the Board/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 Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy. The Director and Key Managerial Personnel shall send notice of any potential Related Party Transaction.
- The Corporate Secretarial team 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 which should be updated every quarter.
- Audit Committee may determine the procedure to be followed for declaration as well as compilation and circulation of the comprehensive List of Related Parties.

b) Identification of related party transactions

The concerned department / executive of the Company entering into a transaction shall identify related party transactions based on the list of Related

Parties identified under (a) above, in accordance with Section 177 and 188 of the Act and Regulation 23 of the Listing Regulations. Thereafter the concerned department entering into the transaction shall establish whether the transaction is at arm's length and in the ordinary course of business or whether the transaction is Material.

c) Procedure for approval of related party transactions

i. Approval of the Audit Committee

All related party transactions require prior approval of the Audit Committee.

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.

In case of a transaction, other than transactions referred to in Section 188 of the Act, and where Audit Committee does not approve the transaction, it shall make its recommendations to the Board.

ii. Omnibus approval of the Audit Committee

The Company may obtain omnibus approval from the Audit Committee for such transactions, subject to compliance with the following conditions:

- The Audit Committee shall satisfy itself of the need for such omnibus approval and that such approval is in the interest of the Company;

- The omnibus approval shall provide –

(a) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transaction in aggregate that can be entered into during the year;

(b) the indicative base price / current contracted price and the formula for variation in the price if any (for ex: +/- 5%); and

(c) 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, 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;
- Such omnibus approval shall be valid for a period of one year
- The criteria for granting Omnibus Approval shall include the following:
 - The maximum value of the transactions, in aggregate, which can be allowed under omnibus route in a year, will be 40% of the annual consolidated turnover of the company as per last of its audited financial statements and maximum value per transaction or Rs. 18 Crore per transaction whichever is higher.
 - The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely:-
 - a. repetitiveness of the transactions (in past or in future);
 - b. justification for the need of omnibus approval

Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

1. Transactions which are not at arm's length or not in the ordinary course of business;
2. Transactions which are not repetitive in nature;
3. Transactions exceeding materiality thresholds as laid down in Clause 5 of the Policy;
4. Transactions in respect of selling or disposing of the undertaking of the Company;
5. Financial Transactions eg. 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

6. Any other transaction the Audit Committee may deem not fit for omnibus approval

iii. 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 or at arm's length basis, shall be placed before the Board for its approval. Such approval shall be granted only by means of a Resolution passed at a Meeting of the Board. The Company may if it considers necessary, and shall if the Audit Committee or Board so requires, S

In addition to the above, the following kinds of transactions with related parties shall 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) 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.
- Transactions exceeding the materiality thresholds laid down Clause 5 of the Policy, which are intended to be placed before the shareholders for approval.

Where any Director 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.

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:

- 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, such as:
 - market analysis, research report, industry trends, business strategies, financial forecasts, etc.;
 - third party comparable, 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 Shareholders of the Company

All the transactions with related parties exceeding the materiality thresholds, laid down in Clause 5 of the Policy, shall be placed before the shareholders for approval.

For this purpose, no entity falling under the definition of related parties shall vote to approve the relevant transaction 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 the Company and its wholly-owned subsidiary (ies) if any 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 shall be placed before the shareholders for its approval.

7. DISCLOSURES

RSL 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, RSL shall also provide details of all related party transactions exceeding the materiality threshold (laid down in Clause 5 of the Policy above) on a quarterly basis to the stock exchanges.

This policy shall also be uploaded on the website of the Company at www.resonancesl.com and a web link thereto shall be provided in the Annual Report of the Company.

8. 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.

Further, the Company shall submit within 30 days from the date of publication of Standalone financial results for the half year, disclosure of related party

transactions on a consolidated basis, in the format specified in the relevant accounting standards for annual results, to the stock exchanges and publish the same on its website.

9. REVIEW OF THE POLICY

This Policy shall be reviewed by the Board of Directors at least once every three years and updated accordingly based on the recommendations of the Audit Committee.

10. COMPLIANCE RESPONSIBILITY

Compliance of this Policy shall be the responsibility of the Company Secretary and Chief Financial Officer of the Company who shall have the power to ask for any information or clarifications from the management in this regard.